

**CITY OF SHEBOYGAN, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2012**

**CITY OF SHEBOYGAN, WISCONSIN**  
December 31, 2012

Table of Contents

	<u>Page No.</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5 - 6
Fund Financial Statements	
Balance Sheet - Governmental Funds	7 - 8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	9 - 10
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	11 - 12
Statement of Net Position - Proprietary Funds	13 - 14
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	15 - 16
Statement of Cash Flows - Proprietary Funds	17 - 18
Statement of Fiduciary Net Position - Agency Funds	19
Notes to Basic Financial Statements	20 - 50
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress	51
Schedule of Employer Contributions	52
<b>SUPPLEMENTARY INFORMATION</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	53 - 56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	57 - 60
Combining Statement of Net Position - Nonmajor Enterprise Funds	61
Combining Statement of Revenues, Expenses and Changes in Net Position Nonmajor Enterprise Funds	62
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	63
Combining Statement of Net Position - Internal Service Funds	64 - 65

**CITY OF SHEBOYGAN, WISCONSIN**  
December 31, 2012

Table of Contents

	<u>Page No.</u>
<b>SUPPLEMENTARY INFORMATION (Continued)</b>	
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds	66 - 67
Combining Statement of Cash Flows - Internal Service Funds	68 - 69
<b>ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS</b>	
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	70 - 71
<b>FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>	
Report on Compliance for Each Major Federal and State Program and Report on Internal Control over Compliance	72 - 73
Schedule of Expenditures of Federal Awards	74 - 75
Schedule of State Financial Assistance	76 - 77
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	78
Schedule of Findings and Questioned Costs	79 - 80
Schedule of Prior Year Audit Findings and Corrective Action Plan	81



## INDEPENDENT AUDITORS' REPORT

To Mayor Michael Vandersteen and the Common Council  
City of Sheboygan  
Sheboygan, Wisconsin

### Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water Utility Enterprise fund, which is both a major fund and 55 percent, 54 percent, and 47 percent, respectively, of the assets, net position, and revenues of the City's business - type activities. Those statements were audited by other auditors whose report has been furnished to use, and our opinion, insofar as it relates to the amounts included for the Water Utility Enterprise fund, is based solely on the report of the other auditors. We did not audit the financial statements of the Housing Authority of the City of Sheboygan. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Sheboygan, is based solely 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note A.5.h, the City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and the schedule of employer contributions on pages 51 through 52 be presented to supplement the basic financial statements. Such information, although not 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as supplementary information and the schedule of expenditures of federal awards and schedule of 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, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, the schedules of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, 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* in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants  
Green Bay, Wisconsin  
May 10, 2013

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SHEBOYGAN, WISCONSIN**

Statement of Net Position

December 31, 2012

	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	\$ 49,479,076	\$ 13,198,418	\$ 62,677,494	\$ 4,663,683	\$ 96,476
Receivables					
Taxes	23,794,689	588,287	24,382,976	-	-
Accounts	1,002,873	1,815,251	2,818,124	-	15,133
Special assessments	331,742	464,396	796,138	-	-
Loans	10,781,582	-	10,781,582	-	-
Other	126,214	18,044	144,258	1,151	-
Internal balances	747,621	(747,621)	-	-	-
Due from other governments	1,825,115	422,037	2,247,152	-	-
Inventories and prepaid items	313,655	355,795	669,450	25,564	570
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	907,418	907,418	103,289	-
Capital assets, nondepreciable					
Land	15,037,262	887,683	15,924,945	346,944	-
Construction in progress	-	3,524,535	3,524,535	-	-
Capital assets, depreciable					
Buildings and improvements	32,384,886	18,299,959	50,684,845	7,598,136	-
Improvements other than buildings	13,805,709	26,660,073	40,465,782	-	2,291
Machinery and equipment	23,074,793	30,546,752	53,621,545	681,325	1,500
Infrastructure	115,541,365	55,491,473	171,032,838	-	-
Less: Accumulated depreciation	(93,781,537)	(76,273,883)	(170,055,420)	(6,530,223)	(1,046)
<b>TOTAL ASSETS</b>	<b>196,670,710</b>	<b>76,158,617</b>	<b>272,829,327</b>	<b>6,889,869</b>	<b>114,924</b>
<b>LIABILITIES</b>					
Accounts payable	2,112,266	772,237	2,884,503	-	9,283
Accrued and other current liabilities	6,260,843	1,048,631	7,309,474	181,418	1,488
Accrued interest payable	630,176	79,457	709,633	-	-
Due to other governments	1,543,864	340,757	1,884,621	-	-
Unearned revenues	-	24,629	24,629	-	-
Long-term Obligations					
Due within one year	5,534,259	1,427,017	6,961,276	-	-
Due in more than one year	45,557,352	12,257,400	57,814,752	-	-
<b>TOTAL LIABILITIES</b>	<b>61,638,760</b>	<b>15,950,128</b>	<b>77,588,888</b>	<b>181,418</b>	<b>10,771</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes	23,668,662	511,547	24,180,209	-	-
<b>NET POSITION</b>					
Net investment in capital assets	62,614,199	46,036,580	108,650,779	2,096,182	-
Restricted for					
Debt service	1,582,340	263,213	1,845,553	-	-
Tax incremental financing districts	1,452,586	-	1,452,586	-	-
Community development	5,170,926	-	5,170,926	-	-
Cemetery perpetual care	814,261	-	814,261	-	-
Library trust	1,005,240	-	1,005,240	-	-
Housing assistance	-	-	-	25,001	-
Unrestricted	38,723,736	13,397,149	52,120,885	4,587,268	104,153
<b>TOTAL NET POSITION</b>	<b>\$ 111,363,288</b>	<b>\$ 59,696,942</b>	<b>\$ 171,060,230</b>	<b>\$ 6,708,451</b>	<b>\$ 104,153</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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General government	\$ 4,254,073	\$ 1,394,300	\$ 24,570	\$ -
Public safety	19,556,679	2,510,402	539,698	-
Public works	10,758,639	2,513,331	2,526,235	381,591
Health and human services	237,296	123,796	-	-
Culture and recreation	5,770,952	815,290	766,162	-
Conservation and development	7,363,068	26,295	5,493,608	-
Interest on debt	2,035,610	-	-	-
<b>Total Governmental Activities</b>	<b>49,976,317</b>	<b>7,383,414</b>	<b>9,350,273</b>	<b>381,591</b>
Business-type Activities				
Sewerage system	5,897,388	7,042,669	-	90,880
Water utility	4,613,636	7,649,532	-	-
Transit commission	4,034,267	926,624	2,749,094	-
Parking facility	370,262	388,697	-	-
Boat facility	85,492	102,109	-	-
<b>Total Business-type Activities</b>	<b>15,001,045</b>	<b>16,109,631</b>	<b>2,749,094</b>	<b>90,880</b>
<b>Total Primary Government</b>	<b>\$ 64,977,362</b>	<b>\$ 23,493,045</b>	<b>\$ 12,099,367</b>	<b>\$ 472,471</b>
<b>Component Units</b>				
Housing Authority of the City of Sheboygan	\$ 1,829,892	\$ 849,736	\$ 680,531	\$ 37,873
Harbor Centre Business Improvement District	208,889	194,197	-	-
	<b>\$ 2,038,781</b>	<b>\$ 1,043,933</b>	<b>\$ 680,531</b>	<b>\$ 37,873</b>

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 position  
Cumulative effect of change in accounting principle  
Net position - January 1  
Net position - December 31

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District
\$ (2,835,203)	\$ -	\$ (2,835,203)	\$ -	\$ -
(16,506,579)	-	(16,506,579)	-	-
(5,337,482)	-	(5,337,482)	-	-
(113,500)	-	(113,500)	-	-
(4,189,500)	-	(4,189,500)	-	-
(1,843,165)	-	(1,843,165)	-	-
(2,035,610)	-	(2,035,610)	-	-
<u>(32,861,039)</u>	<u>-</u>	<u>(32,861,039)</u>	<u>-</u>	<u>-</u>
-	1,236,161	1,236,161	-	-
-	3,035,896	3,035,896	-	-
-	(358,549)	(358,549)	-	-
-	18,435	18,435	-	-
-	16,617	16,617	-	-
-	<u>3,948,560</u>	<u>3,948,560</u>	<u>-</u>	<u>-</u>
<u>(32,861,039)</u>	<u>3,948,560</u>	<u>(28,912,479)</u>	<u>-</u>	<u>-</u>
-	-	-	(261,752)	-
-	-	-	-	(14,692)
-	-	-	<u>(261,752)</u>	<u>(14,692)</u>
20,672,686	511,559	21,184,245	-	-
4,249,816	-	4,249,816	-	-
1,511,160	-	1,511,160	-	-
11,979,429	-	11,979,429	-	-
875,581	157,704	1,033,285	9,907	-
49,806	95,058	144,864	148,135	-
-	6,964	6,964	-	-
1,219,980	(1,219,980)	-	-	-
<u>40,558,458</u>	<u>(448,695)</u>	<u>40,109,763</u>	<u>158,042</u>	<u>-</u>
7,697,419	3,499,865	11,197,284	(103,710)	(14,692)
(243,381)	-	(243,381)	-	-
<u>103,909,250</u>	<u>56,197,077</u>	<u>160,106,327</u>	<u>6,812,161</u>	<u>118,845</u>
<u>\$ 111,363,288</u>	<u>\$ 59,696,942</u>	<u>\$ 171,060,230</u>	<u>\$ 6,708,451</u>	<u>\$ 104,153</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Balance Sheet  
Governmental Funds  
December 31, 2012

	General	Debt Service GO Debt	Debt Service TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 15,319,872	\$ 4,457,138	\$ 5,134,417	\$ 13,850,275	\$ 38,761,702
Receivables					
Taxes	15,733,296	2,886,889	2,795,964	2,378,540	23,794,689
Accounts	361,933	-	5,623	596,560	964,116
Special assessments	147,000	-	-	184,742	331,742
Loans	10,000	-	-	10,771,582	10,781,582
Other	50,162	20,096	13,652	16,343	100,253
Due from other funds	1,987,864	2,198,612	-	-	4,186,476
Advance to other funds	1,238,161	1,715,408	-	280,073	3,233,642
Due from other governments	56,453	-	-	1,768,662	1,825,115
Inventories and prepaid items	217,926	-	-	19,598	237,524
<b>TOTAL ASSETS</b>	<b>\$ 35,122,667</b>	<b>\$ 11,278,143</b>	<b>\$ 7,949,656</b>	<b>\$ 29,866,375</b>	<b>\$ 84,216,841</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 372,211	\$ -	\$ 625,394	\$ 1,028,473	\$ 2,026,078
Accrued and other current liabilities	1,867,118	2,000,000	-	207,906	4,075,024
Due to other funds	-	-	106,788	3,089,387	3,196,175
Due to other governments	23,271	-	-	1,520,593	1,543,864
Advance from other funds	-	-	2,968,924	331,435	3,300,359
<b>Total Liabilities</b>	<b>2,262,600</b>	<b>2,000,000</b>	<b>3,701,106</b>	<b>6,177,794</b>	<b>14,141,500</b>
<b>Deferred Inflows of Resources</b>					
Property taxes	15,608,756	2,886,889	2,795,964	2,377,053	23,668,662
Special assessments	142,422	-	-	167,621	310,043
Loans receivable	-	-	-	9,253,544	9,253,544
Accounts receivable	-	264,718	-	138,402	403,120
<b>Total Deferred Inflows of Resources</b>	<b>15,751,178</b>	<b>3,151,607</b>	<b>2,795,964</b>	<b>11,936,620</b>	<b>33,635,369</b>
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Inventories and prepaid items	217,926	-	-	19,598	237,524
Long-term accounts and interfund receivables	1,401,119	3,914,020	-	-	5,315,139
Cemetery perpetual care	-	-	-	814,261	814,261
Library trust	-	-	-	600,000	600,000
<b>Restricted</b>					
Debt service	-	2,212,516	-	-	2,212,516
Tax incremental financing districts	-	-	1,452,586	-	1,452,586
Capital improvements	-	-	-	3,907,840	3,907,840
Community development	-	-	-	1,430,077	1,430,077
Library trust	-	-	-	405,240	405,240
<b>Committed</b>					
Assigned	-	-	-	7,171,609	7,171,609
Unassigned	15,489,844	-	-	(2,596,664)	12,893,180
<b>Total Fund Balances</b>	<b>17,108,889</b>	<b>6,126,536</b>	<b>1,452,586</b>	<b>11,751,961</b>	<b>36,439,972</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 35,122,667</b>	<b>\$ 11,278,143</b>	<b>\$ 7,949,656</b>	<b>\$ 29,866,375</b>	<b>\$ 84,216,841</b>

