

**CITY OF SHEBOYGAN, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2011**

**CITY OF SHEBOYGAN, WISCONSIN**  
December 31, 2011

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**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS AND SCHEDULE OF STATE FINANCIAL ASSISTANCE**

To Mayor Terry Van Akkeren and Common Council  
City of Sheboygan  
Sheboygan, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin ("the City") as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sheboygan, Wisconsin's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Water Utility enterprise fund, which represents 55 percent and 45 percent, respectively, of the assets and revenues of the City's business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Water Utility enterprise fund, is based on the report of the other auditors. We did not audit the financial statements of the Housing Authority of the City of Sheboygan. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Housing Authority of the City of Sheboygan, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A.3, the City has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress and employer contributions on pages 50 and 51 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sheboygan, Wisconsin's financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants  
Green Bay, Wisconsin  
April 27, 2012

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SHEBOYGAN, WISCONSIN**

Statement of Net Assets

December 31, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District
<b>ASSETS</b>					
Cash and investments	\$ 41,207,042	\$ 11,722,770	\$ 52,929,812	\$ 4,617,797	\$ 126,554
Receivables					
Taxes	25,020,564	599,029	25,619,593	-	-
Accounts	652,378	1,927,471	2,579,849	-	-
Special assessments	235,454	568,384	803,838	-	-
Loans	10,714,482	-	10,714,482	-	-
Other	132,306	20,237	152,543	4,167	-
Internal balances	988,778	(988,778)	-	-	-
Due from other governments	1,427,565	170,038	1,597,603	-	-
Inventories and prepaid items	303,997	283,889	587,886	38,451	570
Deferred charges	337,335	-	337,335	-	-
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	979,291	979,291	127,027	-
Capital assets, nondepreciable					
Land	15,047,262	852,683	15,899,945	266,510	-
Construction in progress	-	6,074,151	6,074,151	-	-
Capital assets, depreciable					
Buildings and improvements	32,273,687	18,282,400	50,556,087	7,529,331	-
Improvements other than buildings	13,756,740	21,898,648	35,655,388	-	-
Machinery and equipment	22,775,530	30,299,785	53,075,315	667,475	2,791
Infrastructure	115,538,177	55,433,514	170,971,691	-	-
Less: Accumulated depreciation	(89,117,754)	(73,658,021)	(162,775,775)	(6,263,015)	(504)
<b>TOTAL ASSETS</b>	<b>193,499,208</b>	<b>74,465,491</b>	<b>267,964,699</b>	<b>6,987,743</b>	<b>129,411</b>
<b>LIABILITIES</b>					
Accounts payable	1,092,067	776,656	1,868,723	1,719	8,975
Accrued and other current liabilities	7,962,661	1,426,559	9,389,220	173,863	1,591
Accrued interest payable	655,874	86,160	742,034	-	-
Due to other governments	1,569,143	341,229	1,910,372	-	-
Unearned revenues	24,923,813	566,760	25,490,573	-	-
Long-term Obligations					
Due within one year	6,593,009	1,385,187	7,978,196	-	-
Due in more than one year	46,793,391	13,685,863	60,479,254	-	-
<b>TOTAL LIABILITIES</b>	<b>89,589,958</b>	<b>18,268,414</b>	<b>107,858,372</b>	<b>175,582</b>	<b>10,566</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	62,034,386	44,776,929	106,811,315	2,200,301	-
Restricted for					
Debt service	1,013,959	250,873	1,264,832	-	-
Tax incremental financing districts	1,458,651	-	1,458,651	-	-
Community development	9,149,792	-	9,149,792	-	-
Cemetery perpetual care	802,088	-	802,088	-	-
Library trust	1,006,335	-	1,006,335	-	-
Housing assistance	-	-	-	53,213	-
Unrestricted	28,444,039	11,169,275	39,613,314	4,558,647	118,845
<b>TOTAL NET ASSETS</b>	<b>\$ 103,909,250</b>	<b>\$ 56,197,077</b>	<b>\$ 160,106,327</b>	<b>\$ 6,812,161</b>	<b>\$ 118,845</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Activities  
For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 5,326,674	\$ 1,295,511	\$ 180	\$ -
Public safety	20,581,232	2,150,552	630,449	-
Public works	12,584,958	870,968	2,653,645	1,340,542
Health and human services	385,895	125,782	-	-
Culture and recreation	5,707,005	830,279	753,897	-
Conservation and development	6,296,295	20,147	1,703,862	-
Interest on debt	2,525,082	19,600	-	-
<b>Total Governmental Activities</b>	<u>53,407,141</u>	<u>5,312,839</u>	<u>5,742,033</u>	<u>1,340,542</u>
<b>Business-type Activities</b>				
Sewerage system	6,376,121	7,346,232	-	-
Water utility	4,701,580	6,997,904	-	7,125
Transit commission	4,647,465	802,003	2,807,072	-
Parking facility	406,036	428,909	-	-
Boat facility	185,309	99,637	5,000	-
<b>Total Business-type Activities</b>	<u>16,316,511</u>	<u>15,674,685</u>	<u>2,812,072</u>	<u>7,125</u>
<b>Total Primary Government</b>	<u>\$ 69,723,652</u>	<u>\$ 20,987,524</u>	<u>\$ 8,554,105</u>	<u>\$ 1,347,667</u>
<b>Component Units</b>				
Housing Authority of the City of Sheboygan	\$ 1,731,595	\$ 824,866	\$ 653,549	\$ 147,642
Harbor Centre Business Improvement District	192,847	185,881	-	-
	<u>\$ 1,924,442</u>	<u>\$ 1,010,747</u>	<u>\$ 653,549</u>	<u>\$ 147,642</u>

General revenues  
Taxes  
  General property taxes  
  Tax increments  
  Other taxes  
Federal and state grants and other contributions not restricted to specific functions  
Interest and investment earnings  
Miscellaneous  
Gain on sale of capital assets  
Transfers  
  Total general revenues and transfers  
Change in net assets  
Net assets - January 1  
Net assets - December 31

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District

\$ (4,030,983)	\$ -	\$ (4,030,983)	\$ -	\$ -
(17,800,231)	-	(17,800,231)	-	-
(7,719,803)	-	(7,719,803)	-	-
(260,113)	-	(260,113)	-	-
(4,122,829)	-	(4,122,829)	-	-
(4,572,286)	-	(4,572,286)	-	-
(2,505,482)	-	(2,505,482)	-	-
<u>(41,011,727)</u>	<u>-</u>	<u>(41,011,727)</u>	<u>-</u>	<u>-</u>

-	970,111	970,111	-	-
-	2,303,449	2,303,449	-	-
-	(1,038,390)	(1,038,390)	-	-
-	22,873	22,873	-	-
-	(80,672)	(80,672)	-	-
-	<u>2,177,371</u>	<u>2,177,371</u>	-	-
<u>(41,011,727)</u>	<u>2,177,371</u>	<u>(38,834,356)</u>	-	-

-	-	-	(105,538)	-
-	-	-	-	(6,966)
-	-	-	<u>(105,538)</u>	<u>(6,966)</u>

20,545,650	638,595	21,184,245	-	-
5,139,867	-	5,139,867	-	-
1,284,136	-	1,284,136	-	-
12,620,057	-	12,620,057	-	-
824,677	157,950	982,627	13,920	501
109,605	99,605	209,210	81,939	-
164,471	4,236	168,707	-	-
1,167,783	(1,167,783)	-	-	-
<u>41,856,246</u>	<u>(267,397)</u>	<u>41,588,849</u>	<u>95,859</u>	<u>501</u>
<u>844,519</u>	<u>1,909,974</u>	<u>2,754,493</u>	<u>(9,679)</u>	<u>(6,465)</u>
103,064,731	54,287,103	157,351,834	6,821,840	125,310
<u>\$ 103,909,250</u>	<u>\$ 56,197,077</u>	<u>\$ 160,106,327</u>	<u>\$ 6,812,161</u>	<u>\$ 118,845</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Balance Sheet  
Governmental Funds  
December 31, 2011

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
<b>ASSETS</b>				
Cash and investments	\$ 12,642,734	\$ 3,933,216	\$ 4,832,432	\$ 552,997
Receivables				
Taxes	15,480,795	2,910,747	4,249,816	-
Accounts	140,228	-	34,788	-
Special assessments	87,486	-	-	-
Loans	10,000	-	-	-
Other	50,919	12,028	18,481	1,628
Due from other funds	1,694,815	2,007,242	-	-
Advance to other funds	1,236,203	1,723,809	-	-
Due from other governments	36,225	-	-	-
Inventories and prepaid items	249,264	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 31,628,669</b>	<b>\$ 10,587,042</b>	<b>\$ 9,135,517</b>	<b>\$ 554,625</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 488,352	\$ -	\$ 100	\$ -
Accrued and other current liabilities	2,291,644	2,000,000	-	-
Due to other funds	-	-	90,726	-
Due to other governments	22,279	-	-	-
Deferred revenues	15,475,084	3,186,158	4,249,816	-
Advance from other funds	179,785	-	3,337,852	-
<b>Total Liabilities</b>	<b>18,457,144</b>	<b>5,186,158</b>	<b>7,678,494</b>	<b>-</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventories and prepaid items	249,264	-	-	-
Long-term accounts and interfund receivables	1,376,431	3,731,051	-	-
Cemetery perpetual care	-	-	-	-
Library trust	-	-	-	-
<b>Restricted</b>				
Debt service	-	1,669,833	-	-
Tax incremental financing districts	-	-	1,457,023	554,625
Capital improvements	-	-	-	-
Community development	-	-	-	-
Library trust	-	-	-	-
<b>Assigned</b>				
Unassigned	11,545,830	-	-	-
<b>Total Fund Balances</b>	<b>13,171,525</b>	<b>5,400,884</b>	<b>1,457,023</b>	<b>554,625</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 31,628,669</b>	<b>\$ 10,587,042</b>	<b>\$ 9,135,517</b>	<b>\$ 554,625</b>

(Continued)

Capital Projects Bonded	Other Governmental Funds	Total Governmental Funds
\$ 473,564	\$ 8,791,655	\$ 31,226,598
-	2,379,206	25,020,564
-	477,006	652,022
-	147,968	235,454
-	10,704,482	10,714,482
-	19,584	102,640
-	-	3,702,057
-	833,036	3,793,048
-	1,391,340	1,427,565
-	17,672	266,936
<u>\$ 473,564</u>	<u>\$ 24,761,949</u>	<u>\$ 77,141,366</u>

\$ 61,688	\$ 411,898	\$ 962,038
-	242,795	4,534,439
-	2,657,211	2,747,937
-	1,546,864	1,569,143
-	11,722,292	34,633,350
-	330,911	3,848,548
<u>61,688</u>	<u>16,911,971</u>	<u>48,295,455</u>

-	17,672	266,936
-	-	5,107,482
-	802,088	802,088
-	600,000	600,000
-	-	1,669,833
-	-	2,011,648
411,876	-	411,876
-	1,328,005	1,328,005
-	406,335	406,335
-	7,180,948	7,180,948
-	(2,485,070)	9,060,760
<u>411,876</u>	<u>7,849,978</u>	<u>28,845,911</u>

<u>\$ 473,564</u>	<u>\$ 24,761,949</u>	<u>\$ 77,141,366</u>
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**CITY OF SHEBOYGAN, WISCONSIN**

Balance Sheet (Continued)

Governmental Funds

December 31, 2011

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page \$ 28,845,911

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 105,807,115

Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.

