

CITY OF SHEBOYGAN, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2013

CITY OF SHEBOYGAN, WISCONSIN
December 31, 2013

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
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
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress	51
Schedule of Employer Contributions	52
SUPPLEMENTARY INFORMATION	
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, 2013

Table of Contents

	<u>Page No.</u>
SUPPLEMENTARY INFORMATION (Continued)	
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
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	70 - 71
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	
Independent Auditors' Report on Compliance for Each Major Federal and State Program And on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance Required by OMB Circular A-133 and the <i>State Single Audit Guidelines</i>	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, 2013, 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 56 percent, 55 percent, and 49 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, 2013, 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.

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 and 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 are 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, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014, 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
April 15, 2014

BASIC FINANCIAL STATEMENTS

CITY OF SHEBOYGAN, WISCONSIN

Statement of Net Position

December 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District
ASSETS					
Cash and investments	\$ 50,114,411	\$ 15,437,565	\$ 65,551,976	\$ 4,627,550	\$ 32,714
Receivables					
Taxes	24,270,650	593,868	24,864,518	-	-
Accounts	1,037,033	1,789,614	2,826,647	17,931	7,881
Special assessments	336,170	467,985	804,155	-	-
Loans	10,805,418	-	10,805,418	-	-
Other	156,213	21,440	177,653	8,054	-
Internal balances	516,677	(516,677)	-	-	-
Due from other governments	400,748	428,678	829,426	-	-
Inventories and prepaid items	322,084	345,524	667,608	26,893	570
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	2,304,760	2,304,760	79,478	-
Capital assets, nondepreciable					
Land	15,186,188	887,683	16,073,871	346,943	-
Construction in progress	-	4,494,330	4,494,330	110,307	-
Capital assets, depreciable					
Buildings and improvements	32,419,889	19,643,028	52,062,917	8,174,632	-
Improvements other than buildings	13,805,709	26,660,073	40,465,782	-	7,291
Machinery and equipment	23,041,191	31,016,823	54,058,014	693,447	1,500
Infrastructure	116,958,997	59,304,116	176,263,113	-	-
Less: Accumulated depreciation	(98,279,912)	(78,738,021)	(177,017,933)	(6,750,024)	(1,664)
TOTAL ASSETS	193,297,131	84,140,789	277,437,920	7,335,211	48,292
LIABILITIES					
Accounts payable	1,183,746	2,046,408	3,230,154	178,622	21,593
Accrued and other current liabilities	6,150,343	909,313	7,059,656	97,997	1,670
Accrued interest payable	453,908	138,661	592,569	-	-
Due to other governments	1,730,558	417,204	2,147,762	-	-
Unearned revenues	6,833	28,059	34,892	834	-
Long-term Obligations					
Due within one year	5,254,069	1,541,350	6,795,419	-	-
Due in more than one year	40,141,219	16,469,033	56,610,252	33,612	-
TOTAL LIABILITIES	54,920,676	21,550,028	76,470,704	311,065	23,263
DEFERRED INFLOWS OF RESOURCES					
Property taxes	24,143,903	511,547	24,655,450	-	-
NET POSITION					
Net investment in capital assets	61,686,120	47,127,812	108,813,932	2,575,305	7,127
Restricted for					
Debt service	1,913,275	327,984	2,241,259	-	-
Tax incremental financing districts	1,268,711	-	1,268,711	-	-
Community development	5,207,025	-	5,207,025	-	-
Cemetery perpetual care	827,195	-	827,195	-	-
Library trust	1,064,918	-	1,064,918	-	-
Business improvement district	-	-	-	-	17,902
Unrestricted	42,265,308	14,623,418	56,888,726	4,448,841	-
TOTAL NET POSITION	\$ 114,232,552	\$ 62,079,214	\$ 176,311,766	\$ 7,024,146	\$ 25,029