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**

Balance Sheet (Continued)

Governmental Funds

December 31, 2012

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page \$ 36,439,972

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 102,056,016

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

Special assessments	310,043
Accounts receivable	138,402
Loans receivable	9,253,544
Advance from other funds	264,718

Internal service funds reported in the statement of net position as governmental activities (see page 14) 14,622,380

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

Bonds and notes payable	\$ (46,732,184)	
Bond premium	(86,865)	
Bond discount	87,111	
Capital leases payable	(623,935)	
Unfunded post employment benefits	(913,701)	
Compensated absences	(2,822,037)	
Accrued interest on long-term obligations	(630,176)	(51,721,787)

Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4) \$ 111,363,288

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, 2012

	General	Debt Service GO Debt	Debt Service TIF Districts	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 15,580,001	\$ 2,910,747	\$ 4,339,541	\$ 3,603,373	\$ 26,433,662
Special assessments	-	-	-	291,643	291,643
Intergovernmental	14,360,884	-	44,194	6,321,339	20,726,417
Licenses and permits	881,695	-	-	571,543	1,453,238
Fines and forfeits	319,989	-	-	1,037,160	1,357,149
Public charges for services	1,908,513	-	-	2,220,091	4,128,604
Intergovernmental charges for services	233,382	-	-	-	233,382
Miscellaneous	503,749	613,180	101,707	890,725	2,109,361
<b>Total Revenues</b>	<b>33,788,213</b>	<b>3,523,927</b>	<b>4,485,442</b>	<b>14,935,874</b>	<b>56,733,456</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	3,860,349	300	-	595,750	4,456,399
Public safety	19,281,378	-	-	495,568	19,776,946
Public works	6,564,893	-	-	834,251	7,399,144
Health and human services	275,014	-	-	445	275,459
Culture and recreation	2,341,054	-	-	3,419,115	5,760,169
Conservation and development	237,730	-	231,564	1,952,767	2,422,061
<b>Debt service</b>					
Principal	-	3,586,116	2,931,724	75,170	6,593,010
Interest and fiscal charges	285	1,222,914	1,433,153	12,384	2,668,736
Capital outlay	-	-	-	5,979,749	5,979,749
<b>Total Expenditures</b>	<b>32,560,703</b>	<b>4,809,330</b>	<b>4,596,441</b>	<b>13,365,199</b>	<b>55,331,673</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	1,227,510	(1,285,403)	(110,999)	1,570,675	1,401,783
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	-	-	-	4,745,000	4,745,000
Premium on long-term debt issued	-	92,343	-	-	92,343
Sale of capital assets	9,515	-	-	35,040	44,555
Transfers in	2,742,533	1,918,712	554,625	19,248	5,235,118
Transfers out	(42,194)	-	(448,063)	(3,434,481)	(3,924,738)
<b>Total Other Financing Sources (Uses)</b>	<b>2,709,854</b>	<b>2,011,055</b>	<b>106,562</b>	<b>1,364,807</b>	<b>6,192,278</b>
<b>Net Change in Fund Balances</b>	<b>3,937,364</b>	<b>725,652</b>	<b>(4,437)</b>	<b>2,935,482</b>	<b>7,594,061</b>
<b>Fund Balances - January 1</b>	<b>13,171,525</b>	<b>5,400,884</b>	<b>1,457,023</b>	<b>8,816,479</b>	<b>28,845,911</b>
<b>Fund Balances - December 31</b>	<b>\$ 17,108,889</b>	<b>\$ 6,126,536</b>	<b>\$ 1,452,586</b>	<b>\$ 11,751,961</b>	<b>\$ 36,439,972</b>

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds (Continued)  
For the Year Ended December 31, 2012

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page	\$	7,594,061
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	\$	329,069
Depreciation expense reported in the statement of activities		<u>(4,070,168)</u>
Amount by which capital outlay is less than depreciation in current period		(3,741,099)
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	\$	<u>(10,000)</u>
Cost of assets disposed of		(10,000)
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:		
		446,533
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	\$	381,590
Special assessment collections		<u>(291,642)</u>
Accounts receivable deferred and collected after the period of availability		86,162
Water utility's portion of unfunded pension liability payoff established in 2009		(10,693)
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 position.		
Loans issued	\$	736,448
Loan repayments received		<u>(644,695)</u>
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 position; however, debt constitutes a long-term liability. Debt issued in the current year is:		(4,745,000)
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 position and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is:		6,593,010
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.		25,698
Bond premiums and discounts are reported in the governmental funds as revenues and expenditures. In the statement of activities these costs are capitalized and amortized over the life of the bonds.		
Bond premium		(86,865)
Bond discount		(6,843)
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>1,370,754</u>
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 5 - 6)	\$	<u><u>7,697,419</u></u>

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, 2012

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 15,581,686	\$ 15,581,686	\$ 15,580,001	\$ (1,685)
Intergovernmental	14,311,626	14,294,106	14,360,884	66,778
Licenses and permits	650,785	650,785	881,695	230,910
Fines and forfeits	259,377	274,877	319,989	45,112
Public charges for services	1,786,450	1,816,450	1,908,513	92,063
Intergovernmental charges for services	235,000	235,000	233,382	(1,618)
Miscellaneous	367,936	375,336	503,749	128,413
<b>Total Revenues</b>	<b>33,192,860</b>	<b>33,228,240</b>	<b>33,788,213</b>	<b>559,973</b>
<b>Expenditures</b>				
<b>General Government</b>				
Council	112,889	123,793	111,878	11,915
Mayor	453,369	453,369	411,214	42,155
City clerk	383,059	413,214	390,160	23,054
Elections	236,971	240,077	237,660	2,417
Finance	1,263,637	1,261,997	842,847	419,150
Assessor	441,206	441,206	404,944	36,262
Personnel	247,463	247,463	186,947	60,516
City attorney	428,491	428,491	421,166	7,325
City insurance	176,940	176,940	126,742	50,198
City buildings	860,723	865,223	726,417	138,806
Board of review	2,300	2,300	374	1,926
<b>Total General Government</b>	<b>4,607,048</b>	<b>4,654,073</b>	<b>3,860,349</b>	<b>793,724</b>
<b>Public Safety</b>				
Police	12,099,483	12,188,928	11,594,166	594,762
Fire	7,618,472	7,593,759	7,210,111	383,648
Building inspection	472,266	507,766	471,006	36,760
Emergency operations	1,875	1,875	1,324	551
Civil defense	12,505	12,505	4,771	7,734
<b>Total Public Safety</b>	<b>20,204,601</b>	<b>20,304,833</b>	<b>19,281,378</b>	<b>1,023,455</b>
<b>Public Works</b>				
Department of public works	289,190	300,049	299,153	896
Engineering	401,198	461,098	459,130	1,968
Streets department	3,835,493	3,752,997	3,434,213	318,784
Sanitation department	2,360,155	2,360,155	2,355,025	5,130
Incinerator	20,000	20,000	17,372	2,628
<b>Total Public Works</b>	<b>6,906,036</b>	<b>6,894,299</b>	<b>6,564,893</b>	<b>329,406</b>
<b>Health and Human Services</b>				
Cemetery	337,236	320,466	275,014	45,452

(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, 2012

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Culture and Recreation				
Park department	2,136,967	2,243,991	2,138,073	105,918
Celebrations	30,978	30,978	23,885	7,093
Senior citizen center	183,912	183,912	179,096	4,816
Total Culture and Recreation	<u>2,351,857</u>	<u>2,458,881</u>	<u>2,341,054</u>	<u>117,827</u>
Conservation and Development				
City development	<u>247,755</u>	<u>247,755</u>	<u>237,730</u>	<u>10,025</u>
Debt Service				
Interest and fiscal charges	<u>-</u>	<u>285</u>	<u>285</u>	<u>-</u>
Total Expenditures	<u>34,654,533</u>	<u>34,880,592</u>	<u>32,560,703</u>	<u>2,319,889</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,461,673)</u>	<u>(1,652,352)</u>	<u>1,227,510</u>	<u>2,879,862</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	9,515	9,515
Transfers in	2,388,733	2,388,733	2,742,533	353,800
Transfers out	(7,060)	(206,378)	(42,194)	164,184
Total Other Financing Sources (Uses)	<u>2,381,673</u>	<u>2,182,355</u>	<u>2,709,854</u>	<u>527,499</u>
Net Change in Fund Balance	920,000	530,003	3,937,364	3,407,361
Fund Balance - January 1	<u>13,171,525</u>	<u>13,171,525</u>	<u>13,171,525</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 14,091,525</u>	<u>\$ 13,701,528</u>	<u>\$ 17,108,889</u>	<u>\$ 3,407,361</u>

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

**CITY OF SHEBOYGAN, WISCONSIN**

Statement of Net Position

Proprietary Funds

December 31, 2012

	Enterprise Funds	
	Sewerage System	Water Utility
<b>ASSETS</b>		
Cash and investments	\$ 5,323,511	\$ 4,198,998
Receivables		
Taxes	63,948	-
Accounts	760,856	1,028,363
Special assessments	380	360,279
Other	10,424	-
Due from other governments	-	166,490
Inventories and prepaid items	-	319,690
Restricted assets		
Cash and investments	-	907,418
Advance to other funds	-	-
Deposit with CVMIC	-	-
Capital assets, nondepreciable		
Land	2,000	133,671
Construction in progress	376,405	3,148,130
Capital assets, depreciable		
Buildings and improvements	12,371,095	5,176,450
Improvements other than buildings	23,905,496	-
Machinery and equipment	14,252,725	10,018,981
Infrastructure	23,692,447	31,799,026
Less: Accumulated depreciation	(55,164,532)	(14,419,373)
<b>TOTAL ASSETS</b>	<b>25,594,755</b>	<b>42,838,123</b>
<b>LIABILITIES</b>		
Accounts payable	574,054	112,946
Accrued and other current liabilities	263,209	619,949
Accrued interest payable	19,657	59,800
Due to other funds	-	990,301
Due to other governments	-	-
Unearned revenues	9,228	-
Advance from other funds	-	264,718
Long-term obligations		
Due within one year	852,195	574,822
Due in more than one year	4,258,711	7,998,689
<b>TOTAL LIABILITIES</b>	<b>5,977,054</b>	<b>10,621,225</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes	-	-
<b>NET POSITION</b>		
Net investment in capital assets	14,324,730	27,867,779
Restricted for		
Debt service	-	263,213
Unrestricted	5,292,971	4,085,906
<b>TOTAL NET POSITION</b>	<b>\$ 19,617,701</b>	<b>\$ 32,216,898</b>