Special assessments	220,095
Accounts receivable	52,240
Loans receivable	9,161,791
Advance from other funds	275,411

Internal service funds reported in the statement of net assets as governmental activities (see page 15) 13,251,626

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	\$ (48,466,852)
Capital leases payable	(737,277)
Unfunded post employment benefits	(1,213,653)
Compensated absences	(2,968,618)
Deferred charges - bond issues	337,335
Accrued interest on long-term obligations	(655,874)
	<u>(53,704,939)</u>

Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 3) \$ 103,909,250

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended December 31, 2011

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
<b>Revenues</b>				
Taxes	\$ 15,385,793	\$ 2,877,659	\$ 5,205,794	\$ -
Special assessments	-	-	-	-
Intergovernmental	15,234,416	-	40,640	-
Licenses and permits	853,501	-	-	-
Fines and forfeits	282,815	-	-	-
Public charges for services	344,236	-	-	-
Intergovernmental charges for services	243,003	-	-	-
Miscellaneous	480,798	655,440	104,464	8,469
<b>Total Revenues</b>	<b>32,824,562</b>	<b>3,533,099</b>	<b>5,350,898</b>	<b>8,469</b>
<b>Expenditures</b>				
Current				
General government	4,180,712	299	-	-
Public safety	19,859,515	-	-	-
Public works	7,323,546	-	-	-
Health and human services	370,949	-	-	-
Culture and recreation	2,381,412	-	-	-
Conservation and development	283,258	-	309,367	-
Debt service				
Principal	-	3,394,093	2,783,570	-
Interest and fiscal charges	368	1,422,658	1,041,598	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>34,399,760</b>	<b>4,817,050</b>	<b>4,134,535</b>	<b>-</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(1,575,198)	(1,283,951)	1,216,363	8,469
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	-	-	-
Sale of capital assets	214,900	-	-	-
Transfers in	2,427,097	989,023	-	-
Transfers out	(6,399)	-	(146,172)	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,635,598</b>	<b>989,023</b>	<b>(146,172)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,060,400</b>	<b>(294,928)</b>	<b>1,070,191</b>	<b>8,469</b>
Fund Balances - January 1	11,692,957	5,695,812	386,832	546,156
Prior Period Adjustment	418,168	-	-	-
Fund Balances - January 1, restated	12,111,125	5,695,812	386,832	546,156
<b>Fund Balances - December 31</b>	<b>\$ 13,171,525</b>	<b>\$ 5,400,884</b>	<b>\$ 1,457,023</b>	<b>\$ 554,625</b>

(Continued)

Capital Projects Bonded	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,500,407	\$ 26,969,653
-	185,639	185,639
5,858	3,646,382	18,927,296
-	555,445	1,408,946
-	926,161	1,208,976
-	1,938,750	2,282,986
-	-	243,003
-	850,040	2,099,211
<u>5,858</u>	<u>11,602,824</u>	<u>53,325,710</u>
-	566,542	4,747,553
-	532,871	20,392,386
-	787,512	8,111,058
-	-	370,949
-	3,542,802	5,924,214
-	3,262,140	3,854,765
-	72,467	6,250,130
-	15,026	2,479,650
<u>2,902,414</u>	<u>2,640,573</u>	<u>5,542,987</u>
<u>2,902,414</u>	<u>11,419,933</u>	<u>57,673,692</u>
<u>(2,896,556)</u>	<u>182,891</u>	<u>(4,347,982)</u>
670,000	-	670,000
-	-	214,900
-	46,850	3,462,970
<u>(425)</u>	<u>(1,974,938)</u>	<u>(2,127,934)</u>
<u>669,575</u>	<u>(1,928,088)</u>	<u>2,219,936</u>
<u>(2,226,981)</u>	<u>(1,745,197)</u>	<u>(2,128,046)</u>
2,638,857	9,595,175	30,555,789
-	-	418,168
<u>2,638,857</u>	<u>9,595,175</u>	<u>30,973,957</u>
<u>\$ 411,876</u>	<u>\$ 7,849,978</u>	<u>\$ 28,845,911</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds (Continued)  
For the Year Ended December 31, 2011

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (2,128,046)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements	\$ 5,620,331	
Depreciation expense reported in the statement of activities	<u>(5,209,687)</u>	
Amount by which capital outlay is greater than depreciation in current period		410,644

In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.

Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$ (199,000)	
Gain on disposition reported on the statement of activities	<u>164,471</u>	
Cost of assets disposed of		(34,529)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits decreased by:

		390,846
--	--	---------

Special assessments are recorded as revenues when collected in the governmental funds; however, in the government-wide financial statements, special assessments are recognized as revenue when levied

Special assessments levied	\$ 99,742	
Special assessment collections	<u>(185,639)</u>	(85,897)

Accounts receivable deferred and collected after the period of availability		(30,060)
-----------------------------------------------------------------------------	--	----------

Water utility's portion of unfunded pension liability payoff established in 2009		(10,129)
----------------------------------------------------------------------------------	--	----------

Loans issued by the City are recorded as an expenditure in the governmental funds when paid and loan repayments are recognized as a revenue when received. The issuance of loans or the receipt of repayments does not have an effect on net assets.

Loans issued	\$ 1,666,697	
Loan repayments received	<u>(4,857,596)</u>	(3,190,899)

Some capital assets acquired during the year were financed with debt. In addition, debt was issued to refinance existing debt obligations. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net assets; however, debt constitutes a long-term liability. Debt issued in the current year is:

		(670,000)
--	--	-----------

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is:

		6,250,130
--	--	-----------

Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues.

		(4,375)
--	--	---------

Bond issue costs are reported in the governmental funds as an expenditure. In the statement of activities, these costs are capitalized and amortized over the life of the bonds.

		(21,158)
--	--	----------

Internal service funds are used by the City to charge the costs of motor vehicle, data processing, health, workers compensation and general liability to individual funds.

		<u>(32,008)</u>
--	--	-----------------

Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 4 - 5)		<u>\$ 844,519</u>
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The notes to the basic financial statements are an integral part of this statement.

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 15,392,078	\$ 15,392,078	\$ 15,385,793	\$ (6,285)
Intergovernmental	15,273,389	15,287,325	15,234,416	(52,909)
Licenses and permits	567,770	567,770	853,501	285,731
Fines and forfeits	459,020	459,020	282,815	(176,205)
Public charges for services	288,450	288,450	344,236	55,786
Intergovernmental charges for services	217,570	217,570	243,003	25,433
Miscellaneous	375,682	385,612	480,798	95,186
<b>Total Revenues</b>	<b>32,573,959</b>	<b>32,597,825</b>	<b>32,824,562</b>	<b>226,737</b>
<b>Expenditures</b>				
<b>General Government</b>				
Council	112,839	134,892	120,226	14,666
Mayor	311,857	311,857	300,452	11,405
City clerk	375,721	414,221	360,272	53,949
Elections	44,981	45,266	52,357	(7,091)
Finance	1,038,202	1,134,767	995,679	139,088
Assessor	440,723	442,178	404,714	37,464
Personnel	237,642	262,723	241,674	21,049
City attorney	781,143	484,243	434,711	49,532
City insurance	179,115	179,115	200,617	(21,502)
City buildings	1,230,458	1,292,543	1,068,626	223,917
Board of review	2,150	2,150	1,384	766
<b>Total General Government</b>	<b>4,754,831</b>	<b>4,703,955</b>	<b>4,180,712</b>	<b>523,243</b>
<b>Public Safety</b>				
Police	11,842,396	12,030,587	11,866,404	164,183
Fire	7,550,879	7,592,569	7,504,391	88,178
Building inspection	467,659	487,659	469,019	18,640
Emergency operations	1,826	1,826	1,648	178
Civil defense	5,700	5,700	18,053	(12,353)
<b>Total Public Safety</b>	<b>19,868,460</b>	<b>20,118,341</b>	<b>19,859,515</b>	<b>258,826</b>
<b>Public Works</b>				
Department of public works	426,525	463,985	476,887	(12,902)
Engineering	444,325	444,325	497,031	(52,706)
Streets department	4,070,213	4,154,373	3,933,563	220,810
Sanitation department	2,204,309	2,264,682	2,403,036	(138,354)
Incinerator	17,500	17,500	13,029	4,471
<b>Total Public Works</b>	<b>7,162,872</b>	<b>7,344,865</b>	<b>7,323,546</b>	<b>21,319</b>

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)  
General Fund  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Health and Human Services				
Health	22,600	22,600	22,600	-
Cemetery	337,953	337,953	348,349	(10,396)
Total Health and Human Services	<u>360,553</u>	<u>360,553</u>	<u>370,949</u>	<u>(10,396)</u>
Culture and Recreation				
Park department	2,096,328	2,119,059	2,153,112	(34,053)
Celebrations	29,872	29,872	37,751	(7,879)
Senior citizen center	186,908	189,205	190,549	(1,344)
Total Culture and Recreation	<u>2,313,108</u>	<u>2,338,136</u>	<u>2,381,412</u>	<u>(43,276)</u>
Conservation and Development				
City development	<u>217,139</u>	<u>239,101</u>	<u>283,258</u>	<u>(44,157)</u>
Debt Service				
Debt issuance costs	<u>-</u>	<u>-</u>	<u>368</u>	<u>(368)</u>
Total Expenditures	<u>34,676,963</u>	<u>35,104,951</u>	<u>34,399,760</u>	<u>705,191</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,103,004)</u>	<u>(2,507,126)</u>	<u>(1,575,198)</u>	<u>931,928</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	18,500	214,900	196,400
Transfers in	2,162,295	2,162,295	2,427,097	264,802
Transfers out	(59,291)	(59,291)	(6,399)	52,892
Total Other Financing Sources (Uses)	<u>2,103,004</u>	<u>2,121,504</u>	<u>2,635,598</u>	<u>514,094</u>
Net Change in Fund Balance	<u>-</u>	<u>(385,622)</u>	<u>1,060,400</u>	<u>1,446,022</u>
Fund Balance - January 1	11,692,957	11,692,957	11,692,957	-
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>418,168</u>	<u>418,168</u>
Fund Balance - January 1, restated	<u>11,692,957</u>	<u>11,692,957</u>	<u>12,111,125</u>	<u>418,168</u>
Fund Balance - December 31	<u>\$ 11,692,957</u>	<u>\$ 11,307,335</u>	<u>\$ 13,171,525</u>	<u>\$ 1,864,190</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SHEBOYGAN, WISCONSIN**

Statement of Net Assets

Proprietary Funds

December 31, 2011

	Enterprise Funds	
	Sewerage System	Water Utility
<b>ASSETS</b>		
Cash and investments	\$ 5,049,984	\$ 3,376,908
Receivables		
Taxes	55,563	-
Accounts	735,586	1,148,019
Special assessments	380	431,695
Other	12,044	-
Due from other governments	-	-
Inventories and prepaid items	-	273,036
Restricted assets		
Cash and investments	-	979,291
Advance to other funds	-	-
Deposit with CVMIC	-	-
Capital assets, nondepreciable		
Land	2,000	98,671
Construction in progress	4,396,079	1,678,072
Capital assets, depreciable		
Buildings and improvements	12,371,095	5,158,891
Improvements other than buildings	19,144,071	-
Machinery and equipment	14,217,242	9,897,682
Infrastructure	23,692,447	31,741,067
Less: Accumulated depreciation	(54,119,086)	(13,431,978)
<b>TOTAL ASSETS</b>	<b>25,557,405</b>	<b>41,351,354</b>
<b>LIABILITIES</b>		
Accounts payable	523,010	180,528
Accrued and other current liabilities	485,436	616,171
Accrued interest payable	22,561	63,599
Due to other funds	-	954,120
Due to other governments	-	-
Unearned revenues	8,959	-
Advance from other funds	-	275,411
Long-term obligations		
Due within one year	829,643	555,544
Due in more than one year	5,112,155	8,573,708
<b>TOTAL LIABILITIES</b>	<b>6,981,764</b>	<b>11,219,081</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	13,762,050	26,677,972
Restricted for		
Debt service	-	250,873
Unrestricted	4,813,591	3,203,428
<b>TOTAL NET ASSETS</b>	<b>\$ 18,575,641</b>	<b>\$ 30,132,273</b>

Adjustment to reflect consolidation of internal service fund activities related to enterprise funds

Net Assets, as reported in the Statement of Net Assets in the government-wide financial statements

The notes to the basic financial statements are an integral part of this statement.

Transit Commission	Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 2,035,996	\$ 1,259,882	\$ 11,722,770	\$ 9,980,444
511,559	31,907	599,029	-
12,996	30,870	1,927,471	356
-	136,309	568,384	-
4,499	3,694	20,237	29,666
170,038	-	170,038	-
10,853	-	283,889	37,061
-	-	979,291	-
-	330,911	330,911	-
-	-	-	2,205,665
35,754	716,258	852,683	-
-	-	6,074,151	-
738,173	14,241	18,282,400	-
872,007	1,882,570	21,898,648	-
5,902,647	282,214	30,299,785	12,612,700
-	-	55,433,514	-
(4,232,792)	(1,874,165)	(73,658,021)	(8,146,173)
<u>6,061,730</u>	<u>2,814,691</u>	<u>75,785,180</u>	<u>16,719,719</u>
67,590	5,528	776,656	130,029
291,296	33,656	1,426,559	3,428,222
-	-	86,160	-
-	-	954,120	-
339,701	1,528	341,229	-
522,828	34,973	566,760	-
-	-	275,411	-
-	-	1,385,187	-
-	-	13,685,863	-
<u>1,221,415</u>	<u>75,685</u>	<u>19,497,945</u>	<u>3,558,251</u>
3,315,789	1,021,118	44,776,929	4,466,527
-	-	250,873	-
<u>1,524,526</u>	<u>1,717,888</u>	<u>11,259,433</u>	<u>8,694,941</u>
<u>\$ 4,840,315</u>	<u>\$ 2,739,006</u>	56,287,235	13,161,468
		(90,158)	90,158
		<u>\$ 56,197,077</u>	<u>\$ 13,251,626</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2011

	Enterprise Funds	
	Sewerage System	Water Utility
Operating Revenues		
Charges for services	\$ 7,082,828	\$ 6,877,911
Other	263,404	119,993
Total Operating Revenues	<u>7,346,232</u>	<u>6,997,904</u>
Operating Expenses		
Personal services	2,095,299	1,571,676
Contractual services	2,127,175	1,117,721
Supplies and materials	790,434	341,074
Insurance	18,351	83,476
Other	306,562	203,176
Depreciation	890,238	1,025,712
Total Operating Expenses	<u>6,228,059</u>	<u>4,342,835</u>
Operating Income (Loss)	<u>1,118,173</u>	<u>2,655,069</u>
Nonoperating Revenues (Expenses)		
Property taxes	-	-
Intergovernmental	-	-
Investment income	101,038	12,459
Miscellaneous revenues	-	-
Interest expense	(126,299)	(358,745)
Amortization of premium	-	197
Sale of capital assets	-	4,236
Total Nonoperating Revenues (Expenses)	<u>(25,261)</u>	<u>(341,853)</u>
Income (Loss) Before Contributions and Transfers	1,092,912	2,313,216
Capital contributions	-	7,125
Transfers in	-	-
Transfers out	<u>(245,631)</u>	<u>(933,489)</u>
Change in Net Assets	847,281	1,386,852
Net Assets - January 1	<u>17,728,360</u>	<u>28,745,421</u>
Net Assets - December 31	<u>\$ 18,575,641</u>	<u>\$ 30,132,273</u>

Change in net assets, as reported above

Adjustment to reflect consolidation of internal service fund activities related to enterprise funds

Change in Net Assets, as reported in the Statement of Activities in the government-wide financial statements

The notes to the basic financial statements are an integral part of this statement.

