



To the Common Council  
City of Manitowoc  
Manitowoc, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Manitowoc, Wisconsin (City) as of and for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards, Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and the *State Single Audit Guidelines*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to the audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards in the United States of America, Governmental Auditing Standards Issued by the Comptroller General of the United States, Uniform Guidance, and Wisconsin State Single Audit Guidelines**

As stated in our engagement letter dated December 14, 2023, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, schedules of employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, schedule of changes in total OPEB liability and related ratios, and schedules of employer's proportionate share of the net OPEB liability and employer contributions – other post-employment benefits other than pensions – local retiree life insurance fund as indicated in the financial statement's table of contents, which supplement the basic financial statements, was to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures did not provide us with sufficient evidence to express an opinion or provide any assurance, we did not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements, budgetary comparison schedules, capital assets used in the operation of government funds and schedules of expenditures of federal awards and state financial assistance as indicated in the financial statement's table of contents, which accompany the financial statements but are not RSI and are the responsibility of management. Our responsibility for the supplementary information as described by professional standards, was to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information was fairly stated, in all material respects, in relation to the financial statements as a whole.

We did not audit the introductory and statistical sections and accordingly, we express no opinion on it. The additional information is required to be presented if the City issues an Annual Comprehensive Financial Report to provide a historical and environmental context of the City.

### **Audit Scope, Significant Risks and Other**

Our audit included examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures.

Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Any internal control related matters that are required to be communicated under professional standards are included later in this letter.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by the City of Manitowoc are described in Note 1 to the financial statements. As discussed in Note 1, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 96 – Subscription Based Information Technology Agreements as of and for the year ended December 31, 2023. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the useful lives of the capital assets is based on industry standards. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred outflows/inflows is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the net pension liability and related deferred outflows/inflows in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimate of the other post-employment liabilities and related deferred outflows/inflows is based on an actuarially determined amount. We evaluated the key factors and assumptions used to develop the OPEB liabilities and deferred outflows/inflows in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement were:

The disclosure of deposits and the related risks with them is located in Note 2 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risks associated with the City's cash.

The disclosure of net pension liability and related deferred outflows/inflows and their related risks are discussed in Note 10 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risk associated with the City's pension plan.

The disclosure of other post-employment benefits liabilities and related deferred outflows/inflows and their related risks are discussed in Note 11 to the financial statements. The footnote was prepared based on the requirements of the Governmental Accounting Standards Board and is intended to inform readers as to the risk associated with the City's OPEB plans.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

#### *Corrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter, dated July 29, 2024.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Manitowoc's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Manitowoc, Wisconsin as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements but not on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Other Matters**

In addition, we felt the other matters described in the following paragraphs were important to the operation of the City. These matters may involve internal controls, general operations, recommendations for the adoption of policies and other such items that we feel will enhance the City of Manitowoc.

**Other Items**

**Governmental Fund Balances**

Presented below is a summary of the City’s governmental fund balances on December 31, 2023 and 2022. This information is provided for assessing financial results for 2023 and indicating financial resources available at the start of the 2024 budget year.

	<u>12/31/2023</u>	<u>12/31/2022</u>
<b>Nonspendable</b>		
General Fund		
Prepaid Items	\$ 516,262	\$ 684,743
Delinquent Personal Property Taxes	46,124	28,994
Long Term Accounts and Interfund Receivables	970,843	823,169
Total Nonspendable Fund Balance	<u>\$ 1,533,229</u>	<u>\$ 1,536,906</u>
<b>Restricted</b>		
Special Revenues		
Parking Lot Activities	\$ 130,083	\$ 124,433
Transit Capital Activities	70,815	58,664
Housing Rehabilitation	2,496,072	2,495,997
Community Development	-	41,120
HCRI Housing Rehabilitation	146,412	142,655
Police Programs	396,517	456,317
Parkland Dedications	42,970	23,086
Eternal Flame	31,607	37,920
Centennial	22,296	20,655
Mayor's Youth Action Council	2,190	860
Park & Recreation	154,333	152,132
Lakeshore Holiday Parade	13,425	12,097
EPA Environmental Remediation	245,429	233,692
Housing Programs	1,936,344	1,750,403
Total Special Revenue Funds Restricted	<u>\$ 5,688,493</u>	<u>\$ 5,550,031</u>

**Other Items (Continued)**

**Governmental Fund Balances (Continued)**

**Restricted (Continued)**

Capital Projects Funds

Tax Incremental Districts:

TID # 9	\$ -	\$ 525
TID # 14	-	2,466
TID # 15	7,939	7,939
TID # 17	5,573	995
TID # 18	606,499	800,129
TID # 20	536,055	360,313
TID # 21	464,843	315,334
TID # 22	-	2,433,947