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 5,171,405	\$ 1,562,131	\$ 1,804	\$ -
Public safety	21,006,290	2,543,872	568,272	-
Public works	12,174,901	2,019,354	2,781,783	312,808
Health and human services	172,242	124,845	3,687	-
Culture and recreation	6,032,967	806,780	854,675	-
Conservation and development	4,171,513	31,913	2,491,429	-
Interest on debt	1,715,905	-	-	-
Total Governmental Activities	<u>50,445,223</u>	<u>7,088,895</u>	<u>6,701,650</u>	<u>312,808</u>
Business-type Activities				
Sewerage system	5,883,145	6,792,309	11,565	100,067
Water utility	5,018,488	7,735,297	-	-
Transit commission	4,312,550	856,749	2,710,121	-
Parking facility	435,586	400,132	-	-
Boat facility	108,672	96,943	-	-
Total Business-type Activities	<u>15,758,441</u>	<u>15,881,430</u>	<u>2,721,686</u>	<u>100,067</u>
Total Primary Government	<u>\$ 66,203,664</u>	<u>\$ 22,970,325</u>	<u>\$ 9,423,336</u>	<u>\$ 412,875</u>
Component Units				
Housing Authority of the City of Sheboygan	\$ 1,911,490	\$ 892,934	\$ 748,262	\$ 484,345
Harbor Centre Business Improvement District	227,159	147,804	-	-
	<u>\$ 2,138,649</u>	<u>\$ 1,040,738</u>	<u>\$ 748,262</u>	<u>\$ 484,345</u>

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

\$ (3,607,470)	\$ -	\$ (3,607,470)	\$ -	\$ -
(17,894,146)	-	(17,894,146)	-	-
(7,060,956)	-	(7,060,956)	-	-
(43,710)	-	(43,710)	-	-
(4,371,512)	-	(4,371,512)	-	-
(1,648,171)	-	(1,648,171)	-	-
(1,715,905)	-	(1,715,905)	-	-
(36,341,870)	-	(36,341,870)	-	-

-	1,020,796	1,020,796	-	-
-	2,716,809	2,716,809	-	-
-	(745,680)	(745,680)	-	-
-	(35,454)	(35,454)	-	-
-	(11,729)	(11,729)	-	-
-	2,944,742	2,944,742	-	-
(36,341,870)	2,944,742	(33,397,128)	-	-

-	-	-	214,051	-
-	-	-	-	(79,355)
-	-	-	214,051	(79,355)

20,872,698	511,547	21,384,245	-	-
2,795,964	-	2,795,964	-	-
1,704,765	-	1,704,765	-	-
11,941,310	-	11,941,310	-	-
480,981	99,438	580,419	8,291	231
148,729	88,357	237,086	93,353	-
-	4,875	4,875	-	-
1,266,687	(1,266,687)	-	-	-
39,211,134	(562,470)	38,648,664	101,644	231
2,869,264	2,382,272	5,251,536	315,695	(79,124)
111,363,288	59,696,942	171,060,230	6,708,451	104,153
\$ 114,232,552	\$ 62,079,214	\$ 176,311,766	\$ 7,024,146	\$ 25,029