Transit Commission	Total Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 707,947	\$ 522,869	\$ 15,191,555	\$ 11,229,927
94,056	5,677	483,130	80,395
<u>802,003</u>	<u>528,546</u>	<u>15,674,685</u>	<u>11,310,322</u>
3,077,358	164,519	6,908,852	1,331,273
235,466	317,499	3,797,861	1,309,947
645,076	24,713	1,801,297	431,701
160,652	757	263,236	7,408,972
454	34,952	545,144	35,697
577,837	48,745	2,542,532	822,912
<u>4,696,843</u>	<u>591,185</u>	<u>15,858,922</u>	<u>11,340,502</u>
<u>(3,894,840)</u>	<u>(62,639)</u>	<u>(184,237)</u>	<u>(30,180)</u>
638,595	-	638,595	-
2,798,872	-	2,798,872	-
22,755	21,698	157,950	155,413
107,574	34	107,608	-
-	-	(485,044)	-
-	-	197	-
-	-	4,236	37,467
<u>3,567,796</u>	<u>21,732</u>	<u>3,222,414</u>	<u>192,880</u>
<u>(327,044)</u>	<u>(40,907)</u>	<u>3,038,177</u>	<u>162,700</u>
-	5,000	12,125	-
-	11,337	11,337	500,000
-	-	(1,179,120)	(667,253)
<u>(327,044)</u>	<u>(24,570)</u>	<u>1,882,519</u>	<u>(4,553)</u>
<u>5,167,359</u>	<u>2,763,576</u>	<u>54,404,716</u>	<u>13,166,021</u>
<u>\$ 4,840,315</u>	<u>\$ 2,739,006</u>	<u>\$ 56,287,235</u>	<u>\$ 13,161,468</u>
		\$ 1,882,519	\$ (4,553)
		<u>27,455</u>	<u>(27,455)</u>
		<u>\$ 1,909,974</u>	<u>\$ (32,008)</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2011

	Enterprise Funds	
	Sewerage System	Water Utility
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 7,274,487	\$ 6,975,164
Payments to suppliers	(3,944,160)	(1,925,352)
Payments to employees	(2,095,299)	(1,328,559)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,235,028</u>	<u>3,721,253</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>		
Property taxes	-	-
Intergovernmental grants	-	-
Transfer in (out)	(245,631)	(901,281)
Advances to (from) other funds	-	(10,129)
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<u>(245,631)</u>	<u>(911,410)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of capital assets	(2,103,742)	(1,990,301)
Proceeds from sale of capital assets	-	4,236
Proceeds of capital debt	735,168	-
Principal payments on capital debt	(796,383)	(526,381)
Interest payments on capital debt	(126,299)	(371,352)
Salvage on retirement of plant	-	36,722
Special assessment collections	-	71,248
Capital Contributions from municipality	-	7,125
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(2,291,256)</u>	<u>(2,768,703)</u>
<b>Cash Flows from Investing Activities</b>		
Interest received	101,038	12,459
<b>Change in Cash and Cash Equivalents</b>	(1,200,821)	53,599
Cash and Cash Equivalents - January 1	6,250,805	4,302,600
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 5,049,984</u>	<u>\$ 4,356,199</u>
<b>Reconciliation to Statement of Net Assets</b>		
Unrestricted cash and investments	\$ 5,049,984	\$ 3,376,908
Restricted cash and investments	-	979,291
	<u>\$ 5,049,984</u>	<u>\$ 4,356,199</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 1,118,173	\$ 2,655,069
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	890,238	1,025,712
Depreciation charged to clearing and other funds	-	141,243
Miscellaneous income	-	-
Changes in assets and liabilities		
Receivables	(72,006)	(85,770)
Due from other governments	-	-
Inventories and prepaid items	-	16,343
Accounts payable	(750,929)	(30,809)
Accrued and other liabilities	49,291	(535)
Due to other governments	-	-
Unearned revenues	261	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 1,235,028</u>	<u>\$ 3,721,253</u>
<b>Noncash Investing, Capital and Financing Activities</b>		
Special assessments levied	\$ -	\$ 127,513

The notes to the basic financial statements are an integral part of this statement.

Transit Commission	Total Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 933,879	\$ 546,336	\$ 15,729,866	\$ 11,307,799
(939,644)	(403,973)	(7,213,129)	(8,882,283)
(3,100,090)	(165,164)	(6,689,112)	(1,348,078)
<u>(3,105,855)</u>	<u>(22,801)</u>	<u>1,827,625</u>	<u>1,077,438</u>
638,595	-	638,595	-
2,798,872	-	2,798,872	-
-	11,337	(1,135,575)	(167,253)
-	(462)	(10,591)	(140,546)
<u>3,437,467</u>	<u>10,875</u>	<u>2,291,301</u>	<u>(307,799)</u>
-	-	(4,094,043)	(554,225)
-	-	4,236	37,467
-	-	735,168	-
-	-	(1,322,764)	-
-	-	(497,651)	-
-	-	36,722	-
-	-	71,248	-
-	5,000	12,125	-
<u>-</u>	<u>5,000</u>	<u>(5,054,959)</u>	<u>(516,758)</u>
22,755	21,698	157,950	155,413
354,367	14,772	(778,083)	408,294
1,681,629	1,245,110	13,480,144	9,572,150
<u>\$ 2,035,996</u>	<u>\$ 1,259,882</u>	<u>\$ 12,702,061</u>	<u>\$ 9,980,444</u>
\$ 2,035,996	\$ 1,259,882	\$ 11,722,770	\$ 9,980,444
-	-	979,291	-
<u>\$ 2,035,996</u>	<u>\$ 1,259,882</u>	<u>\$ 12,702,061</u>	<u>\$ 9,980,444</u>
\$ (3,894,840)	\$ (62,639)	\$ (184,237)	\$ (30,180)
577,837	48,745	2,542,532	822,912
-	-	141,243	-
107,574	34	107,608	-
140,045	(16,772)	(34,503)	(2,523)
24	-	24	-
13,793	-	30,136	121,326
13,999	(26,338)	(794,077)	(70,492)
(22,732)	(645)	25,379	236,395
74,212	286	74,498	-
(115,767)	34,528	(80,978)	-
<u>\$ (3,105,855)</u>	<u>\$ (22,801)</u>	<u>\$ 1,827,625</u>	<u>\$ 1,077,438</u>
\$ -	\$ -	\$ 127,513	\$ -

**CITY OF SHEBOYGAN, WISCONSIN**

Statement of Fiduciary Net Assets

Agency Funds

December 31, 2011

	Property Tax Collection	Business Improvement District	Totals
<b>ASSETS</b>			
Cash and investments	\$ 23,874,953	\$ 10,212	\$ 23,885,165
Receivables			
Taxes	21,256,550	127,008	21,383,558
Special assessments	-	23,352	23,352
<b>TOTAL ASSETS</b>	<u>\$ 45,131,503</u>	<u>\$ 160,572</u>	<u>\$ 45,292,075</u>
<b>LIABILITIES</b>			
Liabilities			
Accounts payable	\$ 35,745	\$ -	\$ 35,745
Due to other governments	45,095,758	160,572	45,256,330
<b>Total Liabilities</b>	<u>\$ 45,131,503</u>	<u>\$ 160,572</u>	<u>\$ 45,292,075</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Sheboygan, Wisconsin ("the City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

1. Financial Reporting Entity

The City of Sheboygan, Wisconsin is a municipal corporation governed by an elected mayor and sixteen-member council. Included in the City's operations (the primary government) is the City's water utility managed by the Board of Waterworks Commissioners appointed by the Common Council. As required by GAAP, the basic financial statements present the City (the primary government) and any component units. A legal separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financial accountable if it appoints a majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a primary government if all of the following criteria are met:

- a. the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents;
- b. the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization;
- c. the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

The component units discussed below are included in the City's reporting entity because of the significance of their operational and/or financial relationship with the City.

2. Individual Component Unit Disclosures

Discretely Presented Component Units

The component unit columns in the government-wide financial statements represent the financial data of the Housing Authority of the City of Sheboygan ("Housing Authority") and the Harbor Centre Business Improvement District ("the District"). They are reported in separate columns to emphasize that they are legally separate from the City. The governing bodies of both organizations are appointed by the City's Common Council. Wisconsin Statutes also provide for circumstances where the City can impose their will on both organizations and also create a potential burden on the City. The financial information presented is for the fiscal year ended March 31, 2011 for the Housing Authority and December 31, 2011 for the District. Complete financial statements for the Housing Authority can be obtained from their office at 611 North Water Street, P.O. Box 1052, Sheboygan, WI 53082-1052. Complete financial statements for the District can be obtained from their office at P.O. Box 791, Sheboygan, WI 53082-0791.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental funds include general, special revenue, debt service, capital projects and permanent funds. Proprietary funds include enterprise and internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011.

The City reports the following major governmental funds:

**GENERAL FUND**

This is the City's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**DEBT SERVICE GENERAL OBLIGATION DEBT FUND**

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds, except debt issued to finance project plan expenditures of the City's tax incremental financing districts.

**DEBT SERVICE TAX INCREMENTAL FINANCING DISTRICTS FUND**

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt issued to finance project plan expenditures of the City's tax incremental financing districts.

**CAPITAL PROJECTS TAX INCREMENTAL FINANCING DISTRICT FUND**

This fund is used to account for financial resources to be used for project plan expenditures for the City's tax incremental financing districts.

**CAPITAL PROJECTS BONDED FUND**

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities financed by the issuance of long-term debt.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following major enterprise funds:

**SEWERAGE SYSTEM**

This fund is used to account for the operations of the City's sanitary sewer system.

**WATER UTILITY**

This fund is used to account for the operations of the City's water treatment and distribution system.

**TRANSIT COMMISSION**

This fund is used to account for the operations of the City's transit system.

The City reports the following special revenue funds, including the purpose and significant revenue source:

*Special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. Non-major special revenue funds including the purpose and significant revenue sources consist of the following:

Fund	Purpose	Significant Revenues
Community Development Block Grant	Account for grant program	Intergovernmental revenues and loan repayments
Revolving Loan Funds	Provide loans to area businesses	Intergovernmental revenues and loan repayments
Lead Based Abatement Program	Account for grant program	Intergovernmental revenues and loan repayments
Mead Library	Account for City library operations	City and County contribution
Cable TV	Account for the cable tv program	Fees
Tourism Promotion	Account for tourism promotion activities	Room taxes
Harbor Center Marina	Account for the Harbor Center Marina activities	Charges for services
Police Meg Unit	Account for police meg unit activities	Intergovernmental revenues
Special Assessment	Account for special assessment activities	Special assessments and interest
Redevelopment Authority	Account for the Redevelopment Authority	Payment in lieu of tax payment
E.H. May Environmental Park	Account for E. H. May Park activities	Public charges
Municipal Court	Account for City municipal court operations	Fines and forfeitures
Ambulance	Account for City ambulance operations	Ambulance billings
Storm Water	Account for the City storm water operations	Public charges

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Capital project funds* are used to account for financial resources to be used for the acquisition of equipment or construction of major capital facilities. The capital projects tax levy fund is reported as a non-major capital project fund.

*Permanent funds* are used to report resources that are legally restricted to the extent that only earning, and not principal, may be used for purposes that support the reporting government's programs. The City's cemetery perpetual care and library trust are reported as non-major permanent funds.

*Enterprise funds* are used to report any activity for which a fee is charged to external users for goods and services, and must be used for activities which meet certain debt or cost recovery criteria. Non-major enterprise funds consist of the following:

Parking Facility

Boat Facility

Additionally, the government reports the following fund types:

*Internal service funds* account for services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. The City reports the following internal service funds:

Motor Vehicle

Workers Compensation Self Insurance

Data Processing

General Liability Self Insurance

Health Self Insurance

The City accounts for assets held for individuals by various departments and funds held for other governmental agencies in an *agency fund*. The Property Tax Collection and Business Improvement District are accounted for as agency funds.

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund (other than agency funds) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

5. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with an original maturity of three months or less from the date of acquisition are considered to be cash equivalents.

b. Receivables

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes are assumed by Sheboygan County as of July 31; therefore, no allowance is considered necessary. Delinquent personal property taxes remain the collection responsibility of the City; accordingly, an allowance for uncollectible accounts has been established. The City is able to recover a portion of these delinquent personally property taxes from other taxing jurisdictions.

