

**KENOSHA LAKESHORE
BUSINESS IMPROVEMENT DISTRICT**

KENOSHA, WISCONSIN

**FINANCIAL STATEMENTS AND
REPORT OF
INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**

**FOR THE YEAR
ENDED DECEMBER 31, 2015**

**Andrea & Orendorff LLP
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Kenosha Lakeshore Business Improvement District
Kenosha, Wisconsin

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kenosha Lakeshore Business Improvement District
Kenosha, Wisconsin

We have audited the accompanying financial statements of the business-type activities of Kenosha Lakeshore Business Improvement District (the District) of and for the year ended December 31, 2015 which comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2015 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise Kenosha Lakeshore Business Improvement District's financial statements as a whole. The statement of revenues, expenses and changes in net position – budget and actual is presented for purposes of additional analysis and is not a required part of the financial statements.

The statement of revenues, expenses and changes in net position – budget and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Andrea & Orendorff LLP

Andrea & Orendorff LLP
Certified Public Accountants
Kenosha, WI
February 16, 2016

**KENOSHA LAKESHORE BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Our discussion and analysis of Kenosha Lakeshore Business Improvement District (District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2015.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

Reporting the District as a Whole

Our analysis of the District as a whole begins on page 8. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position - the difference between assets and liabilities - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the District is reported as a business-type activity. GASB No. 34, paragraph 147, permits any governmental not-for-profit that was using the AICPA model at June 30, 1999 to report as special purpose governments engaged only in business-type activities, even though they may not meet the definition of an enterprise fund. The definition of an enterprise fund is a fund that provides goods or services to the public for a fee that makes the entity self-supporting.

Reporting the District's Most Significant Funds

The District is being reported as a business-type activity and therefore there will be no fund financial statements. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide the detailed information about the District as a whole.

The District as a Whole

The condensed financial statements on the next two pages present the net position of the District and changes in net position. These statements are presented with comparisons to 2014.

Net Position may serve over time as a useful indicator of a government's financial position. In 2015, the District's assets exceeded liabilities by \$20,996. The District's net position (100 percent) is in the category of unrestricted net position which may be used to meet the District's ongoing obligations to its members and creditors.

**KENOSHA LAKESHORE BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

**Kenosha Lakeshore Business Improvement District
Statement of Net Position
December 31, 2015**

	2015	2014
Current and Noncurrent Assets	\$ 100,996	\$ 97,570
Total Assets	100,996	97,570
Deferred Inflows of Resources	80,000	80,000
Net Position:		
Unrestricted	20,996	17,570
Total Net Position	\$ 20,996	\$ 17,570

**Kenosha Lakeshore Business Improvement District
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2015**

	2015	2014
Revenues		
Special Assessments	\$ 80,000	\$ 79,999
Miscellaneous Income	3,326	325
Total Revenues	83,326	80,324
Expenses		
Streetscape	26,102	29,000
Promotional Activities	26,103	21,535
Administrative	27,695	30,110
Total Expenses	79,900	80,645
Operating Income	3,426	(321)
Net Position Beginning of Year	17,570	17,891
Net Position End of Year	\$ 20,996	\$ 17,570