CITY OF SHEBOYGAN, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2013

	General	Debt Service GO Debt	Debt Service TIF Districts	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 17,334,318	\$ 4,602,645	\$ 4,364,975	\$ 10,715,940	\$ 37,017,878
Receivables					
Taxes	16,098,519	2,886,889	2,978,357	2,306,885	24,270,650
Accounts	329,054	4,573	-	674,994	1,008,621
Special assessments	130,999	-	-	205,171	336,170
Loans	10,000	-	-	10,795,418	10,805,418
Other	75,511	13,305	15,428	19,728	123,972
Due from other funds	1,578,019	2,387,497	-	-	3,965,516
Advance to other funds	1,239,411	1,705,481	-	313,352	3,258,244
Due from other governments	70,758	-	-	329,990	400,748
Inventories and prepaid items	220,152	-	-	59,167	279,319
TOTAL ASSETS	\$ 37,086,741	\$ 11,600,390	\$ 7,358,760	\$ 25,420,645	\$ 81,466,536
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 553,341	\$ -	\$ -	\$ 541,676	\$ 1,095,017
Accrued and other current liabilities	1,935,013	2,000,000	-	276,776	4,211,789
Due to other funds	-	-	106,788	2,810,751	2,917,539
Due to other governments	982	-	-	1,729,576	1,730,558
Unearned revenues	1,871	-	-	4,962	6,833
Advance from other funds	-	-	3,004,904	331,767	3,336,671
Total Liabilities	2,491,207	2,000,000	3,111,692	5,695,508	13,298,407
Deferred Inflows of Resources					
Property taxes	15,972,916	2,886,889	2,978,357	2,305,741	24,143,903
Special assessments	123,845	-	-	191,204	315,049
Loans receivable	-	-	-	9,065,842	9,065,842
Accounts receivable	-	253,340	-	155,387	408,727
Total Deferred Inflows of Resources	16,096,761	3,140,229	2,978,357	11,718,174	33,933,521
Fund Balances					
Nonspendable					
Inventories and prepaid items	220,152	-	-	59,167	279,319
Long-term accounts and interfund receivables	1,434,333	4,092,978	-	-	5,527,311
Cemetery perpetual care	-	-	-	827,195	827,195
Library trust	-	-	-	600,000	600,000
Restricted					
Debt service	-	2,367,183	-	-	2,367,183
Tax incremental financing districts	-	-	1,268,711	-	1,268,711
Capital improvements	-	-	-	379,036	379,036
Community development	-	-	-	1,405,171	1,405,171
Library trust	-	-	-	464,918	464,918
Committed					
Development	350,000	-	-	-	350,000
Information technology	522,144	-	-	-	522,144
Public works projects	120,000	-	-	-	120,000
Assigned	-	-	-	7,108,882	7,108,882
Unassigned	15,852,144	-	-	(2,837,406)	13,014,738
Total Fund Balances	18,498,773	6,460,161	1,268,711	8,006,963	34,234,608
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 37,086,741	\$ 11,600,390	\$ 7,358,760	\$ 25,420,645	\$ 81,466,536

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
 Balance Sheet (Continued)
 Governmental Funds
 December 31, 2013

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page		\$ 34,234,608
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.		99,899,887
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		315,049
Accounts receivable		155,387
Loans receivable		9,065,842
Advance from other funds		253,340
Internal service funds reported in the statement of net position as governmental activities (see page 14)		16,157,635
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	\$ (41,319,063)	
Bond premium	(77,474)	
Bond discount	80,268	
Capital leases payable	(505,915)	
Unfunded post employment benefits	(807,996)	
Compensated absences	(2,765,108)	
Accrued interest on long-term obligations	(453,908)	(45,849,196)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)		<u>\$ 114,232,552</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 Balances -
Governmental Funds
For the Year Ended December 31, 2013

	General	Debt Service GO Debt	Debt Service TIF Districts	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 15,864,156	\$ 2,886,889	\$ 3,027,409	\$ 3,594,973	\$ 25,373,427
Special assessments	-	-	-	307,802	307,802
Intergovernmental	14,376,308	-	43,697	3,311,498	17,731,503
Licenses and permits	733,195	-	-	584,189	1,317,384
Fines and forfeits	379,949	-	-	1,188,933	1,568,882
Public charges for services	1,473,001	-	-	2,316,660	3,789,661
Intergovernmental charges for services	232,904	-	-	-	232,904
Miscellaneous	427,164	744,636	45,671	1,154,447	2,371,918
Unrealized loss on fair value of investments	(1,179,021)	-	-	-	(1,179,021)
Total Revenues	32,307,656	3,631,525	3,116,777	12,458,502	51,514,460
Expenditures					
Current					
General government	3,743,372	300	-	688,292	4,431,964
Public safety	19,998,821	-	-	555,150	20,553,971
Public works	7,128,693	-	-	824,887	7,953,580
Health and human services	340,073	-	-	231	340,304
Culture and recreation	2,368,530	-	-	3,494,812	5,863,342
Conservation and development	234,912	-	715,035	2,061,708	3,011,655
Debt service					
Principal	-	3,643,215	1,809,952	77,974	5,531,141
Interest and fiscal charges	-	1,222,232	667,374	9,387	1,898,993
Capital outlay	-	-	-	5,555,217	5,555,217
Total Expenditures	33,814,401	4,865,747	3,192,361	13,267,658	55,140,167
Deficiency of Revenues Under Expenditures	(1,506,745)	(1,234,222)	(75,584)	(809,156)	(3,625,707)
Other Financing Sources (Uses)					
Sale of capital assets	13,208	-	-	15,448	28,656
Transfers in	2,970,238	1,567,847	40,500	181,960	4,760,545
Transfers out	(86,817)	-	(148,791)	(3,133,250)	(3,368,858)
Total Other Financing Sources (Uses)	2,896,629	1,567,847	(108,291)	(2,935,842)	1,420,343
Net Change in Fund Balances	1,389,884	333,625	(183,875)	(3,744,998)	(2,205,364)
Fund Balances - January 1	17,108,889	6,126,536	1,452,586	11,751,961	36,439,972
Fund Balances - December 31	\$ 18,498,773	\$ 6,460,161	\$ 1,268,711	\$ 8,006,963	\$ 34,234,608