The City has received federal and state grants for economic development and housing rehabilitation loan programs to area businesses and homeowners. A loan receivable and deferred revenue is recorded when loan funds are disbursed. Loans made to eligible businesses and homeowners are recorded as expenditures while loan repayments are recognized as revenue in the City's fund financial statements. In the government-wide financial statements, loan repayments and disbursements are not recognized as revenue or expenditures but recorded as loans receivable.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables are considered "Advance to other funds" and "Advance from other funds" in the fund financial statements. Advances to other funds are offset by a nonspendable fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental and business-type activities.

d. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 (non-infrastructure) or \$5,000 (infrastructure) or higher and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Governmental	Business-type
	Activities	Activities
	Years	
Buildings and improvements	25 - 45	25 - 45
Machinery and equipment	3 - 25	3 - 25
Infrastructure	20 - 50	20 - 100

g. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities are determined on the basis of current salary rates and include salary related payments.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

h. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet recognizable.

i. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

j. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments expected to be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not expected to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund financial statements. Claims and judgments in the government-wide financial statements and proprietary funds are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at the end of the year.

k. Fund Equity

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

For the year ended December 31, 2011, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides more clearly defined fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which fund balance amounts can be spent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Common Council. These constraints can only be removed or changed by the Common Council using the same action that was used to create them.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Assigned fund balance - Amounts that are constrained for specific purposes by action of City management. The Common Council has not authorized an employee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The City has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

**GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS**

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Amount of net assets that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

**6. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**NOTE B - STEWARDSHIP AND COMPLIANCE**

**1. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During October, City management submits to the Common Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Common Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, special revenue and debt service funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)**

- c. During the year, formal budgetary integration is employed as a management control device for the general fund, special revenue funds and debt service funds. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Common Council. The City's finance committee or the City's director of finance can approve transfers within departments while transfers between departments and changes in the overall budget require approval by two-thirds of the Common Council.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2011.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2011:

Funds	Deficit Fund Balance
Other Governmental Funds	
Harbor Center Marina	\$ 2,465,204
Police Meg Unit	2,194
Internal Service Fund	
Workers Compensation Self Insurance	30,948

The City anticipates funding the above deficits from future revenues of the funds.

**NOTE C - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

In addition, investment of most trust funds including cemetery perpetual care funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. These sections give broad authority to use such funds to acquire various kinds of investments, including common stock.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

The carrying amount of the City's cash and investments totaled \$77,794,268 on December 31, 2011 as summarized below:

Petty cash funds	\$ 4,991
Deposits with financial institutions	12,659,700
Investments	
Cash held by brokerage firm	354,098
Repurchase agreements	2,229,463
Federal agency securities	45,480,389
Wisconsin local government investment pool	17,065,627
	<u>\$ 77,794,268</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 52,929,812
Restricted cash and investments	979,291
Fiduciary funds	
Agency funds	23,885,165
	<u>\$ 77,794,268</u>

Deposits and investments of the City are subject to various risks. Presented below is a discussion of the specific risks and the City's policy related to the risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The City does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for interest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for all time accounts, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. In addition, the City's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2011, none of the City's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

On December 31, 2011, the City held repurchase agreement investments of \$2,229,463 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of yearend for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	AA	Not Rated
Federal National MTG Assn	\$ 2,033,667	\$ -	\$ 2,033,667	\$ -	\$ -
Federal Home Loan MTG Corp	15,784,358	-	15,784,358	-	-
Federal Home Loan Bank	15,710,019	-	15,710,019	-	-
Freddie Mac Step Up Call	6,939,018	-	6,939,018	-	-
Fannie Mae Step Up Call	5,013,327	-	5,013,327	-	-
Cash held by brokerage firm	354,098	-	-	-	354,098
Wisconsin local government investment pool	17,065,627	-	-	-	17,065,627
<b>Totals</b>	<b>\$ 62,900,114</b>	<b>\$ -</b>	<b>\$ 45,480,389</b>	<b>\$ -</b>	<b>\$ 17,419,725</b>

Concentration of Credit Risk

The investment policy of the City states that the funds of the City will be invested in accordance with Wisconsin State Statutes. The City's investment policy shall limit the investments to the following investment instruments and shall diversify the portfolio by instruments, financial institutions and maturities:

Instruments	Maximum % of Portfolio
U.S. Treasury Obligations (bills, notes and bonds)	100%
U.S. Government Agency Securities and Instruments of Government Sponsored Operations	75%
Certificates of Deposit in Commercial Banks	50%
State Investment Pool	100%

Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Total
Federal Home Loan MTG Corp	Federal Agency Securities	\$ 15,784,358	24%
Federal Home Loan Bank	Federal Agency Securities	15,710,019	24%
Freddie Mac Step Up Call	Federal Agency Securities	6,939,018	11%
Fannie Mae Step Up Call	Federal Agency Securities	5,013,327	8%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Cash held by brokerage firm	\$ 354,098	\$ 354,098	\$ -	\$ -	\$ -
Federal National MTG Assn	2,033,667	-	-	2,033,667	-
Federal Home Loan MTG Corp	15,784,358	-	-	-	15,784,358
Federal Home Loan Bank	15,710,019	-	-	5,500,275	10,209,744
Freddie Mac Step Up Call	6,939,018	-	-	6,939,018	-
Fannie Mae Step Up Call	5,013,327	-	-	5,013,327	-
Wisconsin local government investment pool	17,065,627	17,065,627	-	-	-
<b>Totals</b>	<b>\$ 62,900,114</b>	<b>\$ 17,419,725</b>	<b>\$ -</b>	<b>\$ 19,486,287</b>	<b>\$ 25,994,102</b>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Fair Value at Year End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$45,480,389

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$17,065,627 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the Sheboygan County as part of the February tax settlement. The City and all other entities receive payment in full during the August tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

The City bills and collects its own property taxes and also levies and collects taxes for the Sheboygan Area School District, Kohler School District, Sheboygan County, Lakeshore Technical College and the State of Wisconsin. Collections and remittances of taxes for other entities are accounted for in the property tax agency fund.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

3. Restricted Assets

The following represents the balances of the restricted assets:

Enterprise Fund	
Water Utility	
Special Redemption Funds	
Interest and principal account	\$ 314,472
Reserve account	664,819
Total Restricted Assets	<u>\$ 979,291</u>

4. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,081,791	\$ 2,000,000	\$ 34,529	\$ 15,047,262
Capital assets, being depreciated:				
Buildings and improvements	31,747,925	625,762	100,000	32,273,687
Improvements other than buildings	13,714,487	42,253	-	13,756,740
Machinery and equipment	22,400,741	828,794	454,005	22,775,530
Infrastructure	112,893,449	2,677,746	33,018	115,538,177
Subtotals	180,756,602	4,174,555	587,023	184,344,134
Less accumulated depreciation for:				
Buildings and improvements	12,395,469	653,870	100,000	12,949,339
Improvements other than buildings	8,828,669	508,901	-	9,337,570
Machinery and equipment	15,364,613	1,407,187	454,005	16,317,795
Infrastructure	47,083,427	3,462,641	33,018	50,513,050
Subtotals	83,672,178	6,032,599	587,023	89,117,754
Total capital assets, being depreciated, net	97,084,424	(1,858,044)	-	95,226,380
Governmental activities capital assets, net	<u>\$ 110,166,215</u>	<u>\$ 141,956</u>	<u>\$ 34,529</u>	110,273,642
Less: General obligation debt				47,241,852
Less: Mortgage notes				225,000
Less: Capital lease				737,277
Less: Sheboygan County				1,000,000
Plus: Unspent capital related debt proceeds				<u>(964,873)</u>
Invested in capital assets, net of related debt				<u>\$ 62,034,386</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 852,683	\$ -	\$ -	\$ 852,683
Construction in progress	5,610,148	3,100,558	2,636,555	6,074,151
Total capital assets, not being depreciated	<u>6,462,831</u>	<u>3,100,558</u>	<u>2,636,555</u>	<u>6,926,834</u>
Capital assets, being depreciated:				
Buildings and improvements	18,251,231	71,777	40,608	18,282,400
Improvements other than buildings	19,190,863	2,707,785	-	21,898,648
Machinery and equipment	31,103,261	210,084	1,013,560	30,299,785
Infrastructure	55,133,555	407,301	107,342	55,433,514
Subtotals	<u>123,678,910</u>	<u>3,396,947</u>	<u>1,161,510</u>	<u>125,914,347</u>
Less accumulated depreciation for:				
Buildings and improvements	11,640,148	470,607	31,723	12,079,032
Improvements other than buildings	18,711,277	186,019	-	18,897,296
Machinery and equipment	21,370,357	995,250	1,013,560	21,352,047
Infrastructure	20,377,256	1,031,899	79,509	21,329,646
Subtotals	<u>72,099,038</u>	<u>2,683,775</u>	<u>1,124,792</u>	<u>73,658,021</u>
Total capital assets, being depreciated, net	<u>51,579,872</u>	<u>713,172</u>	<u>36,718</u>	<u>52,256,326</u>
Business-type activities capital assets net	<u>\$ 58,042,703</u>	<u>\$ 3,813,730</u>	<u>\$ 2,673,273</u>	59,183,160
Less: Revenue bonds				14,080,502
Less: Alliant Energy notes				987,694
Less: Bond premium				2,854
Plus: Unspent capital related debt proceeds				<u>(664,819)</u>
Invested in capital assets, net of related debt				<u>\$ 44,776,929</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Depreciation expense was charged to functions of the City as follows:

Governmental activities		
General government	\$	87,635
Public safety		684,017
Public works		3,475,507
Health and human services		621
Culture and recreation		532,229
Conservation and development		429,678
Internal service funds allocated to other activities		822,912
Total depreciation expense - governmental activities	<u>\$</u>	<u>6,032,599</u>
Business-type activities		
Sewerage system	\$	890,238
Water utility		
Depreciation expense		1,025,712
Depreciation expense allocated to clearing accounts		141,243
Transit commission		577,837
Parking facility		27,266
Boat facility		21,479
Total depreciation expense - business-type activities	<u>\$</u>	<u>2,683,775</u>

5. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2011 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 537,156	\$ -
	Special revenue fund - Lead based abatement program	53,713	-
	Special revenue fund - Harbor Center Marina	59,100	-
	Debt service fund - TIF districts	90,726	-
	Enterprise fund - Water utility	954,120	-
Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	<u>2,007,242</u>	<u>2,007,242</u>
Subtotal - Fund Financial Statements		3,702,057	2,007,242
Less: Fund eliminations		<u>(2,747,937)</u>	<u>(2,007,242)</u>
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ 954,120</u>	<u>\$ -</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

The principal purpose of these interfunds is to account for the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Debt service fund - TIF districts	\$ 1,236,203	\$ 1,236,203
Special revenue fund - Special assessment fund	General fund	179,785	-
Debt service fund - GO debt	Debt service fund - TIF districts	1,448,398	1,448,398
	Enterprise fund - Water utility	275,411	275,411
Capital projects fund - Tax levy	Debt service fund - TIF districts	653,251	-
		<u>3,793,048</u>	<u>2,960,012</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	<u>330,911</u>	<u>330,911</u>
Subtotal - Fund Financial Statements		4,123,959	3,290,923
Less: Fund eliminations		(3,517,637)	(2,684,601)
Less: Enterprise portion of advance		<u>(661,822)</u>	<u>(661,822)</u>
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ (55,500)</u>	<u>\$ (55,500)</u>

The principal purpose of these interfund advances was financing debt service maturities of the City's tax incremental financing districts and capital acquisitions.

For the statement of net assets, interfund advance balances which are owed within the governmental activities or business-type activities are netted and eliminated. A reconciliation to the statement of net assets follows:

Due from other funds	\$ 954,120
Interfund advances	(55,500)
Internal service fund allocation to business-type activities	<u>90,158</u>
Total Internal Balances - Government-wide Statement of Net Assets	<u>\$ 988,778</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund transfers for the year ended December 31, 2011 were as follows:

Fund Transferred To	Fund Transferred From	Amount
General fund	Enterprise fund - Water utility	\$ 933,489
	Enterprise fund - Sewerage system	245,631
	Debt service fund - TIF districts	2,506
	Permanent fund - Cemetery perpetual care	1,706
	Special revenue fund - Cable TV	275,000
	Special revenue fund - Tourism promotion	52,409
	Special revenue fund - Municipal court	365,421
	Special revenue fund - Ambulance	425,935
	Internal service fund - Motor vehicle fund	125,000
Special revenue fund - Meg unit	General fund	4,597
Debt service fund - GO debt	Special revenue fund - Tourism promotion	480,562
	Special revenue fund - Harbor Center marina	188,370
	Special revenue fund - Special assessment	176,000
	Debt service fund - TIF districts	143,666
	Capital projects fund - Bonded	425
Capital projects fund - Tax levy	Internal service fund - Motor vehicle fund	42,253
		<u>3,462,970</u>
Enterprise fund - Parking facility	General fund	1,802
	Capital projects tax levy fund	9,535
		<u>11,337</u>
Internal service fund - Workers comp self insurance	Internal service fund - Health self insurance	<u>500,000</u>
Subtotal - Fund Financial Statements		<u>\$ 3,974,307</u>
Government fund transfers in		\$ 3,962,970
Less: Fund eliminations		<u>(2,795,187)</u>
Total Transfers - Government-wide Statement of Activities		<u>\$ 1,167,783</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

6. Deferred Revenues

Governmental and business-type activities and governmental and proprietary funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue were as follows:

	Unavailable	Unearned	Total
<b>Governmental Funds</b>			
Subsequent year tax levy receivable			
Major governmental funds			
General fund	\$ -	\$ 15,384,886	\$ 15,384,886
Debt service general obligation debt	-	2,910,747	2,910,747
Debt service tax increment financing districts	-	4,249,816	4,249,816
Nonmajor governmental funds			
Mead library	-	2,377,053	2,377,053
Special assessments			
Major governmental funds			
General fund	88,887	-	88,887
Nonmajor governmental funds			
Special assessments	131,208	-	131,208
Accounts receivable			
Ambulance	52,240	-	52,240
Loans receivable			
Nonmajor governmental funds			
Community development block grant	3,673,858	-	3,673,858
Revolving loan funds	4,147,929	-	4,147,929
Redevelopment authority	1,340,004	-	1,340,004
Advance to water utility			
Debt service general obligation debt	275,411	-	275,411
Revenue received prior to meeting all eligibility requirements			
Major governmental funds			
General fund	-	1,311	1,311
<b>Total Governmental Funds</b>	<b>9,709,537</b>	<b>24,923,813</b>	<b>34,633,350</b>
<b>Proprietary Funds</b>			
Subsequent year tax levy receivable			
Nonmajor proprietary fund			
Transit commission	-	511,559	511,559
Revenue received prior to meeting all eligibility requirements			
Major proprietary fund			
Sewerage system	-	8,959	8,959
Nonmajor proprietary funds			
Transit commission	-	11,269	11,269
Parking facility	-	34,876	34,876
Boat facility	-	97	97
<b>Total Proprietary Funds</b>	<b>-</b>	<b>566,760</b>	<b>566,760</b>
<b>Totals</b>	<b>\$ 9,709,537</b>	<b>\$ 25,490,573</b>	<b>\$ 35,200,110</b>

Special assessments are generally collectible on annual installments from one to five years.