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

Net Position, as reported in the Statement of Net Position 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
\$ 2,275,378	\$ 1,400,531	\$ 13,198,418	\$ 10,717,374
511,547	12,792	588,287	-
14,606	11,426	1,815,251	38,757
-	103,737	464,396	-
4,221	3,399	18,044	25,961
255,547	-	422,037	-
36,105	-	355,795	76,131
-	-	907,418	-
-	331,435	331,435	-
-	-	-	2,205,665
35,754	716,258	887,683	-
-	-	3,524,535	-
738,173	14,241	18,299,959	-
872,007	1,882,570	26,660,073	-
5,992,832	282,214	30,546,752	12,778,866
-	-	55,491,473	-
(4,767,347)	(1,922,631)	(76,273,883)	(8,772,404)
5,968,823	2,835,972	77,237,673	17,070,350
67,229	18,008	772,237	86,188
157,160	8,313	1,048,631	2,185,819
-	-	79,457	-
-	-	990,301	-
339,701	1,056	340,757	-
-	15,401	24,629	-
-	-	264,718	-
-	-	1,427,017	-
-	-	12,257,400	-
564,090	42,778	17,205,147	2,272,007
511,547	-	511,547	-
2,871,419	972,652	46,036,580	4,006,462
-	-	263,213	-
2,021,767	1,820,542	13,221,186	10,791,881
\$ 4,893,186	\$ 2,793,194	59,520,979	14,798,343
		175,963	(175,963)
		\$ 59,696,942	\$ 14,622,380

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2012

	Enterprise Funds	
	Sewerage System	Water Utility
Operating Revenues		
Charges for services	\$ 6,977,025	\$ 7,533,945
Other	65,644	115,587
Total Operating Revenues	<u>7,042,669</u>	<u>7,649,532</u>
Operating Expenses		
Personal services	1,711,721	1,513,891
Contractual services	2,092,232	1,063,415
Supplies and materials	707,394	317,631
Insurance	66,027	84,903
Other	211,652	243,316
Depreciation	1,045,445	1,044,227
Total Operating Expenses	<u>5,834,471</u>	<u>4,267,383</u>
Operating Income (Loss)	<u>1,208,198</u>	<u>3,382,149</u>
Nonoperating Revenues (Expenses)		
Property taxes	-	-
Intergovernmental	-	-
Investment income	98,390	11,238
Miscellaneous revenues	-	-
Interest expense	(95,277)	(346,253)
Amortization of premium	-	197
Sale of capital assets	-	6,964
Total Nonoperating Revenues (Expenses)	<u>3,113</u>	<u>(327,854)</u>
Income Before Contributions and Transfers	1,211,311	3,054,295
Capital contributions	90,880	-
Transfers in	-	-
Transfers out	<u>(260,131)</u>	<u>(969,670)</u>
Change in Net Position	1,042,060	2,084,625
Net Position - January 1	<u>18,575,641</u>	<u>30,132,273</u>
Net Position - December 31	<u>\$ 19,617,701</u>	<u>\$ 32,216,898</u>

Change in net position, as reported above

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

Change in Net Position, 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.

				Governmental Activities - Internal Service Funds
Transit Commission	Nonmajor Enterprise Funds	Totals		
\$ 856,387	\$ 485,445	\$ 15,852,802		\$ 11,182,207
70,237	5,361	256,829		89,700
<u>926,624</u>	<u>490,806</u>	<u>16,109,631</u>		<u>11,271,907</u>
2,760,414	162,817	6,148,843		1,303,772
211,377	209,209	3,576,233		985,335
620,131	31,441	1,676,597		460,063
127,095	771	278,796		6,178,064
868	16,638	472,474		33,132
534,555	48,466	2,672,693		781,429
<u>4,254,440</u>	<u>469,342</u>	<u>14,825,636</u>		<u>9,741,795</u>
(3,327,816)	21,464	1,283,995		1,530,112
511,559	-	511,559		-
2,729,381	-	2,729,381		-
25,205	22,871	157,704		155,022
114,542	32	114,574		-
-	-	(441,530)		-
-	-	197		-
-	-	6,964		42,141
<u>3,380,687</u>	<u>22,903</u>	<u>3,078,849</u>		<u>197,163</u>
52,871	44,367	4,362,844		1,727,275
-	-	90,880		-
-	9,821	9,821		1,657,464
-	-	(1,229,801)		(1,747,864)
52,871	54,188	3,233,744		1,636,875
<u>4,840,315</u>	<u>2,739,006</u>	<u>56,287,235</u>		<u>13,161,468</u>
<u>\$ 4,893,186</u>	<u>\$ 2,793,194</u>	<u>\$ 59,520,979</u>		<u>\$ 14,798,343</u>
		\$ 3,233,744		\$ 1,636,875
		266,121		(266,121)
		<u>\$ 3,499,865</u>		<u>\$ 1,370,754</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2012

	Enterprise Funds	
	Sewerage System	Water Utility
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 7,010,903	\$ 7,670,033
Payments to suppliers	(3,248,488)	(1,917,239)
Payments to employees	(1,711,721)	(1,300,628)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>2,050,694</u>	<u>4,452,166</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>		
Property taxes	-	-
Intergovernmental grants	-	-
Principal payments on noncapital debt	-	(10,693)
Interest payments on noncapital debt	-	(5,509)
Nonoperating revenue	-	-
Transfer in (out)	(260,131)	(933,489)
Advances from other funds	-	-
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<u>(260,131)</u>	<u>(949,691)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of capital assets	(777,233)	(1,962,844)
Proceeds from sale of capital assets	-	6,964
Principal payments on capital debt	(830,892)	(555,544)
Interest payments on capital debt	(98,181)	(344,543)
Salvage on retirement of plant	-	260
Special assessment collections	-	92,211
Capital contributions from municipality	90,880	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(1,615,426)</u>	<u>(2,763,496)</u>
<b>Cash Flows from Investing Activities</b>		
Interest received	98,390	11,238
<b>Change in Cash and Cash Equivalents</b>	<u>273,527</u>	<u>750,217</u>
<b>Cash and Cash Equivalents - January 1</b>	<u>5,049,984</u>	<u>4,356,199</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 5,323,511</u>	<u>\$ 5,106,416</u>
<b>Reconciliation to Statement of Net Position</b>		
Unrestricted cash and investments	\$ 5,323,511	\$ 4,198,998
Restricted cash and investments	-	907,418
	<u>\$ 5,323,511</u>	<u>\$ 5,106,416</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 1,208,198	\$ 3,382,149
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,045,445	1,044,227
Depreciation charged to clearing and other funds	-	144,542
Miscellaneous income	-	-
Changes in assets and liabilities		
Receivables	(32,035)	(55,319)
Due from other governments	-	8,485
Inventories and prepaid items	-	(46,654)
Accounts payable	51,044	(29,042)
Accrued and other liabilities	(222,227)	3,778
Due to other governments	-	-
Unearned revenues	269	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 2,050,694</u>	<u>\$ 4,452,166</u>
<b>Noncash Investing, Capital and Financing Activities</b>		
Special assessments levied	\$ -	\$ 20,795

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
\$ 828,514	\$ 542,692	\$ 16,052,142	\$ 11,237,211
(985,084)	(246,051)	(6,396,862)	(9,011,919)
(2,894,550)	(188,160)	(6,095,059)	(1,273,761)
<u>(3,051,120)</u>	<u>108,481</u>	<u>3,560,221</u>	<u>951,531</u>

511,559	-	511,559	-
2,729,381	-	2,729,381	-
-	-	(10,693)	-
-	-	(5,509)	-
114,542	-	114,542	-
-	9,821	(1,183,799)	(90,400)
-	(524)	(524)	-
<u>3,355,482</u>	<u>9,297</u>	<u>2,154,957</u>	<u>(90,400)</u>

(90,185)	-	(2,830,262)	(321,364)
-	-	6,964	42,141
-	-	(1,386,436)	-
-	-	(442,724)	-
-	-	260	-
-	-	92,211	-
-	-	90,880	-
<u>(90,185)</u>	<u>-</u>	<u>(4,469,107)</u>	<u>(279,223)</u>

25,205	22,871	157,704	155,022
239,382	140,649	1,403,775	736,930
2,035,996	1,259,882	12,702,061	9,980,444
<u>\$ 2,275,378</u>	<u>\$ 1,400,531</u>	<u>\$ 14,105,836</u>	<u>\$ 10,717,374</u>

\$ 2,275,378	\$ 1,400,531	\$ 13,198,418	\$ 10,717,374
-	-	907,418	-
<u>\$ 2,275,378</u>	<u>\$ 1,400,531</u>	<u>\$ 14,105,836</u>	<u>\$ 10,717,374</u>

\$ (3,327,816)	\$ 21,464	\$ 1,283,995	\$ 1,530,112
534,555	48,466	2,672,693	781,429
-	-	144,542	-
-	32	32	-
(1,332)	71,426	(17,260)	(34,696)
(85,509)	-	(77,024)	-
(25,252)	-	(71,906)	(39,070)
(361)	12,480	34,121	(43,841)
(134,136)	(25,343)	(377,928)	(1,242,403)
-	(472)	(472)	-
(11,269)	(19,572)	(30,572)	-
<u>\$ (3,051,120)</u>	<u>\$ 108,481</u>	<u>\$ 3,560,221</u>	<u>\$ 951,531</u>

\$ -	\$ -	\$ 20,795	\$ -
------	------	-----------	------

**CITY OF SHEBOYGAN, WISCONSIN**

Statement of Fiduciary Net Position

Agency Funds

December 31, 2012

	Property Tax Collection	Business Improvement District	Totals
<b>ASSETS</b>			
Cash and investments	\$ 26,989,863	\$ 21,333	\$ 27,011,196
Receivables			
Taxes	17,283,039	124,264	17,407,303
Special assessments	-	13,407	13,407
<b>TOTAL ASSETS</b>	<b>\$ 44,272,902</b>	<b>\$ 159,004</b>	<b>\$ 44,431,906</b>
<b>LIABILITIES</b>			
Liabilities			
Accounts payable	\$ 6,238	\$ -	\$ 6,238
Due to other governments	44,266,664	159,004	44,425,668
Total Liabilities	<b>\$ 44,272,902</b>	<b>\$ 159,004</b>	<b>\$ 44,431,906</b>

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, 2012

**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, 2012 for the Housing Authority and December 31, 2012 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, 2012

**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 position 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 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.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2012

**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.

*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 consist of the following:

Community Development Block Grant	Police Meg Unit
Revolving Loan Funds	Special Assessment
Lead Based Abatement Program	Redevelopment Authority
Mead Library	E.H. May Environmental Park
Cable TV	Municipal Court
Tourism Promotion	Ambulance
Harbor Center Marina	Storm Water

*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, Capital Projects TIF Districts, and Capital Projects Bonded funds are reported as non-major capital project funds.