**KENOSHA LAKESHORE BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Unaudited)

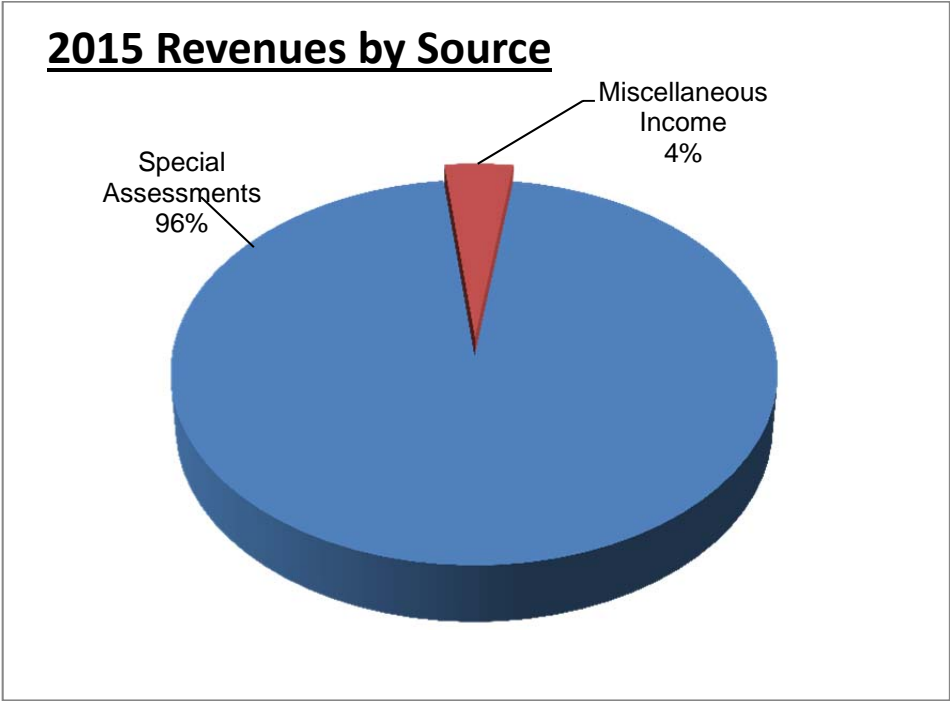
The District's net position increased by \$3,425 in 2015.

Revenues increased by \$3,002 as compared to 2014. This was due to receiving \$3,426 in graffiti restitution. Expenses decreased by \$745 as compared to 2014. Of the total expenses in 2015, \$25,000 was used to pay for the executive director salary of Downtown Kenosha, Inc. (DKI) and \$52,205 was given to DKI for programs funds. These program funds would be for the equivalent of streetscape and promotional activities.

**KENOSHA LAKESHORE BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

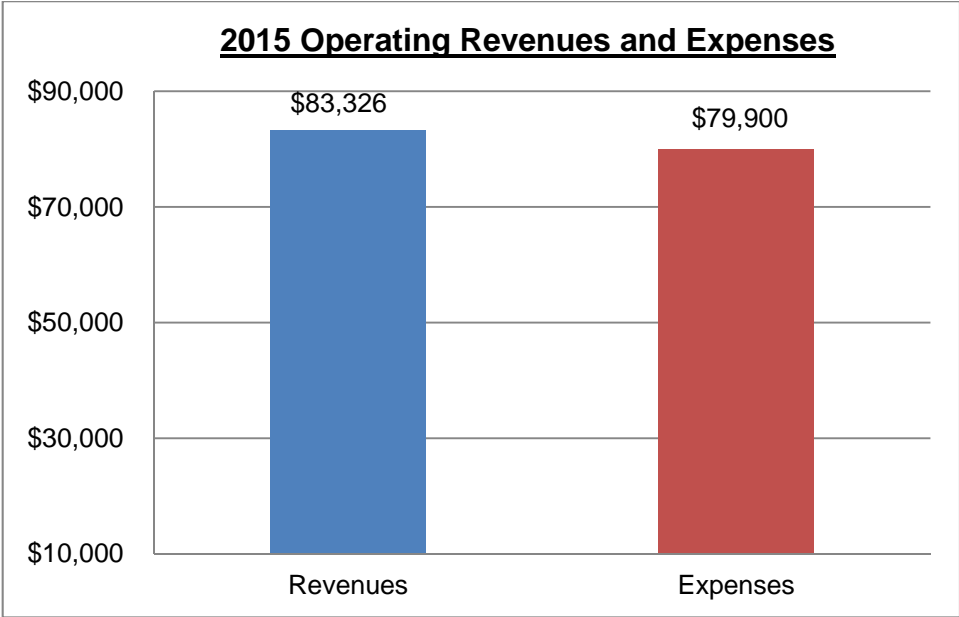
REVENUES BY SOURCE

This chart illustrates the percent of revenue sources that fund the District's activities.



EXPENSES AND PROGRAM REVENUES

The following chart shows the expenses compared to the revenues.



**KENOSHA LAKESHORE BUSINESS IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2015, the District had no capital assets.

Debt

The District has no outstanding debt as of December 31, 2015.