The loans receivable balance represents the outstanding balances on mortgage loans to eligible City businesses or residents. Repayment of principal and interest on the loans is recorded as revenue as received and is used to finance additional loans.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2011:

	Outstanding 1/1/11	Issued	Retired	Outstanding 12/31/11	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 36,665,000	\$ -	\$ 2,810,000	\$ 33,855,000	\$ 2,980,000
Notes	16,048,129	670,000	3,331,277	13,386,852	3,499,667
Total General Obligation Debt	52,713,129	670,000	6,141,277	47,241,852	6,479,667
Mortgage notes	225,000	-	-	225,000	-
Capital lease	846,130	-	108,853	737,277	113,342
Sheboygan County	1,000,000	-	-	1,000,000	-
Unfunded post employment benefits	1,014,864	637,325	438,536	1,213,653	-
Compensated absences	3,140,085	-	171,467	2,968,618	-
Governmental activities Long-term obligations	<u>\$ 58,939,208</u>	<u>\$ 1,307,325</u>	<u>\$ 6,860,133</u>	<u>\$ 53,386,400</u>	<u>\$ 6,593,009</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 14,430,308	\$ 735,168	\$ 1,084,974	\$ 14,080,502	\$ 1,143,846
Unamortized bond premium	3,050	-	196	2,854	197
Alliant Energy note	1,225,484	-	237,790	987,694	241,144
Business-type activities Long-term obligations	<u>\$ 15,658,842</u>	<u>\$ 735,168</u>	<u>\$ 1,322,960</u>	<u>\$ 15,071,050</u>	<u>\$ 1,385,187</u>

Total interest paid during the year on long-term debt totaled \$2,830,955.

For governmental activities, the other long-term liabilities are generally funded by the general fund.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

General Obligation Debt

General obligation debt is backed by the full faith and credit of the City. The City finances general obligation debt of its governmental funds with general property taxes or tax increments. The City finances debt of proprietary funds with user fees of the respective fund and, if sufficient user fees are not available, from future general property taxes. General obligation debt currently outstanding on December 31, 2011 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/11
<b>General Obligation Debt</b>					
<b>General Obligation Bonds</b>					
Refunding Bonds	07/01/06	4.00-4.25%	10/01/22	5,155,000	\$ 4,050,000
Refunding Bonds	07/01/06	5.60-6.00%	10/01/22	8,575,000	7,225,000
Refunding Bonds	07/01/06	5.60-5.80%	11/01/18	7,150,000	4,915,000
General Obligation Bonds	09/01/07	4.5-5%	10/01/26	8,000,000	7,700,000
Taxable Refunding Bonds	05/15/08	4.00-4.20%	04/01/13	850,000	365,000
Taxable Refunding Bonds	6/23/2010	2.00-5.25%	04/01/27	8,325,000	7,825,000
Refunding Bonds	11/9/2010	0.80-2.40%	10/01/19	2,530,000	1,775,000
<b>Total General Obligation Bonds</b>					<u>33,855,000</u>
<b>General Obligation Notes</b>					
State Trust Fund Notes	06/19/02	4.50%	06/19/02	300,000	35,941
State Trust Fund Notes	07/03/02	4.50%	03/15/12	2,700,000	35,831
Promissory Notes	10/15/02	3.35%	10/01/12	1,685,000	175,000
Promissory Notes	10/15/02	4.50%	10/01/12	3,940,000	1,110,000
Land Recycling Loan	12/23/02	0%	05/01/22	2,700,000	881,420
Promissory Notes	03/15/04	2.90-3.10%	12/01/13	1,500,000	475,000
Promissory Notes	03/15/04	2.90-3.10%	12/01/13	1,065,000	300,000
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	477,869
State Trust Fund Notes	11/21/05	4.00%	03/15/15	500,000	247,038
Promissory Notes	04/15/06	3.75-4.00%	10/01/15	3,000,000	1,900,000
Promissory Notes	04/15/06	3.75-4.13%	10/01/15	1,400,000	850,000
State Trust Fund Notes	07/05/06	4.00%	03/15/16	220,000	119,329
Promissory Notes	04/15/07	3.85-4%	10/01/16	3,000,000	1,350,000
Promissory Notes	05/15/08	3.25-3.5%	10/01/17	3,000,000	2,275,000
State Trust Fund Notes	12/30/09	3.50%	03/15/14	800,000	614,424
Promissory Notes (Build America Bonds)	6/23/2010	1.50-4.20%	04/01/20	2,045,000	1,870,000
Promissory Notes	9/29/2011	0.75-1.75%	10/01/16	670,000	670,000
<b>Total General Obligation Notes</b>					<u>13,386,852</u>
<b>Total</b>					<u><u>\$ 47,241,852</u></u>

Build America Bond

The general obligation debt issued on June 23, 2010 qualifies as Build America Bonds, as described in Section 54AA of the Internal Revenue Code. The interest on the debt is taxable as set forth in the regulations. The City is eligible to receive a 35% subsidy of the annual interest payment from the Federal government. In order to receive this subsidy it is necessary for the City to file a claim form annually.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the outstanding general obligation debt of \$47,241,852 on December 31, 2011 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2012	\$ 6,479,667	\$ 1,963,187	\$ 8,442,854
2013	4,918,120	1,741,070	6,659,190
2014	4,688,626	1,560,939	6,249,565
2015	4,510,182	1,380,458	5,890,640
2016	4,075,726	1,201,919	5,277,645
2017-2021	14,729,757	3,700,403	18,430,160
2022-2026	7,349,774	1,039,585	8,389,359
2027	490,000	12,863	502,863
	<u>\$ 47,241,852</u>	<u>\$ 12,600,424</u>	<u>\$ 59,842,276</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2011 was \$88,929,270 as follows:

Equalized valuation of the City	\$ 2,586,264,300
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>129,313,215</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 47,241,852
Less: Amounts available for financing general obligation debt	
Debt service funds	<u>6,857,907</u>
Net outstanding general obligation debt applicable to debt limitation	<u>40,383,945</u>
Legal Margin for New Debt	<u><u>\$ 88,929,270</u></u>

Mortgage Notes

Mortgage notes currently outstanding consist of a note with the Sheboygan Development Corporation. A repayment schedule does not exist as of December 31, 2011.

Capital Leases

The City has entered into multiple capital lease agreements to finance the acquisition of machinery and equipment. Annual principal and interest maturities are as follows:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2012	\$ 113,342	\$ 32,450	\$ 145,792
2013	118,020	27,771	145,791
2014	122,895	22,896	145,791
2015	127,975	17,816	145,791
2016	46,240	12,523	58,763
2017 - 2020	208,805	26,244	235,049
	<u>\$ 737,277</u>	<u>\$ 139,700</u>	<u>\$ 876,977</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements  
December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Amount due to Sheboygan County, Wisconsin

Sheboygan County, Wisconsin, provided funding to assist in the development and construction of the infrastructure of the Marina Boatworks facility. To the extent the City does not recover its initial taxpayer funding contribution through tax incremental revenues, the City will share any surplus cash with Sheboygan County in proportion to the initial taxpayer funding contributions excluding tax incremental revenue effects until the \$1,000,000 has been returned.

Revenue Bonds

Revenue bond debt service requirements are financed by income derived from the acquired or constructed assets of the enterprise funds. Enterprise fund revenue bonds currently outstanding on December 31, 2011 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/11
<b>Sewerage System</b>					
Clean Water Fund Loan	11/30/95	3.124%	05/01/15	\$ 4,375,561	\$ 1,147,520
Clean Water Fund Loan	11/25/96	3.195%	05/01/16	3,250,000	1,058,962
Clean Water Fund Loan	05/26/10	2.400%	05/01/30	2,113,026	2,747,622
<b>Total Sewerage System</b>					<u>4,954,104</u>
<b>Water Utility</b>					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	2,176,398
Refunding Revenue Bonds	09/01/05	3.75 -4.25%	06/01/25	4,900,000	3,225,000
Revenue Bonds	04/01/07	4.00-5.00%	05/01/27	4,000,000	3,725,000
<b>Total Water Utility</b>					<u>9,126,398</u>
<b>Total Revenue Bonds</b>					<u>\$ 14,080,502</u>

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$14,080,502 on December 31, 2011 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2012	\$ 1,143,846	\$ 471,198	\$ 1,615,044
2013	1,180,805	430,992	1,611,797
2014	1,213,418	389,243	1,602,661
2015	1,236,705	346,609	1,583,314
2016	951,056	308,857	1,259,913
2017-2021	3,835,222	1,139,063	4,974,285
2022-2026	3,533,950	448,970	3,982,920
2027-2030	985,500	40,142	1,025,642
	<u>\$ 14,080,502</u>	<u>\$ 3,575,074</u>	<u>\$ 17,655,576</u>

Utility Revenues Pledged

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the water and sewer system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the systems. The bonds are payable solely from water and sewer customer net revenues and are payable through 2030. The total principal and interest remaining to be paid on the bonds is \$17,655,576. Principal and interest paid for the current year and net customer revenues for the water utility were \$892,020 and \$3,697,476, respectively. Principal and interest paid for the current year and net customer revenues for the sewer utility were \$694,058 and \$2,008,411, respectively.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Alliant Energy Note

Debt service requirements of the Alliant Energy Notes are financed by the City's sewerage system. Alliant Energy Notes currently outstanding on December 31, 2011 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/11
Sewerage System					
Alliant Energy Note	8/2009	2.00%	7/2014	\$ 36,725	\$ 18,199
Alliant Energy Note	12/2010	2.00%	12/2015	1,200,000	969,495
					\$ 987,694

Annual principal and interest maturities of the above outstanding Alliant Energy Notes of \$987,694 on December 31, 2011 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2012	\$ 241,144	\$ 17,499	\$ 258,643
2013	247,461	12,667	260,128
2014	249,206	7,701	256,907
2015	249,883	2,713	252,596
	\$ 987,694	\$ 40,580	\$ 1,028,274

Other Debt Information

There are a number of limitations and restrictions contained in the various bond and note obligations. The City believes it is substantially in compliance with all material limitations and restrictions.

**NOTE D - OTHER INFORMATION**

1. Retirement Commitments

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All permanent employees hired before July 1, 2011 and expected to work over 600 hours a year (440 hours for teachers and educational support employees) or hired on or after July 1, 2011 and expected to work over 1200 hours a year (880 hours for teachers and educational support employees) are eligible to participate in the WRS. Covered employees in the General/Teacher/ Educational Support Personnel category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the WRS for the year ended December 31, 2011 was \$25,879,233; the employer's total payroll was \$28,185,510. The total required contribution for the year ended December 31, 2011 was \$3,665,175, which consisted of \$1,503,386, or 5.8% of payroll from the employer and \$2,161,789, or 8.4% of payroll from employees. Employee's contributed \$178,454 towards the employee portion during 2011. Total contributions for the years ending December 31, 2010 and 2009 were \$3,158,686 and \$3,144,288, respectively, equal to the required contributions for each year.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE D - OTHER INFORMATION (Continued)**

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

2. Other Post-employment Benefits

*Plan Description* - The City provides health care insurance coverage for employees who retire prior to the age of 65. Retired employees contribute varying amounts towards insurance premiums depending on employee classification. There were 475 active and 88 retired employees in the plan as of the most recent actuary valuation date.

*Annual OPEB Cost and Net OPEB Obligation* - The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Component	Amount
Annual required contribution	\$ 653,520
Interest on net OPEB	53,792
Adjustment to annual required contribution	<u>(69,987)</u>
Annual OPEB cost (expense)	637,325
Contributions made	<u>(438,536)</u>
Change in net OPEB obligation	198,789
OPEB obligation - beginning of year	<u>1,014,864</u>
OPEB obligation - end of year	<u><u>\$ 1,213,653</u></u>

The annual required contribution for the current year was determined as part of the January 1, 2010 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 5.0% discount rate, and (b) projected salary increases at 3%.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements  
December 31, 2011

**NOTE D - OTHER INFORMATION (Continued)**

*Trend Information* - The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2011	\$ 637,325	69%	\$ 1,213,653

*Funded Status and Funding Progress* - As of January 1, 2010, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$6,126,869. The annual payroll for active employees covered by the plan for the 2011 fiscal year was \$24,585,818 for a ratio of the UAAL to covered payroll of 24.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

*Actuarial Methods and Assumptions* - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the unit credit method was used. The actuarial assumptions included a rate of 5% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10%, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized as a level dollar amount on an open basis.