*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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

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.

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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

5. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

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 inflow 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/payables 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.

The amount reported on the statement of net position 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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

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.

h. Deferred Outflows/Inflows of Resources

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The City also has additional type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources, special assessments, loans receivable, and accounts receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

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 position. Bond premiums and discounts, 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 expensed as incurred.

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**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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.
- 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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

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 position and displayed in three components:

- Net investment in capital assets - 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 position - Amount of net position that is 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 position - Net position that is neither classified as restricted nor as net investment in capital assets.

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.
- 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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

- 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, 2012.

2. Deficit Fund Equity

The following fund had deficit fund balance as of December 31, 2012:

Fund	Deficit Fund Balance
Other Governmental Funds	
Harbor Center Marina	\$ 2,577,066

The City anticipates funding the above deficit from future revenues of the fund.

**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, 2012

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

The carrying amount of the City's cash and investments totaled \$90,596,108 on December 31, 2012 as summarized below:

Petty cash funds	\$ 6,991
Deposits with financial institutions	9,341,725
Investments	
Cash held by brokerage firm	5,257
Repurchase agreements	5,000,000
Federal agency securities	46,937,616
Wisconsin local government investment pool	22,594,679
Fixed income mutual funds	6,643,552
Money market mutual funds	66,288
	\$ 90,596,108

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position	
Cash and investments	\$ 62,677,494
Restricted cash and investments	907,418
Fiduciary Funds Statement of Net Position	
Agency funds	27,011,196
	\$ 90,596,108

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. As of January 1, 2013 the Village's non-interest bearing transaction accounts are combined with its interest-bearing demand deposits for FDIC insurance coverage. 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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

As of December 31, 2012, none of the City's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

On December 31, 2012, the City held repurchase agreement investments of \$5,000,000 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

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	\$ 26,584,570	\$ -	\$ 26,584,570	\$ -	\$ -
Federal National MTG Assn Step Up Call	3,004,410	-	3,004,410	-	-
Federal Home Loan MTG Corp	10,020,340	-	10,020,340	-	-
Federal Home Loan Bank	7,328,296	-	7,328,296	-	-
Fixed income mutual funds	6,643,552	-	-	-	6,643,552
Money market mutual funds	66,288	-	-	-	66,288
Cash held by brokerage firm	5,257	-	-	-	5,257
Wisconsin local government investment pool	22,594,679	-	-	-	22,594,679
<b>Totals</b>	<b>\$ 76,247,392</b>	<b>\$ -</b>	<b>\$ 46,937,616</b>	<b>\$ -</b>	<b>\$ 29,309,776</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%

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

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 National MTG Assn	Federal Agency Securities	\$ 26,584,570	33%
Federal Home Loan MTG Corp	Federal Agency Securities	10,020,340	12%
Federal Home Loan Bank	Federal Agency Securities	7,328,296	9%

**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.

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	\$ 5,257	\$ 5,257	\$ -	\$ -	\$ -
Federal National MTG Assn	26,584,570	-	-	2,006,480	24,578,090
Federal National MTG Assn Step Up Call	3,004,410	-	-	-	3,004,410
Federal Home Loan MTG Corp	10,020,340	-	-	2,001,860	8,018,480
Federal Home Loan Bank	7,328,296	-	-	-	7,328,296
Fixed income mutual funds	6,643,552	6,643,552	-	-	-
Money market mutual funds	66,288	66,288	-	-	-
Repurchase Agreement	5,000,000	5,000,000	-	-	-
Wisconsin local government investment pool	22,594,679	22,594,679	-	-	-
<b>Totals</b>	<b>\$ 81,247,392</b>	<b>\$ 34,309,776</b>	<b>\$ -</b>	<b>\$ 4,008,340</b>	<b>\$ 42,929,276</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.	\$46,937,616

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$22,594,679 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, 2012, 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.

3. Restricted Assets

The following represents the balances of the restricted assets:

Enterprise Fund	
Water Utility	
Special Redemption Funds	
Interest and principal account	\$ 323,013
Reserve account	584,405
Total Restricted Assets	\$ 907,418

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

4. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 15,047,262	\$ -	\$ 10,000	\$ 15,037,262
Capital assets, being depreciated:				
Buildings and improvements	32,273,687	111,199	-	32,384,886
Improvements other than buildings	13,756,740	48,969	-	13,805,709
Machinery and equipment	22,775,530	487,077	187,814	23,074,793
Infrastructure	115,538,177	3,188	-	115,541,365
Subtotals	184,344,134	650,433	187,814	184,806,753
Less accumulated depreciation for:				
Buildings and improvements	12,949,339	672,944	-	13,622,283
Improvements other than buildings	9,337,570	508,901	-	9,846,471
Machinery and equipment	16,317,795	1,384,582	187,814	17,514,563
Infrastructure	50,513,050	2,285,170	-	52,798,220
Subtotals	89,117,754	4,851,597	187,814	93,781,537
Total capital assets, being depreciated, net	95,226,380	(4,201,164)	-	91,025,216
Governmental activities capital assets, net	<u>\$ 110,273,642</u>	<u>\$ (4,201,164)</u>	<u>\$ 10,000</u>	106,062,478
Less: General obligation debt				45,507,184
Less: Mortgage notes				225,000
Less: Capital lease				623,935
Less: Sheboygan County				1,000,000
Plus: Unspent capital related debt proceeds				<u>(3,907,840)</u>
Net investment in capital assets				<u>\$ 62,614,199</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2012

**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	\$ 35,000	\$ -	\$ 887,683
Construction in progress	6,074,151	1,958,669	4,508,285	3,524,535
Total capital assets, not being depreciated	<u>6,926,834</u>	<u>1,993,669</u>	<u>4,508,285</u>	<u>4,412,218</u>
Capital assets, being depreciated:				
Buildings and improvements	18,282,400	21,303	3,744	18,299,959
Improvements other than buildings	21,898,648	4,761,425	-	26,660,073
Machinery and equipment	30,299,785	444,857	197,890	30,546,752
Infrastructure	55,433,514	57,959	-	55,491,473
Subtotals	<u>125,914,347</u>	<u>5,285,544</u>	<u>201,634</u>	<u>130,998,257</u>
Less accumulated depreciation for:				
Buildings and improvements	12,079,032	474,229	3,744	12,549,517
Improvements other than buildings	18,897,296	376,477	-	19,273,773
Machinery and equipment	21,352,047	966,486	197,629	22,120,904
Infrastructure	21,329,646	1,000,043	-	22,329,689
Subtotals	<u>73,658,021</u>	<u>2,817,235</u>	<u>201,373</u>	<u>76,273,883</u>
Total capital assets, being depreciated, net	<u>52,256,326</u>	<u>2,468,309</u>	<u>261</u>	<u>54,724,374</u>
Business-type activities capital assets, net	<u>\$ 59,183,160</u>	<u>\$ 4,461,978</u>	<u>\$ 4,508,546</u>	59,136,592
Less: Revenue bonds				12,936,655
Less: Alliant Energy notes				745,105
Less: Bond premium				2,657
Plus: Unspent capital related debt proceeds				<u>(584,405)</u>
Net investment in capital assets				<u>\$ 46,036,580</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

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

Governmental activities			
General government		\$	87,397
Public safety			710,110
Public works			2,297,616
Health and human services			244
Culture and recreation			545,120
Conservation and development			429,681
Internal service funds allocated to other activities			781,429
Total depreciation expense - governmental activities		<u>\$</u>	<u>4,851,597</u>
Business-type activities			
Sewerage system		\$	1,045,445
Water utility			
Depreciation expense			1,044,227
Depreciation expense allocated to clearing accounts			144,542
Transit commission			534,555
Parking facility			26,987
Boat facility			21,479
Total depreciation expense - business-type activities		<u>\$</u>	<u>2,817,235</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, 2012 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 853,147	\$ -
	Special revenue fund - Lead based abatement program	37,628	-
	Debt service fund - TIF districts	106,788	-
	Enterprise fund - Water utility	990,301	-
Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	<u>2,198,612</u>	<u>2,198,612</u>
Subtotal - Fund Financial Statements		4,186,476	2,198,612
Less: Fund eliminations		<u>(3,196,175)</u>	<u>(2,198,612)</u>
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ 990,301</u>	<u>\$ -</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

**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 position, 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	\$ 1,238,161	\$ 1,238,161
Debt service fund - GO debt	Debt service fund - TIF districts	1,450,690	1,450,690
	Enterprise fund - Water utility	264,718	264,718
Capital projects fund - Tax levy	Debt service fund - TIF districts	280,073	-
		<u>3,233,642</u>	<u>2,953,569</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	<u>331,435</u>	<u>331,435</u>
Subtotal - Fund Financial Statements		3,565,077	3,285,004
Less: Fund eliminations		(2,968,924)	(2,688,851)
Less: Enterprise portion of advance		<u>(662,870)</u>	<u>(662,870)</u>
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ (66,717)</u>	<u>\$ (66,717)</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 position, 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 position follows:

Due from other funds	\$ 990,301
Interfund advances	(66,717)
Internal service fund allocation to business-type activities	<u>(175,963)</u>
Total Internal Balances - Government-wide Statement of Net Position	<u>\$ 747,621</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

Interfund transfers for the year ended December 31, 2012 were as follows:

Fund Transferred To	Fund Transferred From	Amount
General fund	Enterprise fund - Water utility	\$ 969,670
	Enterprise fund - Sewerage system	245,631
	Debt service fund - TIF districts	5,125
	Permanent fund - Cemetery perpetual care	1,975
	Special revenue fund - Cable TV	275,000
	Special revenue fund - Tourism promotion	47,497
	Special revenue fund - Municipal court	450,929
	Special revenue fund - Ambulance	621,706
	Internal service fund - Motor vehicle fund	125,000
Special revenue fund - Meg unit	General fund	19,248
Debt service fund - GO debt	Special revenue fund - Tourism promotion	594,967
	Special revenue fund - Harbor Center marina	191,370
	Special revenue fund - Special assessment	593,670
	Debt service fund - TIF districts	442,938
	Capital projects fund - Bonded	95,767
Debt service fund - TIF districts	Capital projects fund - TIF districts	554,625
		<u>5,235,118</u>
Enterprise fund - Parking facility	General fund	2,846
	Capital projects tax levy fund	6,975
		<u>9,821</u>
Internal service fund - Workers comp self insurance	Internal service fund - Health self insurance	1,622,864
Internal service fund - Data Processing	General fund	20,100
	Enterprise fund - Sewerage system	14,500
		<u>1,657,464</u>
Subtotal - Fund Financial Statements		<u>\$ 6,902,403</u>
Government fund transfers in		\$ 6,857,982
Less: Fund eliminations		(5,638,002)
Total Transfers - Government-wide Statement of Activities		<u>\$ 1,219,980</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, 2012