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended December 31, 2013

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (2,205,364)

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	\$ 1,859,875	
Net capital assets transfer		
Depreciation expense reported in the statement of activities	<u>(4,016,004)</u>	
Amount by which capital outlay is less than depreciation in current period		(2,156,129)

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:

162,634

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	\$ 405,265	
Special assessment collections	<u>(400,259)</u>	5,006

Accounts receivable deferred and collected after the period of availability 16,985

Water utility's portion of unfunded pension liability payoff established in 2009 (11,378)

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	\$ 571,658	
Loan repayments received	<u>(759,360)</u>	(187,702)

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:

5,531,141

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.

176,268

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 life of the bonds.

Bond premium		9,391
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.

1,535,255

Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 5 - 6)

\$ 2,869,264

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, 2013

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 15,805,556	\$ 15,805,556	\$ 15,864,156	\$ 58,600
Intergovernmental	14,237,343	14,234,843	14,376,308	141,465
Licenses and permits	629,627	629,627	733,195	103,568
Fines and forfeits	284,100	284,100	379,949	95,849
Public charges for services	1,161,300	1,190,825	1,473,001	282,176
Intergovernmental charges for services	217,266	217,266	232,904	15,638
Miscellaneous	368,936	380,356	427,164	46,808
Unrealized loss on fair value of investments	-	-	(1,179,021)	(1,179,021)
Total Revenues	32,704,128	32,742,573	32,307,656	(434,917)
Expenditures				
General Government				
Council	112,389	123,458	115,695	7,763
Mayor	421,899	421,899	417,293	4,606
City clerk	384,098	404,468	340,288	64,180
Elections	106,175	106,175	62,567	43,608
Finance	860,527	957,630	853,489	104,141
Assessor	420,186	463,446	426,821	36,625
Personnel	279,692	295,244	215,899	79,345
City attorney	779,180	732,819	429,572	303,247
City insurance	276,940	276,940	186,972	89,968
City buildings	870,914	883,266	693,592	189,674
Board of review	2,300	2,300	1,184	1,116
Total General Government	4,514,300	4,667,645	3,743,372	924,273
Public Safety				
Police	12,388,310	12,501,948	11,949,287	552,661
Fire	7,614,999	7,636,384	7,544,252	92,132
Building inspection	494,393	525,344	498,709	26,635
Emergency operations	1,875	1,875	1,002	873
Civil defense	12,443	12,443	5,571	6,872
Total Public Safety	20,512,020	20,677,994	19,998,821	679,173
Public Works				
Department of public works	264,165	268,677	258,303	10,374
Engineering	500,413	500,413	495,637	4,776
Streets department	3,919,362	4,040,475	3,995,473	45,002
Sanitation department	2,415,461	2,393,150	2,362,528	30,622
Incinerator	19,000	19,000	16,752	2,248
Total Public Works	7,118,401	7,221,715	7,128,693	93,022
Health and Human Services				
Cemetery	301,214	340,605	340,073	532