**3. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City participates in a public entity risk pool called Cities and Villages Mutual Insurance Company to provide coverage for losses from torts; theft of, damage to, or destruction of assets; errors and omission. However, other risks, such as workers compensation and health care of its employees are accounted for and financed by the City in health self insurance internal service fund and the workers compensation self insurance internal service fund.

**a. Self Insurance**

For health insurance claims, the uninsured risk of loss is \$125,000 per person and a minimum annual aggregate deductible of \$7,022,074 for the 2011 policy year. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have exceeded the commercial coverage for the individual stop-loss, but not the aggregate deductible during any of the past three years.

For workers compensation claims, the uninsured risk of loss is \$350,000 per incident. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE D - OTHER INFORMATION (Continued)**

All funds of the City participate in the risk management program. Amounts payable to the internal service funds are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. \$5,653,333 was available for that reserve at year end, and is included in unrestricted net assets of the internal service funds.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for health insurance and workers compensation claims that have been incurred but not reported.

Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Balance End of Year
<b>Health Insurance</b>				
2011	\$2,550,010	\$6,887,225	\$7,087,157	\$2,350,078
2010	2,350,078	6,552,512	6,486,703	2,415,887
<b>Workers Compensation</b>				
2011	50,000	282,653	274,881	57,772
2010	57,772	346,552	345,690	58,634

b. Public Entity Risk Pool

Wisconsin Municipal Insurance Commission (WMIC)  
 Cities and Villages Mutual Insurance company (CVMIC)

WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. They also have \$8,000,000 of excess coverage. Losses paid by CVMIC, plus administrative expenses, will be recovered through premiums to the participating pool of municipalities. The City's share of such losses is approximately 4.5 percent.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 9898 W Bluemound Road, Wauwatosa, Wisconsin 53226-4319.

The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$2,205,665 in the general liability self-insurance internal service fund.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**NOTE D - OTHER INFORMATION (Continued)**

The City pays an annual premium to the mutual for its general liability insurance, which provides coverage up to \$5,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$100,000 per occurrence and an annual aggregate limit of \$400,000.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for liability insurance claims that have been incurred but not reported.

Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Balance End of Year
2011	\$185,703	\$239,095	\$239,095	\$185,703
2010	185,703	149,504	149,504	185,703

4. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2011 budget year, the increase in the maximum allowable tax levy is limited to the greater of the percentage change in the City's January 1 equalized value as a result of net new construction or 3.0% per year. The actual limit for the City for the 2011 budget was 3.0%. For the 2012 budget year, Wisconsin statutes limit the increase in the maximum allowable tax levy to the change in the City's January 1 equalized value as a result of net new construction. The actual limit for the City for the 2012 budget was 0.25%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

5. Contingencies

- a. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. An audit under OMB Circular A-133 has been conducted but final acceptance is still pending. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.
- b. From time to time, the City is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material effect on the city's financial statements.

6. Prior Period Adjustment

The City determined that the general fund overstated accrued liabilities for vacation benefits in the fund statements by the amount of \$418,168. As a result, fund balance increased and accrued liabilities decreased by \$418,168 at December 31, 2010.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE E - COMPONENT UNITS**

This report contains the Housing Authority of the City of Sheboygan and the Harbor Centre Business Improvement District, which are included as component units. Financial information for both is presented as a separate column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

Information related to the Housing Authority of the City of Sheboygan is as follows:

1. Significant Accounting Policies
  - a. The Housing Authority follows the accrual basis of accounting.
  - b. Temporary cash investments are stated at cost which approximates fair value.
  - c. Capital assets are recorded at original costs. The provision for depreciation was computed under the straight-line method over the useful lives of the assets.

2. Deposits and Investments  
The carrying amount of the Authority's cash and investments totaled \$4,744,824 on March 31, 2011 as summarized below:

Deposits with financial institutions	<u>\$ 4,744,824</u>
--------------------------------------	---------------------

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 4,617,797
Restricted cash and investments	<u>127,027</u>
	<u>\$ 4,744,824</u>

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for interest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for all time accounts, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. In addition, the Housing Authority's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

The Housing Authority has entered into a Public Deposits Security Agreement with Wells Fargo Bank which provides that the Bank will grant the Housing Authority a security interest in certain collateral to secure payment of public deposits deposited in the Bank by the Housing Authority to the extent the amount of such deposits exceeds federal deposit insurance plus \$400,000. The approximate market value of the securities held as collateral at March 31, 2011, was \$4,006,304.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**NOTE D - OTHER INFORMATION (Continued)**

3. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 266,510	\$ -	\$ -	\$ 266,510
Capital assets being depreciated				
Buildings and improvements	7,363,892	165,439	-	7,529,331
Machinery and equipment	619,244	70,517	22,286	667,475
Total Capital Assets Being Depreciated	<u>7,983,136</u>	<u>235,956</u>	<u>22,286</u>	<u>8,196,806</u>
Less: Accumulated Depreciation	<u>5,991,784</u>	<u>274,022</u>	<u>2,791</u>	<u>6,263,015</u>
Net Capital Assets being Depreciated	<u>1,991,352</u>	<u>(38,066)</u>	<u>19,495</u>	<u>1,933,791</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,257,862</u>	<u>\$ (38,066)</u>	<u>\$ 19,495</u>	<u>\$ 2,200,301</u>

Accumulated depreciation is not available by class or function.

Information related to the Business Improvement District is as follows:

a) Significant Accounting Policies

- 1) The Business Improvement District follows the modified accrual basis of accounting.
- 2) Temporary cash investments are stated at cost which approximates fair value.

b. Deposits and Investments

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to the statutory amount for demand deposits and time deposits. At year end, the carrying amount of the District's deposits was \$126,554 and the bank balance was \$127,502. The entire bank balance was covered by Federal depository insurance.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of Funding Progress  
 Other Post-Employment Benefit Plan  
 December 31, 2011

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2010	\$ -	\$ 6,126,869	0.0%	\$ 6,126,869	\$ 25,536,076	24.0%
2008	-	5,291,565	0.0%	5,291,565	27,270,092	19.4%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of Employer Contributions  
 Other Post-Employment Benefit Plan  
 December 31, 2011

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 438,536	\$ 653,520	67.10%
2010	491,903	583,533	84.30%
2009	317,005	651,682	48.64%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.

## **SUPPLEMENTAL INFORMATION**

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2011

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
<b>ASSETS</b>						
Cash and investments	\$ 860,943	\$ 277,755	\$ -	\$ 844,094	\$ 278,437	\$ 102,182
Receivables						
Taxes	-	-	-	2,377,053	-	-
Accounts	-	-	-	1,082	138,665	127,772
Special assessments	-	-	-	-	-	-
Loans	3,673,858	4,147,929	1,542,691	-	-	-
Other	-	3,038	-	-	1,034	328
Advance to other funds	-	-	-	-	-	-
Due from other governments	587,975	-	254,174	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,122,776</b>	<b>\$ 4,428,722</b>	<b>\$ 1,796,865</b>	<b>\$ 3,222,229</b>	<b>\$ 418,136</b>	<b>\$ 230,282</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 61,090	\$ -	\$ 3,921	\$ 13,292	\$ 4,897	\$ 68,269
Accrued and other current liabilities	-	-	-	130,396	5,997	-
Due to other funds	537,156	-	53,713	-	-	-
Due to other governments	-	-	1,542,691	-	-	-
Deferred revenues	3,673,858	4,147,929	-	2,377,053	-	-
Advance from other funds	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>4,272,104</b>	<b>4,147,929</b>	<b>1,600,325</b>	<b>2,520,741</b>	<b>10,894</b>	<b>68,269</b>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Inventories and prepaid items	-	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-	-
Library trust	-	-	-	-	-	-
<b>Restricted</b>						
Community development	850,672	280,793	196,540	-	-	-
Library trust	-	-	-	-	-	-
<b>Assigned</b>						
-	-	-	-	701,488	407,242	162,013
<b>Unassigned</b>						
-	-	-	-	-	-	-
<b>Total Fund Balances (Deficits)</b>	<b>850,672</b>	<b>280,793</b>	<b>196,540</b>	<b>701,488</b>	<b>407,242</b>	<b>162,013</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,122,776</b>	<b>\$ 4,428,722</b>	<b>\$ 1,796,865</b>	<b>\$ 3,222,229</b>	<b>\$ 418,136</b>	<b>\$ 230,282</b>

Special Revenue Funds (Continued)

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Ambulance	Storm Water	Total
\$ 2,627	\$ 15,248	\$ 1,940,256	\$ 149,710	\$ 32,640	\$ 44,126	\$ 135,401	\$ 47,588	\$ 4,731,007
-	-	-	-	-	-	-	2,153	2,379,206
38,511	-	-	-	-	6,399	162,020	154	474,603
-	-	147,968	-	-	-	-	-	147,968
-	-	-	1,340,004	-	-	-	-	10,704,482
-	-	5,384	435	102	680	810	125	11,936
-	-	179,785	-	-	-	-	-	179,785
-	4,597	-	-	-	-	-	-	846,746
17,672	-	-	-	-	-	-	-	17,672
<b>\$ 58,810</b>	<b>\$ 19,845</b>	<b>\$ 2,273,393</b>	<b>\$ 1,490,149</b>	<b>\$ 32,742</b>	<b>\$ 51,205</b>	<b>\$ 298,231</b>	<b>\$ 50,020</b>	<b>\$ 19,493,405</b>
\$ 45,800	\$ 11,962	\$ -	\$ 190	\$ 6,246	\$ 29,983	\$ 7,304	\$ -	\$ 252,954
76,788	10,077	-	-	-	6,095	13,442	-	242,795
2,066,342	-	-	-	-	-	-	-	2,657,211
4,173	-	-	-	-	-	-	-	1,546,864
-	-	131,208	1,340,004	-	-	52,240	-	11,722,292
330,911	-	-	-	-	-	-	-	330,911
<b>2,524,014</b>	<b>22,039</b>	<b>131,208</b>	<b>1,340,194</b>	<b>6,246</b>	<b>36,078</b>	<b>72,986</b>	<b>-</b>	<b>16,753,027</b>
17,672	-	-	-	-	-	-	-	17,672
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,328,005
-	-	-	-	-	-	-	-	-
-	-	2,142,185	149,955	26,496	15,127	225,245	50,020	3,879,771
(2,482,876)	(2,194)	-	-	-	-	-	-	(2,485,070)
<b>(2,465,204)</b>	<b>(2,194)</b>	<b>2,142,185</b>	<b>149,955</b>	<b>26,496</b>	<b>15,127</b>	<b>225,245</b>	<b>50,020</b>	<b>2,740,378</b>
<b>\$ 58,810</b>	<b>\$ 19,845</b>	<b>\$ 2,273,393</b>	<b>\$ 1,490,149</b>	<b>\$ 32,742</b>	<b>\$ 51,205</b>	<b>\$ 298,231</b>	<b>\$ 50,020</b>	<b>\$ 19,493,405</b>

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2011

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
<b>ASSETS</b>					
Cash and investments	\$ 2,254,249	\$ 799,960	\$ 1,006,439	\$ 1,806,399	\$ 8,791,655
Receivables					
Taxes	-	-	-	-	2,379,206
Accounts	400	2,003	-	2,003	477,006
Special assessments	-	-	-	-	147,968
Loans	-	-	-	-	10,704,482
Other	7,447	125	76	201	19,584
Advance to other funds	653,251	-	-	-	833,036
Due from other governments	544,594	-	-	-	1,391,340
Inventories and prepaid items	-	-	-	-	17,672
<b>TOTAL ASSETS</b>	<b>\$ 3,459,941</b>	<b>\$ 802,088</b>	<b>\$ 1,006,515</b>	<b>\$ 1,808,603</b>	<b>\$ 24,761,949</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 158,764	\$ -	\$ 180	\$ 180	\$ 411,898
Accrued and other current liabilities					
liabilities	-	-	-	-	242,795
Due to other funds	-	-	-	-	2,657,211
Due to other governments	-	-	-	-	1,546,864
Deferred revenues	-	-	-	-	11,722,292
Advance from other funds	-	-	-	-	330,911
<b>Total Liabilities</b>	<b>158,764</b>	<b>-</b>	<b>180</b>	<b>180</b>	<b>16,911,971</b>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Inventories and prepaid items	-	-	-	-	17,672
Cemetery perpetual care	-	802,088	-	802,088	802,088
Library trust	-	-	600,000	600,000	600,000
<b>Restricted</b>					
Community development	-	-	-	-	1,328,005
Library trust	-	-	406,335	406,335	406,335
Assigned	3,301,177	-	-	-	7,180,948
Unassigned	-	-	-	-	(2,485,070)
<b>Total Fund Balances</b>	<b>3,301,177</b>	<b>802,088</b>	<b>1,006,335</b>	<b>1,808,423</b>	<b>7,849,978</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,459,941</b>	<b>\$ 802,088</b>	<b>\$ 1,006,515</b>	<b>\$ 1,808,603</b>	<b>\$ 24,761,949</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2011