ECONOMIC FACTORS

In 2016 the District will be a fiscal agent for Downtown Kenosha, Inc. Of the tax assessments received in 2015, only the funds to pay for bookkeeping and the audit, which is required by State Statutes, will be retained by the District. The rest of the funds will go to DKI for the executive director salary and other program funds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our members, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District at 5500 6th Avenue, Suite 200, Kenosha, Wisconsin, 53140.

Mike Thomey
Treasurer
Kenosha Lakeshore Business Improvement District

Kenosha Lakeshore Business Improvement District
Statement of Net Position
December 31, 2015

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 20,996
Special Assessment Receivables	<u>80,000</u>
Total Current Assets	<u>100,996</u>

Total Assets	<u><u>\$ 100,996</u></u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Special Assessment	<u>80,000</u>
Total Deferred Inflows of Resources	<u>80,000</u>

NET POSITION

Unrestricted	<u>20,996</u>
Total Net Position	<u>20,996</u>

Total Deferred Inflows of Resources and Net Position	<u><u>\$ 100,996</u></u>
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See accompanying notes to the financial statements.

Kenosha Lakeshore Business Improvement District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2015

OPERATING REVENUES

Special Assessments	\$ 80,000
Restitution for Graffiti	3,326
Total Operating Revenues	<u>83,326</u>

OPERATING EXPENSES

Streetscape	
Downtown Kenosha Program Funds	26,102
Promotional Activities	
Downtown Kenosha Program Funds	26,103
Administrative Expenses	
Downtown Kenosha Salary	25,000
Annual Audit	2,095
Monthly Bookkeeping	600
Total Operating Expenses	<u>79,900</u>

Operating Income 3,426

Change in Net Position 3,426

Total Net position - Beginning of Year 17,570

Total Net Position - End of Year \$ 20,996

See accompanying notes to the financial statements.

Kenosha Lakeshore Business Improvement District
Statement of Cash Flows
For the Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Assessments and Advertising and Events	\$ 83,326
Paid to Suppliers for Goods and Services	(79,900)
Net Cash Used by Operating Activities	<u>3,426</u>
Net Change in Cash and Cash Equivalents	3,426
Cash and Cash Equivalents - Beginning of Year	<u>17,570</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 20,996</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 3,426
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities	<u>-</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 3,426</u></u>

See accompanying notes to the financial statements.

**Kenosha Lakeshore Business Improvement District
Kenosha, Wisconsin**

**Notes to Financial Statements
For the Year Ended December 31, 2015**

Note 1 - Summary of Significant Accounting Policies

A. Organization

Kenosha Lakeshore Business Improvement District (the "District") was established effective January 1, 1986, by ordinance of the Common Council of the City of Kenosha, Wisconsin, under the authority of Section 66.608, Wisconsin State Statutes. The District was established to allow businesses within the defined boundaries to develop, manage and promote the District. The primary source of revenue to the District is a special property tax assessment levied by the City of Kenosha (the "City") annually on each property within the District, excluding property used exclusively for residential and manufacturing purposes. Other sources of revenue to the District include grants, income from promotional activities and other miscellaneous sources.

The District is governed by a board of directors consisting of eleven members appointed by the Mayor of the City and approved by the Common Council. Annually, an operating plan is prepared by the District's board of directors and approved by the Common Council.

Every year the District passes a budget and then requests the City of Kenosha to establish a mill rate to achieve the special assessment amount that was approved in the District's budget.

In April 2013, an agreement was signed by the Kenosha Business Alliance (KABA), The City of Kenosha, the Kenosha Area Chamber of Commerce (KACC), the Kenosha Area Visitors Convention Bureau (KAVCB), and the District. This organization became known as Downtown Kenosha, Inc. (DKI). Each entity is to contribute an annual amount for three years. This commitment was to offer enough start-up monies to allow a formal organizational structure to be formed, attain a Main Street Accreditation and to begin building an independent organization that would be a hub for Downtown revitalization efforts.

Currently the BID contributes to both DKI operations (\$25,000) and to DKI projects (\$52,205).