Total Capital Projects Funds Restricted	<u>\$ 1,620,909</u>	<u>\$ 3,921,648</u>
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Debt Service	<u>\$ 4,597,469</u>	<u>\$ 5,061,812</u>
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Total Restricted Fund Balance	<u>\$ 11,906,871</u>	<u>\$ 14,533,491</u>
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**Committed**

Special Revenue Funds:

Room Tax	\$ 430,329	\$ 458,466
Revolving Loan Program	98,656	150,980
Manitowoc/Calumet Library	50,358	36,742
Library	607,162	447,556
Mani International Relations	4,856	4,856
Rahr West Museum	216,396	216,962
Aquatic Center	44,413	49,458
Senior Center	105,020	66,077
Tourism	887,984	-
Farmers Market	-	125

Total Special Revenue Funds	<u>2,445,174</u>	<u>1,431,222</u>
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Capital Projects Funds:

Sanitary and Storm Sewers	40,017	67,303
Streets	462,447	192,325
Capital Equipment	951,058	1,370,911
Environmental Remediation	641,295	992,682
Cemetery Improvements	44,961	48,481
Buildings and Other Improvements	886,545	1,111,562

Total Capital Projects Funds	<u>3,026,323</u>	<u>3,783,264</u>
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Total Committed Fund Balance	<u>\$ 5,471,497</u>	<u>\$ 5,214,486</u>
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**Other Items (Continued)**

**Governmental Fund Balances**

**(Continued)**

**Assigned**

General Fund:

Compensation Plan Fund	\$ 150,000	\$ 350,000
Fire Safety Equipment	1,519,413	1,296,842
EMS (FAP) Support/Improvement	13,949	36,124
EMS (FAP) Training	7,425	-
Fire Donation	10,592	10,592
Fuel Handling Surcharge	28,504	20,757
Marina Fund	450,000	200,000
Car Ferry Fund	91,006	66,006
Economic Development Marketing	217,623	212,389
Winter Maintenance Fund	100,000	100,000
Yacht Club Facilities	41,023	34,712

Total Assigned Fund Balance

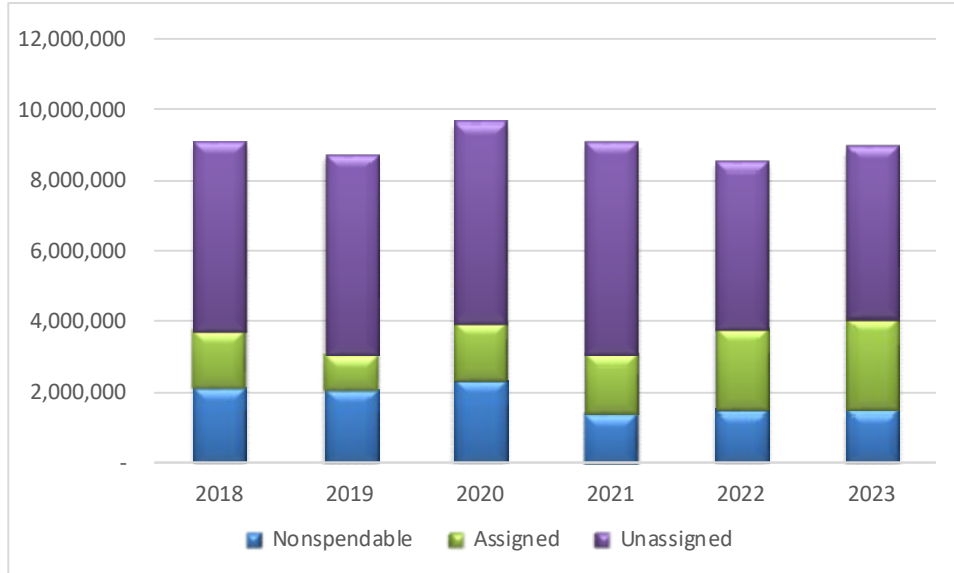
\$ 2,629,535	\$ 2,327,422
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**General Fund**

Overall, the City's general fund increased by \$419,944 for the year ended December 31, 2023, due to revenues being over budget in the current year. Although the City's expenditures increased from the previous year, they were still less than budgeted for the fiscal year ended December 31, 2023.

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We believe the unassigned fund balance of \$4,838,935 in the general fund is necessary to allow the City to maintain current operations, finance unplanned contingencies, and provide additional cash flow due to the lag in receiving tax revenues and state aids due to the City. In addition, an unassigned fund balance can be used stabilize the City's tax rate. Currently, the City's unassigned General Fund balance reports approximately 54% of the General Fund's fund balance of \$9,001,699. The unassigned portion of \$4,838,935 is approximately 16% of the General Fund's expenditures.



**Closing**

We thank you for allowing us to be of service to the City of Manitowoc. We received complete cooperation and appreciate your consideration of our comments and your implementation of suggestions.

This information is intended solely for the use by the Common Council, management, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

*KerberRose SC*

**KerberRose SC**  
**Certified Public Accountants**  
Oshkosh, Wisconsin  
July 29, 2024