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ 2,476,488	\$ -	\$ 1,004,650
Special assessments	-	-	-	-	-	-
Intergovernmental	1,263,551	-	288,772	668,671	-	-
Licenses and permits	-	-	-	-	555,445	-
Fines and forfeits	-	-	-	-	-	6,660
Public charges for services	-	-	-	92,868	2,267	-
Miscellaneous	238,648	316,090	37,864	82,164	5,842	1,998
<b>Total Revenues</b>	<b>1,502,199</b>	<b>316,090</b>	<b>326,636</b>	<b>3,320,191</b>	<b>563,554</b>	<b>1,013,308</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	-	-	-	-	-	7,921
Public safety	-	-	-	-	-	25,314
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	3,308,082	165,065	17,119
Conservation and development	1,159,311	1,475,000	289,168	-	-	324,413
<b>Debt service</b>						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Capital outlay</b>	552,398	-	-	162,224	31,376	-
<b>Total Expenditures</b>	<b>1,711,709</b>	<b>1,475,000</b>	<b>289,168</b>	<b>3,470,306</b>	<b>196,441</b>	<b>374,767</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(209,510)</b>	<b>(1,158,910)</b>	<b>37,468</b>	<b>(150,115)</b>	<b>367,113</b>	<b>638,541</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(275,000)	(532,971)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(275,000)</b>	<b>(532,971)</b>
<b>Net Change in Fund Balances</b>	<b>(209,510)</b>	<b>(1,158,910)</b>	<b>37,468</b>	<b>(150,115)</b>	<b>92,113</b>	<b>105,570</b>
<b>Fund Balances (Deficits) - January 1</b>	<b>1,060,182</b>	<b>1,439,703</b>	<b>159,072</b>	<b>851,603</b>	<b>315,129</b>	<b>56,443</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ 850,672</b>	<b>\$ 280,793</b>	<b>\$ 196,540</b>	<b>\$ 701,488</b>	<b>\$ 407,242</b>	<b>\$ 162,013</b>

Special Revenue Funds (Continued)

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Ambulance	Storm Water	Total
\$ 132	\$ -	\$ -	\$ 19,137	\$ -	\$ -	\$ -	\$ -	\$ 3,500,407
-	-	185,639	-	-	-	-	-	185,639
-	25,827	-	-	-	-	7,522	-	2,254,343
-	-	-	-	-	-	-	-	555,445
-	-	-	-	-	919,501	-	-	926,161
802,764	-	-	-	22,012	6,399	988,540	13,089	1,927,939
-	4,597	89,706	2,261	1,843	4,021	4,562	1,466	791,062
802,896	30,424	275,345	21,398	23,855	929,921	1,000,624	14,555	10,140,996
-	-	-	-	-	558,621	-	-	566,542
-	40,055	-	-	-	-	467,502	-	532,871
787,512	-	-	-	-	-	-	-	787,512
-	-	-	-	36,860	-	-	-	3,527,126
-	-	-	14,248	-	-	-	-	3,262,140
-	-	-	-	-	-	72,467	-	72,467
463	-	-	-	-	-	14,563	-	15,026
-	-	7,125	2,800	-	1,856	-	-	757,779
787,975	40,055	7,125	17,048	36,860	560,477	554,532	-	9,521,463
14,921	(9,631)	268,220	4,350	(13,005)	369,444	446,092	14,555	619,533
-	4,597	-	-	-	-	-	-	4,597
(188,370)	-	(176,000)	-	-	(365,421)	(425,935)	-	(1,963,697)
(188,370)	4,597	(176,000)	-	-	(365,421)	(425,935)	-	(1,959,100)
(173,449)	(5,034)	92,220	4,350	(13,005)	4,023	20,157	14,555	(1,339,567)
(2,291,755)	2,840	2,049,965	145,605	39,501	11,104	205,088	35,465	4,079,945
\$ (2,465,204)	\$ (2,194)	\$ 2,142,185	\$ 149,955	\$ 26,496	\$ 15,127	\$ 225,245	\$ 50,020	\$ 2,740,378

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds (Continued)

For the Year Ended December 31, 2011

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,500,407
Special assessments	-	-	-	-	185,639
Intergovernmental	1,392,039	-	-	-	3,646,382
Licenses and permits	-	-	-	-	555,445
Fines and forfeits	-	-	-	-	926,161
Public charges for services	-	10,733	78	10,811	1,938,750
Miscellaneous	46,016	1,841	11,121	12,962	850,040
<b>Total Revenues</b>	<b>1,438,055</b>	<b>12,574</b>	<b>11,199</b>	<b>23,773</b>	<b>11,602,824</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	-	-	-	-	566,542
Public safety	-	-	-	-	532,871
Public works	-	-	-	-	787,512
Culture and recreation	-	-	15,676	15,676	3,542,802
Conservation and development	-	-	-	-	3,262,140
<b>Debt service</b>					
Principal	-	-	-	-	72,467
Interest and fiscal charges	-	-	-	-	15,026
<b>Capital outlay</b>	<b>1,882,794</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,640,573</b>
<b>Total Expenditures</b>	<b>1,882,794</b>	<b>-</b>	<b>15,676</b>	<b>15,676</b>	<b>11,419,933</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(444,739)</b>	<b>12,574</b>	<b>(4,477)</b>	<b>8,097</b>	<b>182,891</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	42,253	-	-	-	46,850
Transfers out	(9,535)	(1,706)	-	(1,706)	(1,974,938)
<b>Total Other Financing Sources (Uses)</b>	<b>32,718</b>	<b>(1,706)</b>	<b>-</b>	<b>(1,706)</b>	<b>(1,928,088)</b>
<b>Net Change in Fund Balances</b>	<b>(412,021)</b>	<b>10,868</b>	<b>(4,477)</b>	<b>6,391</b>	<b>(1,745,197)</b>
<b>Fund Balances - January 1</b>	<b>3,713,198</b>	<b>791,220</b>	<b>1,010,812</b>	<b>1,802,032</b>	<b>9,595,175</b>
<b>Fund Balances - December 31</b>	<b>\$ 3,301,177</b>	<b>\$ 802,088</b>	<b>\$ 1,006,335</b>	<b>\$ 1,808,423</b>	<b>\$ 7,849,978</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
December 31, 2011

	Parking Facility	Boat Facility	Totals
<b>ASSETS</b>			
Cash and investments	\$ 951,646	\$ 308,236	\$ 1,259,882
Receivables			
Taxes	31,907	-	31,907
Accounts	18,803	12,067	30,870
Special assessments	136,309	-	136,309
Other	2,776	918	3,694
Advance to other funds	-	330,911	330,911
Capital assets, nondepreciable			
Land	716,258	-	716,258
Capital assets, depreciable			
Buildings and improvements	14,241	-	14,241
Improvements other than buildings	1,387,464	495,106	1,882,570
Machinery and equipment	282,214	-	282,214
Less: Accumulated depreciation	(1,594,374)	(279,791)	(1,874,165)
<b>TOTAL ASSETS</b>	<b>1,947,244</b>	<b>867,447</b>	<b>2,814,691</b>
<b>LIABILITIES</b>			
Accounts payable	1,820	3,708	5,528
Accrued and other current liabilities	33,656	-	33,656
Due to other governments	1,528	-	1,528
Unearned revenues	34,876	97	34,973
<b>TOTAL LIABILITIES</b>	<b>71,880</b>	<b>3,805</b>	<b>75,685</b>
<b>NET ASSETS</b>			
Invested in capital assets	805,803	215,315	1,021,118
Unrestricted	1,069,561	648,327	1,717,888
<b>TOTAL NET ASSETS</b>	<b>\$ 1,875,364</b>	<b>\$ 863,642</b>	<b>\$ 2,739,006</b>

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Statement of Revenues, Expenses and Changes in Net Assets

Nonmajor Enterprise Funds

For the Year Ended December 31, 2011

	Parking Facility	Boat Facility	Totals
Operating Revenues			
Charges for services	\$ 423,232	\$ 99,637	\$ 522,869
Other	5,677	-	5,677
Total Operating Revenues	<u>428,909</u>	<u>99,637</u>	<u>528,546</u>
Operating Expenses			
Personal services	163,287	1,232	164,519
Contractual services	154,901	162,598	317,499
Supplies and materials	24,713	-	24,713
Insurance	757	-	757
Other	34,952	-	34,952
Depreciation	27,266	21,479	48,745
Total Operating Expenses	<u>405,876</u>	<u>185,309</u>	<u>591,185</u>
Operating Income (Loss)	<u>23,033</u>	<u>(85,672)</u>	<u>(62,639)</u>
Nonoperating Revenues			
Investment income	16,642	5,056	21,698
Miscellaneous revenues	34	-	34
Total Nonoperating Revenues	<u>16,676</u>	<u>5,056</u>	<u>21,732</u>
Income (Loss) Before Contributions and Transfers	39,709	(80,616)	(40,907)
Capital contributions	-	5,000	5,000
Transfers in	11,337	-	11,337
Change in Net Assets	51,046	(75,616)	(24,570)
Net Assets - January 1	<u>1,824,318</u>	<u>939,258</u>	<u>2,763,576</u>
Net Assets - December 31	<u>\$ 1,875,364</u>	<u>\$ 863,642</u>	<u>\$ 2,739,006</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended December 31, 2011

	Parking Facility	Boat Facility	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 446,651	\$ 99,685	\$ 546,336
Payments to suppliers	(229,718)	(174,255)	(403,973)
Payments to employees	(163,906)	(1,258)	(165,164)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>53,027</u>	<u>(75,828)</u>	<u>(22,801)</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Transfers	11,337	-	11,337
Advances to (from) other funds	-	(462)	(462)
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<u>11,337</u>	<u>(462)</u>	<u>10,875</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Capital contributions from municipality	-	5,000	5,000
<b>Cash Flows from Investing Activities</b>			
Interest received	16,642	5,056	21,698
<b>Change in Cash and Cash Equivalents</b>	81,006	(66,234)	14,772
<b>Cash and Cash Equivalents - January 1</b>	<u>870,640</u>	<u>374,470</u>	<u>1,245,110</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 951,646</u>	<u>\$ 308,236</u>	<u>\$ 1,259,882</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 23,033	\$ (85,672)	\$ (62,639)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	27,266	21,479	48,745
Miscellaneous nonoperating revenues	34	-	34
Changes in assets and liabilities			
Receivables	(16,820)	48	(16,772)
Accounts payable	(14,681)	(11,657)	(26,338)
Accrued and other liabilities	(619)	(26)	(645)
Due to other governments	286	-	286
Unearned revenues	34,528	-	34,528
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 53,027</u>	<u>\$ (75,828)</u>	<u>\$ (22,801)</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Statement of Net Assets

Internal Service Funds

December 31, 2011

	Motor Vehicle	Data Processing	Health Self Insurance
<b>ASSETS</b>			
Cash and investments	\$ 2,382,537	\$ 906,506	\$ 6,376,365
Receivables			
Accounts	160	-	196
Other	9,078	2,226	17,824
Inventories and prepaid items	-	-	-
Deposit with CVMIC	-	-	-
Capital assets, depreciable			
Machinery and equipment	11,604,900	1,007,800	-
Less: Accumulated depreciation	(7,223,039)	(923,134)	-
<b>TOTAL ASSETS</b>	<u>6,773,636</u>	<u>993,398</u>	<u>6,394,385</u>
<b>LIABILITIES</b>			
Accounts payable	58,449	62,776	6,900
Accrued and other current liabilities	67,765	69,909	3,046,211
<b>TOTAL LIABILITIES</b>	<u>126,214</u>	<u>132,685</u>	<u>3,053,111</u>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets	4,381,861	84,666	-
Unrestricted (deficit)	2,265,561	776,047	3,341,274
<b>TOTAL NET ASSETS (DEFICIT)</b>	<u>\$ 6,647,422</u>	<u>\$ 860,713</u>	<u>\$ 3,341,274</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 28,451	\$ 286,585	\$ 9,980,444
-	-	356
-	538	29,666
-	37,061	37,061
-	2,205,665	2,205,665
-	-	12,612,700
-	-	(8,146,173)
<u>28,451</u>	<u>2,529,849</u>	<u>16,719,719</u>
765	1,139	130,029
<u>58,634</u>	<u>185,703</u>	<u>3,428,222</u>
<u>59,399</u>	<u>186,842</u>	<u>3,558,251</u>
-	-	4,466,527
<u>(30,948)</u>	<u>2,343,007</u>	<u>8,694,941</u>
<u>\$ (30,948)</u>	<u>\$ 2,343,007</u>	<u>\$ 13,161,468</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Internal Service Funds  
For the Year Ended December 31, 2011