B. Basis of Presentation

The District is reported as a business-type activity. GASB No. 34, paragraph 147, permits any governmental not-for-profit that was using the AICPA model at June 30, 1999 to report as special purpose governments engaged only in business-type activities, even though they may not meet the definition of an enterprise fund. The definition of an enterprise fund is a fund that provides goods or services to the public for a fee that makes the entity self-supporting.

The business-type activities are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned. Expenses are recorded at the time liabilities are incurred. Therefore the financial statements reflect all significant receivables, payables and other liabilities.

**Kenosha Lakeshore Business Improvement District
Kenosha, Wisconsin**

**Notes to Financial Statements
For the Year Ended December 31, 2015**

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Financial statement presentation has elected to follow all pronouncements of the Governmental Accounting Standards Board. Business-type activities distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and paying vendors in connection with the business-type activities' ongoing operations. The principal operating revenues of the District's business-type activities are the special assessment revenue and miscellaneous sales of shopping bags and flowers. Operating expenses for these business-type activities include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Special Assessment Receivable and Deferred Special Assessment Revenue

Special property tax assessments are recorded in the year levied as receivables and deferred outflow of resources and subsequently recorded as revenue in the following year for which these taxes are levied.

**Kenosha Lakeshore Business Improvement District
Kenosha, Wisconsin**

**Notes to Financial Statements
For the Year Ended December 31, 2015**

Note 1 - Summary of Significant Accounting Policies (continued)

F. Equity Classifications

Equity is classified as net position and displayed in three components (if applicable):

- a. Net Investment in Capital Assets – includes the District’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The District has no capital assets.
- b. Restricted Net Position – includes assets that have third party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- c. Unrestricted Net Position – typically includes unrestricted liquid assets. The District has the authority to revisit or alter this designation.

At December 31, 2015, all of the District’s equity in the amount of \$20,996 was classified as unrestricted.

Note 2 – Cash and Restricted Cash

The District has one bank account. The institution is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Cash balances in excess of FDIC coverage are not collaterally secured. The District’s cash balance was within this coverage.

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian holding the District’s deposits, the deposits may not be returned.

As of December 31, 2015 the carrying amount of the District’s deposits was \$20,996 and the bank balance was \$21,096. All of the deposits are insured.

Investments

The District has no investments.

Note 3 – Concentration in Revenue

In 2015, the District received \$80,000 in special assessment revenue collected by the City of Kenosha which accounts for approximately 96% of the District’s revenue.

**Kenosha Lakeshore Business Improvement District
Kenosha, Wisconsin**

**Notes to Financial Statements
For the Year Ended December 31, 2015**

Note 4 – Related Party Transactions

The businesses downtown are all part of the District, so it is highly likely that some of the owners/executive directors will be on the District's board. The District purchases services from some of the businesses whose owners/executive directors are also on the Board. Payments to these related parties in the amount of \$600 were for administrative and services. The costs of these services were reasonable and considered at market value.

Note 5 – Budget

The District adopts an annual operating plan and budget. This budget is sent to the City of Kenosha for review and approval per Section 66.1109(3)(b) of the Wisconsin Statutes. The budgetary data is presented as supplemental information.

For the year ended December 31, 2015 the Promotion and Streetscape line items was over budget by \$1,705. The savings in the administrative line item were repurposed to be used for additional programmatic grant amounts to DKl. The administrative line item was underspent by \$1,805.

Note 6 – Subsequent Events

The District evaluated subsequent events through February 16, 2016 the date the financial statements were available to be issued. The District is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Kenosha Lakeshore Business Improvement District
Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Year Ended December 31, 2015

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Revenues				
Special Assessments	\$ 80,000	\$ 80,000	\$ 80,000	\$ -
Miscellaneous	-	-	3,326	3,326
Total revenues	80,000	80,000	83,326	3,326
Expenses				
Streetscape	25,000	25,000	26,102	(1,102)
Promotional Activities	25,500	25,500	26,103	(603)
Audit/Bookkeeping/Insurance/Administrative	29,500	29,500	27,695	1,805
Total Expenses	80,000	80,000	79,900	100
Operating Income	-	-	3,426	3,426
Change in Net Position	-	-	3,426	3,426
Net Position-Beginning	17,570	17,570	17,570	-
Net Position-Ending	\$ 17,570	\$ 17,570	\$ 20,996	\$ 3,426