(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, 2013

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Culture and Recreation				
Park department	2,169,172	2,267,640	2,182,327	85,313
Celebrations	10,268	10,268	7,212	3,056
Senior citizen center	185,965	185,965	178,991	6,974
Total Culture and Recreation	<u>2,365,405</u>	<u>2,463,873</u>	<u>2,368,530</u>	<u>95,343</u>
Conservation and Development				
City development	246,998	327,796	234,912	92,884
Total Expenditures	<u>35,058,338</u>	<u>35,699,628</u>	<u>33,814,401</u>	<u>1,885,227</u>
Deficiency of Revenues Under Expenditures	<u>(2,354,210)</u>	<u>(2,957,055)</u>	<u>(1,506,745)</u>	<u>1,450,310</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	13,208	13,208
Transfers in	2,361,270	2,361,270	2,970,238	608,968
Transfers out	(7,060)	(7,060)	(86,817)	(79,757)
Total Other Financing Sources (Uses)	<u>2,354,210</u>	<u>2,354,210</u>	<u>2,896,629</u>	<u>542,419</u>
Net Change in Fund Balance	-	(602,845)	1,389,884	1,992,729
Fund Balance - January 1	<u>17,108,889</u>	<u>17,108,889</u>	<u>17,108,889</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 17,108,889</u>	<u>\$ 16,506,044</u>	<u>\$ 18,498,773</u>	<u>\$ 1,992,729</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, 2013

	Enterprise Funds	
	Sewerage System	Water Utility
ASSETS		
Cash and investments	\$ 6,548,580	\$ 4,973,089
Receivables		
Taxes	53,945	-
Accounts	775,088	1,001,767
Special assessments	380	338,876
Other	11,982	-
Due from other governments	5,908	90,053
Inventories and prepaid items	-	329,060
Restricted assets		
Cash and investments	-	2,304,760
Advance to other funds	-	-
Deposit with CVMIC	-	-
Capital assets, nondepreciable		
Land	2,000	133,671
Construction in progress	3,685,132	809,198
Capital assets, depreciable		
Buildings and improvements	12,371,095	6,519,519
Improvements other than buildings	23,905,496	-
Machinery and equipment	14,359,016	10,309,756
Infrastructure	23,692,447	35,611,669
Less: Accumulated depreciation	(56,257,920)	(15,205,336)
TOTAL ASSETS	29,153,149	47,216,082
LIABILITIES		
Accounts payable	1,645,028	245,168
Accrued and other current liabilities	97,072	628,948
Accrued interest payable	27,535	111,126
Due to other funds	-	1,047,977
Due to other governments	-	-
Unearned revenues	9,505	-
Advance from other funds	-	253,340
Long-term obligations		
Due within one year	872,133	669,217
Due in more than one year	6,127,676	10,341,357
TOTAL LIABILITIES	8,778,949	13,297,133
DEFERRED INFLOWS OF RESOURCES		
Property taxes	-	-
NET POSITION		
Net investment in capital assets	14,757,457	29,038,066
Restricted for		
Debt service	-	327,984
Unrestricted	5,616,743	4,552,899
TOTAL NET POSITION	\$ 20,374,200	\$ 33,918,949

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
\$ 2,514,989	\$ 1,400,907	\$ 15,437,565	\$ 13,096,533
511,547	28,376	593,868	-
8,247	4,512	1,789,614	28,412
-	128,729	467,985	-
5,617	3,841	21,440	32,241
332,717	-	428,678	-
16,464	-	345,524	42,765
-	-	2,304,760	-
-	331,767	331,767	-
-	-	-	2,205,665
35,754	716,258	887,683	-
-	-	4,494,330	-
738,173	14,241	19,643,028	-
872,007	1,882,570	26,660,073	-
6,065,837	282,214	31,016,823	12,817,366
-	-	59,304,116	-
(5,308,577)	(1,966,188)	(78,738,021)	(9,585,191)
5,792,775	2,827,227	84,989,233	18,637,791
111,976	44,236	2,046,408	88,729
172,926	10,367	909,313	1,938,554
-	-	138,661	-
-	-	1,047,977	-
414,271	2,933	417,204	-
-	18,554	28,059	-
-	-	253,340	-
-	-	1,541,350	-
-	-	16,469,033	-
699,173	76,090	22,851,345	2,027,283
511,547	-	511,547	-
2,403,194	929,095	47,127,812	3,232,175
-	-	327,984	-
2,178,861	1,822,042	14,170,545	13,378,333
\$ 4,582,055	\$ 2,751,137	61,626,341	16,610,508
		452,873	(452,873)
		\$ 62,079,214	\$ 16,157,635