	Motor Vehicle	Data Processing	Health Self Insurance
Operating Revenues			
Charges for services	\$ 1,516,462	\$ 890,458	\$ 8,546,641
Other	1,041	2,525	13,884
Total Operating Revenues	<u>1,517,503</u>	<u>892,983</u>	<u>8,560,525</u>
Operating Expenses			
Personal services	584,364	585,470	74,371
Contractual services	590,467	235,738	444,618
Supplies and materials	427,090	2,259	597
Insurance	-	-	6,887,224
Other	33,226	2,471	-
Depreciation	731,531	91,381	-
Total Operating Expenses	<u>2,366,678</u>	<u>917,319</u>	<u>7,406,810</u>
Operating Income (Loss)	<u>(849,175)</u>	<u>(24,336)</u>	<u>1,153,715</u>
Nonoperating Revenues (Expenses)			
Investment income	47,285	11,831	93,735
Sale of capital assets	37,467	-	-
Total Nonoperating Revenues (Expenses)	<u>84,752</u>	<u>11,831</u>	<u>93,735</u>
Income (Loss) Before Transfers	<u>(764,423)</u>	<u>(12,505)</u>	<u>1,247,450</u>
Transfers in	-	-	-
Transfers out	<u>(167,253)</u>	<u>-</u>	<u>(500,000)</u>
Change in Net Assets	<u>(931,676)</u>	<u>(12,505)</u>	<u>747,450</u>
Net Assets (Deficit) - January 1	<u>7,579,098</u>	<u>873,218</u>	<u>2,593,824</u>
Net Assets (Deficit) - December 31	<u>\$ 6,647,422</u>	<u>\$ 860,713</u>	<u>\$ 3,341,274</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 76,026	\$ 200,340	\$ 11,229,927
4,560	58,385	80,395
<u>80,586</u>	<u>258,725</u>	<u>11,310,322</u>
87,068	-	1,331,273
37,937	1,187	1,309,947
1,755	-	431,701
282,653	239,095	7,408,972
-	-	35,697
-	-	822,912
<u>409,413</u>	<u>240,282</u>	<u>11,340,502</u>
<u>(328,827)</u>	<u>18,443</u>	<u>(30,180)</u>
-	2,562	155,413
-	-	37,467
<u>-</u>	<u>2,562</u>	<u>192,880</u>
(328,827)	21,005	162,700
500,000	-	500,000
-	-	(667,253)
171,173	21,005	(4,553)
<u>(202,121)</u>	<u>2,322,002</u>	<u>13,166,021</u>
<u>\$ (30,948)</u>	<u>\$ 2,343,007</u>	<u>\$ 13,161,468</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2011

	Motor Vehicle	Data Processing	Health Self Insurance
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,517,708	\$ 893,101	\$ 8,557,497
Payments to suppliers	(1,065,548)	(110,882)	(7,137,496)
Payments to employees	(654,922)	(531,717)	(74,371)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(202,762)</u>	<u>250,502</u>	<u>1,345,630</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Transfer in (out)	(167,253)	-	(500,000)
Repayment of temporary cash advance	-	-	-
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<u>(167,253)</u>	<u>-</u>	<u>(500,000)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(549,050)	(5,175)	-
Proceeds from sale of capital assets	37,467	-	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(511,583)</u>	<u>(5,175)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Interest received	47,285	11,831	93,735
<b>Change in Cash and Cash Equivalents</b>	(834,313)	257,158	939,365
<b>Cash and Cash Equivalents - January 1</b>	<u>3,216,850</u>	<u>649,348</u>	<u>5,437,000</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 2,382,537</u>	<u>\$ 906,506</u>	<u>\$ 6,376,365</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (849,175)	\$ (24,336)	\$ 1,153,715
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	731,531	91,381	-
Changes in assets and liabilities			
Receivables	205	118	(3,028)
Inventories and prepaid items	-	75,974	45,878
Accounts payable	(14,765)	53,612	(103,273)
Accrued and other liabilities	(70,558)	53,753	252,338
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (202,762)</u>	<u>\$ 250,502</u>	<u>\$ 1,345,630</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 80,586	\$ 258,907	\$ 11,307,799
(326,188)	(242,169)	(8,882,283)
(87,068)	-	(1,348,078)
<u>(332,670)</u>	<u>16,738</u>	<u>1,077,438</u>
500,000	-	(167,253)
<u>(140,546)</u>	<u>-</u>	<u>(140,546)</u>
359,454	-	(307,799)
-	-	(554,225)
-	-	37,467
<u>-</u>	<u>-</u>	<u>(516,758)</u>
-	2,562	155,413
26,784	19,300	408,294
1,667	267,285	9,572,150
<u>\$ 28,451</u>	<u>\$ 286,585</u>	<u>\$ 9,980,444</u>
\$ (328,827)	\$ 18,443	\$ (30,180)
-	-	822,912
-	182	(2,523)
-	(526)	121,326
(4,705)	(1,361)	(70,492)
862	-	236,395
<u>\$ (332,670)</u>	<u>\$ 16,738</u>	<u>\$ 1,077,438</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To Mayor Terry Van Akkeren and Common Council  
City of Sheboygan  
Sheboygan, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the City of Sheboygan's basic financial statements and have issued our report thereon dated April 27, 2012. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Water Utility enterprise fund and the Housing Authority of the City of Sheboygan as described in our report on the City of Sheboygan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the City of Sheboygan, Wisconsin is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Sheboygan, Wisconsin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City of Sheboygan, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sheboygan, Wisconsin's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sheboygan, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Sheboygan, Wisconsin in a separate letter dated April 27, 2012.

This report is intended solely for the information and use of Management, the Mayor and Common Council, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants  
Green Bay, Wisconsin  
April 27, 2012

**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AND STATE PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 AND STATE SINGLE AUDIT GUIDELINES**

To Mayor Terry Van Akkeren and Common Council  
City of Sheboygan  
Sheboygan, Wisconsin

Compliance

We have audited the City of Sheboygan, Wisconsin's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011. City of Sheboygan, Wisconsin's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of City of Sheboygan, Wisconsin's management. Our responsibility is to express an opinion on City of Sheboygan, Wisconsin's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about City of Sheboygan, Wisconsin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Sheboygan, Wisconsin's compliance with those requirements.

In our opinion, City of Sheboygan, Wisconsin complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City of Sheboygan, Wisconsin is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered City of Sheboygan, Wisconsin's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Common Council, management, others within the organization, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants  
Green Bay, Wisconsin  
April 27, 2012

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2011

Grantor Agency/Federal Program Title	Pass-through Agency	Federal CFDA Number
<b>FEDERAL PROGRAMS</b>		
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>Community Development Block Grant Entitlement Grants Cluster</i>		
Community Development Block Grant	Direct Program	14.218
<i>Community Development Block Grant - State Administered CDBG Cluster</i>		
Community Development Block Grant State Administered Small Cities Program	WI Department of Administration	14.228
Lead Hazard Control Grant Program	Direct Program	14.900
Total U.S. Department of Housing and Urban Development		
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Public Safety Partnership and Community Policing Grant		
COPS Hiring Program Grant #2010UMWX0351	Direct Program	16.710
Edward Byrne Memorial Justice Assistance Grant Program	WI Department of Administration	16.738
Total U.S. Department of Justice		
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
<i>Federal Transit Cluster</i>		
Federal Transit Formula Grants	WI Department of Transportation	20.507
<i>Highway Safety Cluster</i>		
State and Community Highway Safety		
DDACTS	WI Department of Transportation	20.600
Project #0950-40-181	WI Department of Transportation	20.600
Seat belt Grant	WI Department of Transportation	20.602
Alcohol Enforcement	WI Department of Transportation	20.601
Incentive Grant Programs	WI Department of Transportation	20.611
Total Highway Safety Cluster		
Total U.S. Department of Transportation		
<u>NATIONAL FOUNDATION OF THE ARTS AND HUMANITIES</u>		
State Library Programs	WI Department of Public Instruction	43.310
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>		
Conservation Development Plan	WI Department of Natural Resources	66.469
River Habitat Restoration	WI Department of Natural Resources	66.469
Total U.S. Environmental Protection Agency		
<u>U.S. DEPARTMENT OF ENERGY</u>		
Energy Efficiency and Conservation Block Grant Program - ARRA	Direct Program	81.128
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>		
Pre-Disaster Competitive Mitigation Planning Grant	WI Department of Military Affairs	97.047
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		

The notes to the schedule of expenditures of federal awards and the schedule of state financial assistance are an integral part of this schedule.

(Accrued) Deferred Revenue 1/1/11	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/11	Total Revenues	Total Expenditures
\$ (302,623)	\$ 978,199	\$ 842,149	\$ 1,517,725	\$ 1,517,725
(20,334)	752,118	398,294	1,130,078	1,130,078
(490,462)	525,060	-	34,598	34,598
(813,419)	2,255,377	1,240,443	2,682,401	2,682,401
-	208,556	-	208,556	208,556
(1,097)	26,924	-	25,827	25,827
(1,097)	235,480	-	234,383	234,383
-	1,376,334	-	1,376,334	1,376,334
-	21,908	-	21,908	21,908
(7,526)	34,217	-	26,691	26,691
-	-	6,361	6,361	6,361
(6,667)	35,626	5,558	34,517	34,517
(68,208)	69,616	-	1,408	1,408
(82,401)	161,367	11,919	90,885	90,885
(82,401)	1,537,701	11,919	1,467,219	1,467,219
-	3,603	-	3,603	3,603
-	39,955	-	39,955	39,955
-	111,284	-	111,284	111,284
-	151,239	-	151,239	151,239
(77,724)	77,724	-	-	-
-	5,858	-	5,858	5,858
\$ (974,641)	\$ 4,266,982	\$ 1,252,362	\$ 4,544,703	\$ 4,544,703

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of State Financial Assistance  
 For the Year Ended December 31, 2011

Grantor Agency/State Program Title	Pass-through Agency	State I.D. Number
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**STATE PROGRAMS**

DEPARTMENT OF TRANSPORTATION

Transit Operating Aid - 2009	Direct Program	395.104
Transit Operating Aid - 2010	Direct Program	395.104
Transit Operating Aid - 2011	Direct Program	395.104
Total Department of Transportation		

DEPARTMENT OF JUSTICE

Law Enforcement Training	Direct Program	455.231
Drug Crimes Enforcement	Direct Program	455.225
Total Department of Justice		

DEPARTMENT OF ADMINISTRATION

Comprehensive Planning Grant	Direct Program	505.110
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**TOTAL STATE FINANCIAL ASSISTANCE**

The notes to the schedule of expenditures of federal awards and the schedule of state financial assistance are an integral part of this schedule.

(Accrued) Deferred Revenue 1/1/11	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/11	Total Revenues	Total Expenditures
--------------------------------------------	--------------------------------	----------------------------------------------	-------------------	-----------------------

\$ 153,323	\$ -	\$ (153,323)	\$ -	\$ -
(57,896)	170,062	(112,166)	-	-
-	1,069,106	(74,212)	994,894	994,894
95,427	1,239,168	(339,701)	994,894	994,894

-	14,657	-	14,657	14,657
-	9,861	(9,861)	-	-
-	24,518	(9,861)	14,657	14,657

-	35,060	35,015	70,075	70,075
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\$ 95,427	\$ 1,298,746	\$ (314,547)	\$ 1,079,626	\$ 1,079,626
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## **CITY OF SHEBOYGAN, WISCONSIN**

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance  
December 31, 2011

### **NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance for the City are presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and the "State Single Audit Guidelines" issued by the Wisconsin Department of Administration.

### **NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with expenditures reported in the City's 2011 basic financial statements.

The City qualifies as a low risk auditee in accordance with paragraph 530 of OMB Circular A-133. Therefore major programs, as identified in Section I of the Schedule of Findings and Questioned Costs, represent those with combined expenditures exceeding 25% of total federal awards that also were deemed major programs based on the auditors' risk assessment. The City's other federal programs were considered non-major programs for 2011.

Major state programs represent state assistance programs with expenditures of \$100,000 or more and other state programs classified as major in the State Single Audit Guidelines. All other state assistance programs required to be included in the Schedule of State Financial Assistance in accordance with Appendix H of the State Single Audit Guidelines are non-major programs.

### **NOTE C - OVERSIGHT AGENCY**

The federal oversight agency for the City is the U.S. Department of Housing and Urban Development. The state oversight agency for the City is the State of Wisconsin Department of Transportation.

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended December 31, 2011

**Section I - Summary of Auditors' Results**

**Basic Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to basic financial statements noted? No

**Federal and State Awards Programs**

Internal control over major program:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No

Identification of major federal and state programs:

CFDA Number	Name of Federal Programs/Cluster
14.218	Community Development Block Grant Entitlement Grants Cluster Community Development Block Grant
14.228	Community Development Block Grant - State Administered CDBG Cluster Small Cities Program
20.507	Federal Transit Cluster Federal Transit - Formula grants

State ID Number	Name of State Programs/Cluster
395.104	Transit Operating Aid

Audit threshold used to determine between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee Yes

**Section II - Financial Statement Findings**

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2011.

**Section III - Federal and State Award Findings and Questioned Costs**

There are no audit findings and questioned costs required to be reported under OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended December 31, 2011.

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended December 31, 2011

**Section IV - Other Issues**

Does the auditor's report of the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

\_\_\_\_\_ Yes        X   No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

- Department of Transportation
- Department of Justice
- Department of Administration

\_\_\_\_\_ Yes        X   No  
 \_\_\_\_\_        X    
 \_\_\_\_\_        X  

Was a Management Letter or other document conveying audit comments issued as a result of this audit?

  X   Yes      \_\_\_\_\_ No

Name and signature of shareholder

  
 \_\_\_\_\_  
 David L. Maccoux, CPA

Date of report

April 27, 2012

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended December 31, 2011

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2010.

Corrective Action Plan

No corrective action plan is required.