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

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2012:

	Outstanding 1/1/12	Issued	Retired	Outstanding 12/31/12	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 33,855,000	\$ -	\$ 2,980,000	\$ 30,875,000	\$ 2,530,000
Notes	13,386,852	4,745,000	3,499,668	14,632,184	2,883,121
Total General Obligation Debt	47,241,852	4,745,000	6,479,668	45,507,184	5,413,121
Bond premium	-	92,343	5,478	86,865	9,390
Bond discount	(93,954)	-	(6,843)	(87,111)	(6,272)
Mortgage notes	225,000	-	-	225,000	-
Capital lease	737,277	-	113,342	623,935	118,020
Sheboygan County	1,000,000	-	-	1,000,000	-
Unfunded post employment benefits	1,213,653	332,520	632,472	913,701	-
Compensated absences	2,968,618	-	146,581	2,822,037	-
Governmental activities Long-term obligations	<u>\$ 53,292,446</u>	<u>\$ 5,169,863</u>	<u>\$ 7,370,698</u>	<u>\$ 51,091,611</u>	<u>\$ 5,534,259</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 14,080,502	\$ -	\$ 1,143,847	\$ 12,936,655	\$ 1,180,805
Unamortized bond premium	2,854	-	197	2,657	-
Alliant Energy note	987,694	-	242,589	745,105	246,212
Business-type activities Long-term obligations	<u>\$ 15,071,050</u>	<u>\$ -</u>	<u>\$ 1,386,633</u>	<u>\$ 13,684,417</u>	<u>\$ 1,427,017</u>

Total interest paid during the year on long-term debt totaled \$2,427,181.

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, 2012

**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, 2012 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/12
General Obligation Debt					
General Obligation Bonds					
Refunding Bonds	07/01/06	4.00-4.25%	10/01/22	\$ 5,155,000	\$ 3,725,000
Refunding Bonds	07/01/06	5.60-6.00%	10/01/22	8,575,000	6,850,000
Refunding Bonds	07/01/06	5.60-5.80%	11/01/18	7,150,000	4,325,000
General Obligation Bonds	09/01/07	4.5-5%	10/01/26	8,000,000	7,600,000
Taxable Refunding Bonds	05/15/08	4.00-4.20%	04/01/13	850,000	185,000
Taxable Refunding Bonds	06/23/10	2.00-5.25%	04/01/27	8,325,000	7,260,000
Refunding Bonds	11/09/10	0.80-2.40%	10/01/19	2,530,000	930,000
Total General Obligation Bonds					<u>30,875,000</u>
General Obligation Notes					
Land Recycling Loan	12/23/02	0%	05/01/22	\$ 2,700,000	\$ 801,290
Promissory Notes	03/15/04	2.90-3.10%	12/01/13	1,500,000	250,000
Promissory Notes	03/15/04	2.90-3.10%	12/01/13	1,065,000	150,000
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	438,046
State Trust Fund Notes	11/21/05	4.00%	03/15/15	500,000	188,883
Promissory Notes	04/15/06	3.75-4.00%	10/01/15	3,000,000	1,500,000
Promissory Notes	04/15/06	3.75-4.13%	10/01/15	1,400,000	650,000
State Trust Fund Notes	07/05/06	4.00%	03/15/16	220,000	97,306
Promissory Notes	04/15/07	3.85-4%	10/01/16	3,000,000	1,150,000
Promissory Notes	05/15/08	3.25-3.5%	10/01/17	3,000,000	2,025,000
State Trust Fund Notes	12/30/09	3.50%	03/15/14	800,000	416,659
Promissory Notes (Build America Bonds)	06/23/10	1.50-4.20%	04/01/20	2,045,000	1,680,000
Promissory Notes	09/29/11	0.75-1.75%	10/01/16	670,000	540,000
Promissory Notes	05/10/12	1.00-2.13%	04/01/22	4,745,000	4,745,000
Total General Obligation Notes					<u>14,632,184</u>
Total					<u>\$ 45,507,184</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

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.

Annual principal and interest maturities of the outstanding general obligation debt of \$45,507,184 on December 31, 2012 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2013	\$ 5,413,121	\$ 1,722,520	\$ 7,135,640
2014	5,128,626	1,543,942	6,672,568
2015	4,960,182	1,365,278	6,325,460
2016	4,525,726	1,188,812	5,714,538
2017	4,194,952	1,023,871	5,218,823
2018-2022	15,839,757	3,021,220	18,860,977
2023-2027	5,444,820	682,335	6,127,157
	<u>\$ 45,507,184</u>	<u>\$ 10,547,978</u>	<u>\$ 56,055,163</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2012 was \$85,892,728 as follows:

Equalized valuation of the City	\$ 2,476,415,800
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>123,820,790</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 45,507,184
Less: Amounts available for financing general obligation debt	
Debt service funds	<u>7,579,122</u>
Net outstanding general obligation debt applicable to debt limitation	<u>37,928,062</u>
Legal Margin for New Debt	<u>\$ 85,892,728</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, 2012.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2012

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

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
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	48,510	10,252	58,762
2018 - 2020	160,295	15,992	176,287
	<u>\$ 623,935</u>	<u>\$ 107,250</u>	<u>\$ 731,185</u>

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, 2012 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/12
<b>Sewerage System</b>					
Clean Water Fund Loan	11/30/95	3.124%	05/01/15	\$ 4,375,561	\$ 873,738
Clean Water Fund Loan	11/25/96	3.195%	05/01/16	3,250,000	860,278
Clean Water Fund Loan	05/26/10	2.400%	05/01/30	2,113,026	<u>2,631,785</u>
Total Sewerage System					<u>4,365,801</u>
<b>Water Utility</b>					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	2,020,854
Refunding Revenue Bonds	09/01/05	3.75 -4.25%	06/01/25	4,900,000	3,025,000
Revenue Bonds	04/01/07	4.00-5.00%	05/01/27	4,000,000	<u>3,525,000</u>
Total Water Utility					<u>8,570,854</u>
Total Revenue Bonds					<u>\$ 12,936,655</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2012

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

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$12,936,655 on December 31, 2012 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
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	130,420	49,794	180,214
2018-2022	3,851,642	1,122,446	4,974,088
2023-2027	3,852,436	437,011	4,289,447
2028-2030	520,173	18,924	539,097
	<u>\$ 12,936,655</u>	<u>\$ 3,103,876</u>	<u>\$ 16,040,531</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 \$16,040,531. Principal and interest paid for the current year and net customer revenues for the water utility were \$900,087 and \$4,444,578, respectively. Principal and interest paid for the current year and net customer revenues for the sewer utility were \$714,957 and \$2,352,033, respectively.

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, 2012 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/12
Sewerage System					
Alliant Energy Note	8/2009	2.00%	7/2014	\$ 36,725	\$ 10,768
Alliant Energy Note	12/2010	2.00%	12/2015	1,200,000	734,337
					<u>\$ 745,105</u>

Annual principal and interest maturities of the above outstanding Alliant Energy Notes of \$745,105 on December 31, 2012 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2013	\$ 246,212	\$ 12,628	\$ 258,840
2014	249,206	7,701	256,907
2015	249,687	2,713	252,400
	<u>\$ 745,105</u>	<u>\$ 23,042</u>	<u>\$ 768,147</u>

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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2012, there were 8 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$27,553,013.

**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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2012	
	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

The payroll for City employees covered by the WRS for the year ended December 31, 2012 was \$25,031,966; the employer's total payroll was \$26,447,888. The total required contribution for the year ended December 31, 2012 was \$3,630,922, which consisted of \$2,151,393 or 8.6% of covered payroll from the employer, and \$1,479,529, or 5.9% of covered payroll from employees. Total contributions for the years ended December 31, 2011 and 2010 were \$3,754,905 and \$3,158,686, respectively, equal to the required contributions for each year.

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 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that 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 related benefits for employees who retire prior to the age of 65. Benefit terms including eligibility and vesting requirements vary by employee classification. There were 381 active and 115 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	\$ 350,789
Interest on net OPEB	60,683
Adjustment to annual required contribution	<u>(78,952)</u>
Annual OPEB cost (expense)	332,520
Contributions made	<u>(632,472)</u>
Change in net OPEB obligation	(299,952)
OPEB obligation - beginning of year	<u>1,213,653</u>
OPEB obligation - end of year	<u>\$ 913,701</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

The annual required contribution for the current year was determined as part of the January 1, 2012 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.

*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 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$ 332,520	190%	\$ 913,701
12/31/2011	\$ 637,325	69%	\$ 1,213,653

*Funded Status and Funding Progress* - As of January 1, 2012, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$4,231,036. The annual payroll for active employees covered by the plan for the 2012 fiscal year was \$25,031,966 for a ratio of the UAAL to covered payroll of 16.9%.

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, 2012 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.

**CITY OF SHEBOYGAN, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2012

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

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 \$135,000 per person and a minimum annual aggregate deductible of \$7,252,730 for the 2012 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.

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. \$7,817,493 was available for that reserve at year end, and is included in unrestricted net position 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
Health Insurance				
2012	\$2,350,078	\$5,677,791	\$6,378,212	\$1,649,657
2011	2,550,010	6,887,225	7,087,157	2,350,078
Workers Compensation				
2012	\$58,638	\$362,762	\$362,762	\$58,638
2011	50,000	282,653	274,015	58,638

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

- 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.

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
2012	\$185,703	\$137,511	\$137,511	\$185,703
2011	185,703	239,095	239,095	185,703

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

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

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 2012 and 2013 budget years, the increase in the maximum allowable tax levy is limited to the percentage 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%. The actual limit for the City for the 2013 budget was 0.90%. 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. Cumulative Effect of Change in Accounting Principle

The City has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. Financial statements for the year ended December 31, 2011 have not been restated. The cumulative effect of this change was to decrease the December 31, 2012 net position of the governmental activities by \$243,381.

7. Subsequent Event

On March 4, 2013, the City Council authorized the issuance of \$3,000,000 in Water Utility Revenue Bonds for the purpose of capital improvement projects. The bonds were issued May 1, 2013.

**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 position 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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

**NOTE E - COMPONENT UNITS (Continued)**

2. Deposits and Investments

The carrying amount of the Authority's cash and investments totaled \$4,766,972 on March 31, 2012 as summarized below:

Deposits with financial institutions	<u>\$ 4,766,972</u>
Reconciliation to the basic financial statements:	
Government - Wide Statement of Net Position	
Cash and investments	\$ 4,663,683
Restricted cash and investments	<u>103,289</u>
	<u>\$ 4,766,972</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. As of January 1, 2013 the Housing Authority's noninterest bearing accounts are combined with its interest-bearing demand deposits for FDIC insurance coverage. 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, 2012, was \$4,075,318.

3. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 266,510	\$ 80,434	\$ -	\$ 346,944
Capital assets being depreciated				
Buildings and improvements	7,529,331	68,805	-	7,598,136
Machinery and equipment	667,475	28,691	14,841	681,325
Total capital assets being depreciated	8,196,806	97,496	14,841	8,279,461
Less: Accumulated depreciation	6,263,015	279,738	12,530	6,530,223
Net capital assets being depreciated	1,933,791	(182,242)	2,311	1,749,238
Total capital assets, net of accumulated depreciation	\$ 2,200,301	\$ (101,808)	\$ 2,311	\$ 2,096,182

Accumulated depreciation is not available by class or function.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2012

**NOTE E - COMPONENT UNITS (Continued)**

Information related to the Business Improvement District is as follows:

1. Significant Accounting Policies

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

2. 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 \$96,476 and the bank balance was \$96,676. The entire bank balance was covered by Federal depository insurance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of Funding Progress  
Other Post-Employment Benefit Plan  
For the Year Ended December 31, 2012

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)
2012	\$ -	\$ 4,231,036	0.0%	\$ 4,231,036	\$ 25,031,966	16.9%
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.

The reduction in the Actuarial Accrued Liability and the Unfunded Actuarial Accrued Liability between the 2012 and 2010 actuarial valuations is due to the combination of benefit changes and the decrease in the number of employees.

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of Employer Contributions  
 Other Post-Employment Benefit Plan  
 For the Year Ended December 31, 2012

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2012	\$ 632,472	\$ 350,789	180.30%
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.

The reduction in the Actuarial Required Contribution (ARC) between the 2012 and 2010 actuarial valuations is due to the combination of benefit changes and the decrease in the number of employees.

## **SUPPLEMENTARY INFORMATION**

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2012

	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	\$ 819,444	\$ 432,952	\$ 2,051	\$ 792,878	\$ 362,588	\$ 226,914
Receivables						
Taxes	-	-	-	2,377,053	-	-
Accounts	-	-	-	1,082	146,917	138,432
Special assessments	-	-	-	-	-	-
Loans	3,740,849	4,172,691	1,518,038	-	-	-
Other	-	893	-	-	1,111	535
Advance to other funds	-	-	-	-	-	-
Due from other governments	868,659	-	238,047	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,428,952</b>	<b>\$ 4,606,536</b>	<b>\$ 1,758,136</b>	<b>\$ 3,171,013</b>	<b>\$ 510,616</b>	<b>\$ 365,881</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 21,182	\$ -	\$ 20,012	\$ 13,062	\$ 4,462	\$ 61,791
Accrued and other current liabilities	-	-	-	105,189	6,758	-
Due to other funds	853,147	-	37,628	-	-	-
Due to other governments	-	-	1,518,038	-	-	-
Advance from other funds	-	-	-	-	-	-
Total Liabilities	<b>874,329</b>	<b>-</b>	<b>1,575,678</b>	<b>118,251</b>	<b>11,220</b>	<b>61,791</b>
Deferred Inflows of Resources						
Property taxes	-	-	-	2,377,053	-	-
Special assessments	-	-	-	-	-	-
Loans receivable	3,740,849	4,172,691	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Total Deferred Inflows of Resources	<b>3,740,849</b>	<b>4,172,691</b>	<b>-</b>	<b>2,377,053</b>	<b>-</b>	<b>-</b>
Fund Balances						
Nonspendable						
Inventories and prepaid items	-	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-	-
Library trust	-	-	-	-	-	-
Restricted						
Capital improvements	-	-	-	-	-	-
Community development	813,774	433,845	182,458	-	-	-
Library trust	-	-	-	-	-	-
Committed						
Assigned	-	-	-	675,709	499,396	304,090
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<b>813,774</b>	<b>433,845</b>	<b>182,458</b>	<b>675,709</b>	<b>499,396</b>	<b>304,090</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,428,952</b>	<b>\$ 4,606,536</b>	<b>\$ 1,758,136</b>	<b>\$ 3,171,013</b>	<b>\$ 510,616</b>	<b>\$ 365,881</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
\$ 3,652	\$ 3,142	\$ 1,862,303	\$ 153,619	\$ 25,563	\$ 40,882	\$ 144,624	\$ 60,975	\$ 4,931,587
-	-	-	-	-	-	-	1,487	2,378,540
33,054	-	-	-	-	12,200	262,556	-	594,241
-	-	184,742	-	-	-	-	-	184,742
-	-	-	1,340,004	-	-	-	-	10,771,582
-	-	5,268	402	64	638	892	135	9,938
-	-	-	-	-	-	-	-	-
-	8,988	-	-	-	-	-	-	1,115,694
19,598	-	-	-	-	-	-	-	19,598
<u>\$ 56,304</u>	<u>\$ 12,130</u>	<u>\$ 2,052,313</u>	<u>\$ 1,494,025</u>	<u>\$ 25,627</u>	<u>\$ 53,720</u>	<u>\$ 408,072</u>	<u>\$ 62,597</u>	<u>\$ 20,005,922</u>
\$ 22,532	\$ 4,090	\$ -	\$ 327	\$ 641	\$ 27,904	\$ 14,407	\$ -	\$ 190,410
78,236	331	-	-	-	6,880	10,512	-	207,906
2,198,612	-	-	-	-	-	-	-	3,089,387
2,555	-	-	-	-	-	-	-	1,520,593
331,435	-	-	-	-	-	-	-	331,435
<u>2,633,370</u>	<u>4,421</u>	<u>-</u>	<u>327</u>	<u>641</u>	<u>34,784</u>	<u>24,919</u>	<u>-</u>	<u>5,339,731</u>
-	-	-	-	-	-	-	-	2,377,053
-	-	167,621	-	-	-	-	-	167,621
-	-	-	1,340,004	-	-	-	-	9,253,544
-	-	-	-	-	-	138,402	-	138,402
-	-	167,621	1,340,004	-	-	138,402	-	11,936,620
19,598	-	-	-	-	-	-	-	19,598
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,430,077
-	-	-	-	-	-	-	-	-
-	7,709	1,884,692	153,694	24,986	18,936	244,751	62,597	3,876,560
(2,596,664)	-	-	-	-	-	-	-	(2,596,664)
<u>(2,577,066)</u>	<u>7,709</u>	<u>1,884,692</u>	<u>153,694</u>	<u>24,986</u>	<u>18,936</u>	<u>244,751</u>	<u>62,597</u>	<u>2,729,571</u>
<u>\$ 56,304</u>	<u>\$ 12,130</u>	<u>\$ 2,052,313</u>	<u>\$ 1,494,025</u>	<u>\$ 25,627</u>	<u>\$ 53,720</u>	<u>\$ 408,072</u>	<u>\$ 62,597</u>	<u>\$ 20,005,922</u>

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2012

	Capital Project Funds			
	Capital Projects Tax Levy	Capital Projects TIF Districts	Capital Projects Bonded	Total
<b>ASSETS</b>				
Cash and investments	\$ 3,016,787	\$ -	\$ 4,084,909	\$ 7,101,696
Receivables				
Taxes	-	-	-	-
Accounts	-	-	-	-
Special assessments	-	-	-	-
Loans	-	-	-	-
Other	6,215	-	-	6,215
Advance to other funds	280,073	-	-	280,073
Due from other governments	652,968	-	-	652,968
Inventories and prepaid items	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,956,043</b>	<b>\$ -</b>	<b>\$ 4,084,909</b>	<b>\$ 8,040,952</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 660,994	\$ -	\$ 177,069	\$ 838,063
Accrued and other current liabilities				
liabilities	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Advance from other funds	-	-	-	-
<b>Total Liabilities</b>	<b>660,994</b>	<b>-</b>	<b>177,069</b>	<b>838,063</b>
<b>Deferred Inflows of Resources</b>				
Property taxes	-	-	-	-
Special assessments	-	-	-	-
Loans receivable	-	-	-	-
Accounts receivable	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventories and prepaid items	-	-	-	-
Cemetery perpetual care	-	-	-	-
Library trust	-	-	-	-
<b>Restricted</b>				
Capital improvements	-	-	3,907,840	3,907,840
Community development	-	-	-	-
Library trust	-	-	-	-
<b>Committed</b>				
Assigned	3,295,049	-	-	3,295,049
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>3,295,049</b>	<b>-</b>	<b>3,907,840</b>	<b>7,202,889</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,956,043</b>	<b>\$ -</b>	<b>\$ 4,084,909</b>	<b>\$ 8,040,952</b>

Permanent Funds			Total Governmental Funds
Cemetery Perpetual Care	Library Trust	Total	

\$	811,813	\$	1,005,179	\$	1,816,992	\$	13,850,275
	-		-		-		2,378,540
	2,319		-		2,319		596,560
	-		-		-		184,742
	-		-		-		10,771,582
	129		61		190		16,343
	-		-		-		280,073
	-		-		-		1,768,662
	-		-		-		19,598

<u>\$</u>	<u>814,261</u>	<u>\$</u>	<u>1,005,240</u>	<u>\$</u>	<u>1,819,501</u>	<u>\$</u>	<u>29,866,375</u>
-----------	----------------	-----------	------------------	-----------	------------------	-----------	-------------------

\$	-	\$	-	\$	-	\$	1,028,473
	-		-		-		207,906
	-		-		-		3,089,387
	-		-		-		1,520,593
	-		-		-		331,435
	-		-		-		6,177,794

	-		-		-		2,377,053
	-		-		-		167,621
	-		-		-		9,253,544
	-		-		-		138,402
	-		-		-		11,936,620

	-		-		-		19,598
	814,261		-		814,261		814,261
	-		600,000		600,000		600,000
	-		-		-		3,907,840
	-		-		-		1,430,077
	-		405,240		405,240		405,240
	-		-		-		7,171,609
	-		-		-		(2,596,664)
	814,261		1,005,240		1,819,501		11,751,961

<u>\$</u>	<u>814,261</u>	<u>\$</u>	<u>1,005,240</u>	<u>\$</u>	<u>1,819,501</u>	<u>\$</u>	<u>29,866,375</u>
-----------	----------------	-----------	------------------	-----------	------------------	-----------	-------------------

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2012

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ 2,377,053	\$ -	\$ 1,198,279
Special assessments	-	-	-	-	-	-
Intergovernmental	944,657	-	452,961	687,920	-	-
Licenses and permits	-	-	-	-	571,543	-
Fines and forfeits	-	-	-	-	-	81
Public charges for services	-	-	-	83,364	2,275	-
Miscellaneous	320,030	353,052	2,170	69,284	6,631	3,197
<b>Total Revenues</b>	<b>1,264,687</b>	<b>353,052</b>	<b>455,131</b>	<b>3,217,621</b>	<b>580,449</b>	<b>1,201,557</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	-	-	-	-	-	3,798
Public safety	-	-	-	-	-	10,940
Public works	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-
Culture and recreation	-	-	-	3,196,491	163,917	13,361
Conservation and development	867,164	200,000	469,213	-	-	388,917
<b>Debt service</b>						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Capital outlay</b>	459,421	-	-	46,909	49,418	-
<b>Total Expenditures</b>	<b>1,326,585</b>	<b>200,000</b>	<b>469,213</b>	<b>3,243,400</b>	<b>213,335</b>	<b>417,016</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(61,898)</b>	<b>153,052</b>	<b>(14,082)</b>	<b>(25,779)</b>	<b>367,114</b>	<b>784,541</b>
<b>Other Financing Sources (Uses)</b>						
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	25,000	-	-	-	40	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(275,000)	(642,464)
<b>Total Other Financing Sources (Uses)</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(274,960)</b>	<b>(642,464)</b>
<b>Net Change in Fund Balances</b>	<b>(36,898)</b>	<b>153,052</b>	<b>(14,082)</b>	<b>(25,779)</b>	<b>92,154</b>	<b>142,077</b>
<b>Fund Balances (Deficits) - January 1</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>Fund Balances (Deficits) - December 31</b>	<b>\$ 813,774</b>	<b>\$ 433,845</b>	<b>\$ 182,458</b>	<b>\$ 675,709</b>	<b>\$ 499,396</b>	<b>\$ 304,090</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
\$ 169	\$ -	\$ -	\$ 27,872	\$ -	\$ -	\$ -	\$ -	\$ 3,603,373
-	-	291,643	-	-	-	-	-	291,643
-	27,801	-	-	-	-	8,774	-	2,122,113
-	-	-	-	-	-	-	-	571,543
-	-	-	-	-	1,037,079	-	-	1,037,160
912,361	-	-	-	30,588	5,801	1,161,578	11,505	2,207,472
1,753	43	44,534	3,340	455	3,810	5,329	1,072	814,700
914,283	27,844	336,177	31,212	31,043	1,046,690	1,175,681	12,577	10,648,004
-	-	-	-	-	591,952	-	-	595,750
-	37,189	-	-	-	-	447,439	-	495,568
834,251	-	-	-	-	-	-	-	834,251
-	-	-	-	-	-	-	-	-
-	-	-	-	32,553	-	-	-	3,406,322
-	-	-	27,473	-	-	-	-	1,952,767
-	-	-	-	-	-	75,170	-	75,170
524	-	-	-	-	-	11,860	-	12,384
-	-	-	-	-	-	-	-	555,748
834,775	37,189	-	27,473	32,553	591,952	534,469	-	7,927,960
79,508	(9,345)	336,177	3,739	(1,510)	454,738	641,212	12,577	2,720,044
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	25,040
-	19,248	-	-	-	-	-	-	19,248
(191,370)	-	(593,670)	-	-	(450,929)	(621,706)	-	(2,775,139)
(191,370)	19,248	(593,670)	-	-	(450,929)	(621,706)	-	(2,730,851)
(111,862)	9,903	(257,493)	3,739	(1,510)	3,809	19,506	12,577	(10,807)
(2,465,204)	(2,194)	2,142,185	149,955	26,496	15,127	225,245	50,020	2,740,378
\$ (2,577,066)	\$ 7,709	\$ 1,884,692	\$ 153,694	\$ 24,986	\$ 18,936	\$ 244,751	\$ 62,597	\$ 2,729,571

(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, 2012

	Capital Project Funds			
	Capital Projects Tax Levy	Capital Projects TIF Districts	Capital Projects Bonded	Total
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	4,199,226	-	-	4,199,226
Licenses and permits	-	-	-	-
Fines and forfeits	-	-	-	-
Public charges for services	-	-	-	-
Miscellaneous	60,450	-	1,903	62,353
<b>Total Revenues</b>	<b>4,259,676</b>	<b>-</b>	<b>1,903</b>	<b>4,261,579</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Conservation and development	-	-	-	-
<b>Debt service</b>				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	4,268,829	-	1,155,172	5,424,001
<b>Total Expenditures</b>	<b>4,268,829</b>	<b>-</b>	<b>1,155,172</b>	<b>5,424,001</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(9,153)</b>	<b>-</b>	<b>(1,153,269)</b>	<b>(1,162,422)</b>
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	-	4,745,000	4,745,000
Sale of capital assets	10,000	-	-	10,000
Transfers in	-	-	-	-
Transfers out	(6,975)	(554,625)	(95,767)	(657,367)
<b>Total Other Financing Sources (Uses)</b>	<b>3,025</b>	<b>(554,625)</b>	<b>4,649,233</b>	<b>4,097,633</b>
<b>Net Change in Fund Balances</b>	<b>(6,128)</b>	<b>(554,625)</b>	<b>3,495,964</b>	<b>2,935,211</b>
<b>Fund Balances (Deficits) - January 1</b>	<b>3,301,177</b>	<b>554,625</b>	<b>411,876</b>	<b>4,267,678</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ 3,295,049</b>	<b>\$ -</b>	<b>\$ 3,907,840</b>	<b>\$ 7,202,889</b>

Permanent Funds			Total Governmental Funds
Cemetery Perpetual Care	Library Trust	Total	
\$ -	\$ -	\$ -	\$ 3,603,373
-	-	-	291,643
-	-	-	6,321,339
-	-	-	571,543
-	-	-	1,037,160
12,619	-	12,619	2,220,091
1,974	11,698	13,672	890,725
<u>14,593</u>	<u>11,698</u>	<u>26,291</u>	<u>14,935,874</u>
-	-	-	595,750
-	-	-	495,568
-	-	-	834,251
445	-	445	445
-	12,793	12,793	3,419,115
-	-	-	1,952,767
-	-	-	75,170
-	-	-	12,384
-	-	-	5,979,749
<u>445</u>	<u>12,793</u>	<u>13,238</u>	<u>13,365,199</u>
<u>14,148</u>	<u>(1,095)</u>	<u>13,053</u>	<u>1,570,675</u>
-	-	-	4,745,000
-	-	-	35,040
-	-	-	19,248
<u>(1,975)</u>	<u>-</u>	<u>(1,975)</u>	<u>(3,434,481)</u>
<u>(1,975)</u>	<u>-</u>	<u>(1,975)</u>	<u>1,364,807</u>
12,173	(1,095)	11,078	2,935,482
<u>802,088</u>	<u>1,006,335</u>	<u>1,808,423</u>	<u>8,816,479</u>
<u>\$ 814,261</u>	<u>\$ 1,005,240</u>	<u>\$ 1,819,501</u>	<u>\$ 11,751,961</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Statement of Net Position

Nonmajor Enterprise Funds

December 31, 2012

	Parking Facility	Boat Facility	Totals
<b>ASSETS</b>			
Cash and investments	\$ 1,042,013	\$ 358,518	\$ 1,400,531
Receivables			
Taxes	12,792	-	12,792
Accounts	3,093	8,333	11,426
Special assessments	103,737	-	103,737
Other	2,514	885	3,399
Advance to other funds	-	331,435	331,435
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	<u>(1,621,361)</u>	<u>(301,270)</u>	<u>(1,922,631)</u>
<b>TOTAL ASSETS</b>	<u>1,942,965</u>	<u>893,007</u>	<u>2,835,972</u>
<b>LIABILITIES</b>			
Accounts payable	11,164	6,844	18,008
Accrued and other current liabilities	8,313	-	8,313
Due to other governments	1,056	-	1,056
Unearned revenues	<u>15,304</u>	<u>97</u>	<u>15,401</u>
<b>TOTAL LIABILITIES</b>	<u>35,837</u>	<u>6,941</u>	<u>42,778</u>
<b>NET POSITION</b>			
Net investment in capital assets	778,816	193,836	972,652
Unrestricted	<u>1,128,312</u>	<u>692,230</u>	<u>1,820,542</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,907,128</u>	<u>\$ 886,066</u>	<u>\$ 2,793,194</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Enterprise Funds

For the Year Ended December 31, 2012

	Parking Facility	Boat Facility	Totals
Operating Revenues			
Charges for services	\$ 383,336	\$ 102,109	\$ 485,445
Other	5,361	-	5,361
Total Operating Revenues	<u>388,697</u>	<u>102,109</u>	<u>490,806</u>
Operating Expenses			
Personal services	161,868	949	162,817
Contractual services	146,145	63,064	209,209
Supplies and materials	31,441	-	31,441
Insurance	771	-	771
Other	16,638	-	16,638
Depreciation	26,987	21,479	48,466
Total Operating Expenses	<u>383,850</u>	<u>85,492</u>	<u>469,342</u>
Operating Income	<u>4,847</u>	<u>16,617</u>	<u>21,464</u>
Nonoperating Revenues			
Investment income	17,064	5,807	22,871
Miscellaneous revenues	32	-	32
Total Nonoperating Revenues	<u>17,096</u>	<u>5,807</u>	<u>22,903</u>
Income Before Contributions and Transfers	21,943	22,424	44,367
Transfers in	<u>9,821</u>	<u>-</u>	<u>9,821</u>
Change in Net Position	31,764	22,424	54,188
Net Position - January 1	<u>1,875,364</u>	<u>863,642</u>	<u>2,739,006</u>
Net Position - December 31	<u>\$ 1,907,128</u>	<u>\$ 886,066</u>	<u>\$ 2,793,194</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended December 31, 2012

	Parking Facility	Boat Facility	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 436,816	\$ 105,876	\$ 542,692
Payments to suppliers	(186,123)	(59,928)	(246,051)
Payments to employees	(187,211)	(949)	(188,160)
<b>Net Cash Provided by Operating Activities</b>	<b>63,482</b>	<b>44,999</b>	<b>108,481</b>
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Transfers	9,821	-	9,821
Advances from other funds	-	(524)	(524)
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<b>9,821</b>	<b>(524)</b>	<b>9,297</b>
<b>Cash Flows from Investing Activities</b>			
Interest received	17,064	5,807	22,871
<b>Change in Cash and Cash Equivalents</b>	<b>90,367</b>	<b>50,282</b>	<b>140,649</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>951,646</b>	<b>308,236</b>	<b>1,259,882</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 1,042,013</b>	<b>\$ 358,518</b>	<b>\$ 1,400,531</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating income	\$ 4,847	\$ 16,617	\$ 21,464
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	26,987	21,479	48,466
Miscellaneous nonoperating revenues	32	-	32
Changes in assets and liabilities			
Receivables	67,659	3,767	71,426
Accounts payable	9,344	3,136	12,480
Accrued and other liabilities	(25,343)	-	(25,343)
Due to other governments	(472)	-	(472)
Unearned revenues	(19,572)	-	(19,572)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 63,482</b>	<b>\$ 44,999</b>	<b>\$ 108,481</b>

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Statement of Net Position

Internal Service Funds

December 31, 2012

	Motor Vehicle	Data Processing	Health Self Insurance
<b>ASSETS</b>			
Cash and investments	\$ 2,263,680	\$ 936,624	\$ 5,684,174
Receivables			
Accounts	8,006	824	29,927
Other	6,185	2,297	16,780
Inventories and prepaid items	-	-	37,323
Deposit with CVMIC	-	-	-
Capital assets, nondepreciable			
Machinery and equipment	11,565,750	1,213,116	-
Less: Accumulated depreciation	(7,811,768)	(960,636)	-
<b>TOTAL ASSETS</b>	<b>6,031,853</b>	<b>1,192,225</b>	<b>5,768,204</b>
<b>LIABILITIES</b>			
Accounts payable	37,666	37,877	8,509
Accrued and other current liabilities	61,736	105,949	1,773,793
<b>TOTAL LIABILITIES</b>	<b>99,402</b>	<b>143,826</b>	<b>1,782,302</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,753,982	252,480	-
Unrestricted	2,178,469	795,919	3,985,902
<b>TOTAL NET POSITION</b>	<b>\$ 5,932,451</b>	<b>\$ 1,048,399</b>	<b>\$ 3,985,902</b>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 1,500,000	\$ 332,896	\$ 10,717,374
-	-	38,757
135	564	25,961
-	38,808	76,131
-	2,205,665	2,205,665
-	-	12,778,866
-	-	(8,772,404)
<u>1,500,135</u>	<u>2,577,933</u>	<u>17,070,350</u>
810	1,326	86,188
<u>58,638</u>	<u>185,703</u>	<u>2,185,819</u>
<u>59,448</u>	<u>187,029</u>	<u>2,272,007</u>
-	-	4,006,462
<u>1,440,687</u>	<u>2,390,904</u>	<u>10,791,881</u>
<u>\$ 1,440,687</u>	<u>\$ 2,390,904</u>	<u>\$ 14,798,343</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Internal Service Funds  
For the Year Ended December 31, 2012

	Motor Vehicle	Data Processing	Health Self Insurance
Operating Revenues			
Charges for services	\$ 1,577,377	\$ 907,906	\$ 8,256,147
Other	652	-	-
Total Operating Revenues	<u>1,578,029</u>	<u>907,906</u>	<u>8,256,147</u>
Operating Expenses			
Personal services	507,424	571,481	117,608
Contractual services	506,595	155,598	293,337
Supplies and materials	458,409	1,541	113
Insurance	-	-	5,677,791
Other	30,717	2,415	-
Depreciation	743,927	37,502	-
Total Operating Expenses	<u>2,247,072</u>	<u>768,537</u>	<u>6,088,849</u>
Operating Income (Loss)	<u>(669,043)</u>	<u>139,369</u>	<u>2,167,298</u>
Nonoperating Revenues (Expenses)			
Investment income	36,931	13,717	100,194
Sale of capital assets	42,141	-	-
Total Nonoperating Revenues (Expenses)	<u>79,072</u>	<u>13,717</u>	<u>100,194</u>
Income (Loss) Before Transfers	(589,971)	153,086	2,267,492
Transfers in	-	34,600	-
Transfers out	<u>(125,000)</u>	<u>-</u>	<u>(1,622,864)</u>
Change in Net Position	(714,971)	187,686	644,628
Net Position - January 1	<u>6,647,422</u>	<u>860,713</u>	<u>3,341,274</u>
Net Position - December 31	<u>\$ 5,932,451</u>	<u>\$ 1,048,399</u>	<u>\$ 3,985,902</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 334,686	\$ 106,091	\$ 11,182,207
4,195	84,853	89,700
<u>338,881</u>	<u>190,944</u>	<u>11,271,907</u>
107,259	-	1,303,772
20,901	8,904	985,335
-	-	460,063
362,762	137,511	6,178,064
-	-	33,132
-	-	781,429
<u>490,922</u>	<u>146,415</u>	<u>9,741,795</u>
<u>(152,041)</u>	<u>44,529</u>	<u>1,530,112</u>
812	3,368	155,022
-	-	42,141
<u>812</u>	<u>3,368</u>	<u>197,163</u>
(151,229)	47,897	1,727,275
1,622,864	-	1,657,464
-	-	(1,747,864)
1,471,635	47,897	1,636,875
<u>(30,948)</u>	<u>2,343,007</u>	<u>13,161,468</u>
<u>\$ 1,440,687</u>	<u>\$ 2,390,904</u>	<u>\$ 14,798,343</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2012

	Motor Vehicle	Data Processing	Health Self Insurance
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 1,573,076	\$ 907,011	\$ 8,227,460
Payments to suppliers	(1,016,504)	(184,453)	(7,279,373)
Payments to employees	(513,453)	(535,441)	(117,608)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>43,119</u>	<u>187,117</u>	<u>830,479</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Transfer in (out)	<u>(125,000)</u>	<u>34,600</u>	<u>(1,622,864)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(116,048)	(205,316)	-
Proceeds from sale of capital assets	42,141	-	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(73,907)</u>	<u>(205,316)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Interest received	<u>36,931</u>	<u>13,717</u>	<u>100,194</u>
<b>Change in Cash and Cash Equivalents</b>	<u>(118,857)</u>	<u>30,118</u>	<u>(692,191)</u>
<b>Cash and Cash Equivalents - January 1</b>	<u>2,382,537</u>	<u>906,506</u>	<u>6,376,365</u>
<b>Cash and Cash Equivalents - December 31</b>	<u><u>\$ 2,263,680</u></u>	<u><u>\$ 936,624</u></u>	<u><u>\$ 5,684,174</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (669,043)	\$ 139,369	\$ 2,167,298
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	743,927	37,502	-
Changes in assets and liabilities			
Receivables	(4,953)	(895)	(28,687)
Inventories and prepaid items	-	-	(37,323)
Accounts payable	(20,783)	(24,899)	1,609
Accrued and other liabilities	(6,029)	36,040	(1,272,418)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 43,119</u></u>	<u><u>\$ 187,117</u></u>	<u><u>\$ 830,479</u></u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 338,746	\$ 190,918	\$ 11,237,211
(383,614)	(147,975)	(9,011,919)
(107,259)	-	(1,273,761)
(152,127)	42,943	951,531
1,622,864	-	(90,400)
-	-	(321,364)
-	-	42,141
-	-	(279,223)
812	3,368	155,022
1,471,549	46,311	736,930
28,451	286,585	9,980,444
\$ 1,500,000	\$ 332,896	\$ 10,717,374
\$ (152,041)	\$ 44,529	\$ 1,530,112
-	-	781,429
(135)	(26)	(34,696)
-	(1,747)	(39,070)
45	187	(43,841)
4	-	(1,242,403)
\$ (152,127)	\$ 42,943	\$ 951,531

**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**

**Independent Auditors' Report**

To Mayor Michael Vandersteen and Common Council  
City of Sheboygan  
Sheboygan, Wisconsin

We have audited, in accordance with the 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the City of Sheboygan's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated May 10, 2013. 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, Wisconsin'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**

In planning and performing our audit of the financial statements, we considered the City of Sheboygan, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sheboygan, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sheboygan, Wisconsin's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **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 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Sheboygan, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sheboygan, Wisconsin's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
May 10, 2013

## **FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

**Independent Auditors' Report**

To Mayor Michael Vandersteen and Common Council  
City of Sheboygan  
Sheboygan, Wisconsin

**Report on Compliance for Each Major Federal and State Program**

We have audited 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 City of Sheboygan, Wisconsin's major federal and state programs for the year ended December 31, 2012. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Sheboygan, Wisconsin's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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; 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of City of Sheboygan, Wisconsin's compliance.

## Opinion on Each Major Federal and State Program

In our opinion, City of Sheboygan, Wisconsin complied, in all material respects, with the types of compliance 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, 2012.

## Report on Internal Control Over Compliance

Management of City of Sheboygan, Wisconsin is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Sheboygan, Wisconsin's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program 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 of Sheboygan, Wisconsin'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 and correct, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
May 10, 2013

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012

Grantor Agency/Federal Program Title	Pass-through Agency	Federal CFDA Number
--------------------------------------	---------------------	---------------------

**FEDERAL PROGRAMS**

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

*Community Development Block Grant Entitlement Grants Cluster*

Community Development Block Grant	Direct Program	14.218
-----------------------------------	----------------	--------

*Community Development Block Grant - State Administered CDBG Cluster*

Community Development Block Grant State Administered Small Cities Program	WI Department of Administration	14.228
--	---------------------------------	--------

U.S. DEPARTMENT OF JUSTICE

Public Safety Partnership and Community Policing Grants

COPS Hiring Program Grant #2010UMWX0351	Direct Program	16.710
---	----------------	--------

U.S. DEPARTMENT OF TRANSPORTATION

*Federal Transit Cluster*

Federal Transit Formula Grants	WI Department of Transportation	20.507
--------------------------------	---------------------------------	--------

*Highway Safety Cluster*

State and Community Highway Safety DDACTS	WI Department of Transportation	20.600
Occupant Protection Incentive Grants	WI Department of Transportation	20.602
Alcohol Impaired Driving Countermeasures Incentive Grants	WI Department of Transportation	20.601
Total Highway Safety Cluster		

Total U.S. Department of Transportation

NATIONAL FOUNDATION OF THE ARTS AND HUMANITIES

Grants to States	WI Department of Public Instruction	45.310
------------------	-------------------------------------	--------

U.S. ENVIRONMENTAL PROTECTION AGENCY

Great Lakes Program

River Habitat Restoration	WI Department of Natural Resources	66.469
---------------------------	------------------------------------	--------

**TOTAL EXPENDITURES OF FEDERAL AWARDS**

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 1/1/12	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/12	Total Revenues	Total Expenditures
\$ (842,149)	\$ 1,133,060	\$ 1,106,706	\$ 1,397,617	\$ 1,397,617
(398,294)	398,294	-	-	-
-	168,303	53,563	221,866	221,866
-	1,201,893	-	1,201,893	1,201,893
-	4,803	-	4,803	4,803
(6,361)	29,997	-	23,636	23,636
(5,558)	29,332	-	23,774	23,774
(11,919)	64,132	-	52,213	52,213
(11,919)	1,266,025	-	1,254,106	1,254,106
-	4,000	-	4,000	4,000
(111,284)	3,554,306	652,968	4,095,990	4,095,990
\$ (1,363,646)	\$ 6,523,988	\$ 1,813,237	\$ 6,973,579	\$ 6,973,579

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of State Financial Assistance  
 For the Year Ended December 31, 2012

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

**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
Transit Operating Aid - 2012	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
------------------------------	----------------	---------

**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 1/1/12	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/12	Total Revenues	Total Expenditures
\$ 153,323	\$ -	\$ (153,323)	\$ -	\$ -
112,166	-	(112,166)	-	-
74,212	-	(74,212)	-	-
-	903,884	84,684	988,568	988,568
<u>339,701</u>	<u>903,884</u>	<u>(255,017)</u>	<u>988,568</u>	<u>988,568</u>
-	12,480	-	12,480	12,480
9,861	8,952	8,988	27,801	27,801
<u>9,861</u>	<u>21,432</u>	<u>8,988</u>	<u>40,281</u>	<u>40,281</u>
(35,015)	35,015	-	-	-
<u>\$ 314,547</u>	<u>\$ 960,331</u>	<u>\$ (246,029)</u>	<u>\$ 1,028,849</u>	<u>\$ 1,028,849</u>

## **CITY OF SHEBOYGAN, WISCONSIN**

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended December 31, 2012

### **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 2012 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 2012.

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, 2012

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

**Basic Financial Statements**

Type of auditors' report issued: Unmodified

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
	Federal Transit Cluster
20.507	Federal Transit - Formula grants
66.469	River Habitat Restoration

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, 2012.

**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, 2012.

**CITY OF SHEBOYGAN, WISCONSIN**  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended December 31, 2012

**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

\_\_\_\_\_ Yes        X   No

Department of Justice

\_\_\_\_\_   X  

Department of Administration

\_\_\_\_\_   X  

Department of Public Instruction

\_\_\_\_\_   X  

Department of Natural Resources

\_\_\_\_\_   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

May 10, 2013

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended December 31, 2012

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2011.

Corrective Action Plan

No corrective action plan is required.