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Enterprise Funds	
	Sewerage System	Water Utility
Operating Revenues		
Charges for services	\$ 6,728,329	\$ 7,616,928
Other	63,980	118,369
Total Operating Revenues	<u>6,792,309</u>	<u>7,735,297</u>
Operating Expenses		
Personal services	1,845,506	1,626,395
Contractual services	2,043,740	1,292,341
Supplies and materials	711,118	288,854
Insurance	24,904	98,027
Other	146,279	207,024
Depreciation	1,093,389	1,092,819
Total Operating Expenses	<u>5,864,936</u>	<u>4,605,460</u>
Operating Income (Loss)	<u>927,373</u>	<u>3,129,837</u>
Nonoperating Revenues (Expenses)		
Property taxes	-	-
Intergovernmental	11,565	-
Investment income	64,820	10,295
Miscellaneous revenues	-	-
Interest expense	(104,890)	(378,778)
Amortization of premium	-	613
Debt issue costs	-	(34,250)
Sale of capital assets	4,875	-
Total Nonoperating Revenues (Expenses)	<u>(23,630)</u>	<u>(402,120)</u>
Income (Loss) Before Contributions and Transfers	903,743	2,727,717
Capital contributions	100,067	-
Transfers in	-	-
Transfers out	<u>(247,311)</u>	<u>(1,025,666)</u>
Change in Net Position	756,499	1,702,051
Net Position - January 1	<u>19,617,701</u>	<u>32,216,898</u>
Net Position - December 31	<u>\$ 20,374,200</u>	<u>\$ 33,918,949</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.

Transit Commission	Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 784,618	\$ 490,023	\$ 15,619,898	\$ 12,109,241
72,131	7,052	261,532	150,010
<u>856,749</u>	<u>497,075</u>	<u>15,881,430</u>	<u>12,259,251</u>
2,901,071	194,731	6,567,703	1,301,290
197,161	259,053	3,792,295	1,103,437
641,999	27,012	1,668,983	466,367
127,499	760	251,190	6,687,152
82,267	30,573	466,143	34,136
541,230	43,558	2,770,996	812,786
<u>4,491,227</u>	<u>555,687</u>	<u>15,517,310</u>	<u>10,405,168</u>
<u>(3,634,478)</u>	<u>(58,612)</u>	<u>364,120</u>	<u>1,854,083</u>
511,547	-	511,547	-
2,694,859	-	2,706,424	-
14,063	10,260	99,438	78,982
103,001	5	103,006	-
(123)	-	(483,791)	-
-	-	613	-
-	-	(34,250)	-
-	-	4,875	4,100
<u>3,323,347</u>	<u>10,265</u>	<u>2,907,862</u>	<u>83,082</u>
<u>(311,131)</u>	<u>(48,347)</u>	<u>3,271,982</u>	<u>1,937,165</u>
-	-	100,067	-
-	6,290	6,290	68,795
-	-	(1,272,977)	(193,795)
<u>(311,131)</u>	<u>(42,057)</u>	<u>2,105,362</u>	<u>1,812,165</u>
<u>4,893,186</u>	<u>2,793,194</u>	<u>59,520,979</u>	<u>14,798,343</u>
<u>\$ 4,582,055</u>	<u>\$ 2,751,137</u>	<u>\$ 61,626,341</u>	<u>\$ 16,610,508</u>
		\$ 2,105,362	\$ 1,812,165
		<u>276,910</u>	<u>(276,910)</u>
		<u>\$ 2,382,272</u>	<u>\$ 1,535,255</u>

CITY OF SHEBOYGAN, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Enterprise Funds	
	Sewerage System	Water Utility
Cash Flows from Operating Activities		
Receipts from customers	\$ 6,780,891	\$ 7,907,365
Payments to suppliers	(2,021,205)	(2,128,525)
Payments to employees	(1,845,506)	(1,332,325)
Net Cash Provided (Used) by Operating Activities	<u>2,914,180</u>	<u>4,446,515</u>
Cash Flows from Noncapital and Related Financing Activities		
Property taxes	-	-
Intergovernmental grants	11,565	-
Principal payments on noncapital debt	-	(11,378)
Interest payments on noncapital debt	-	(5,295)
Nonoperating revenue	-	-
Transfer in (out)	(247,311)	(967,990)
Advances from other funds	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(235,746)</u>	<u>(984,663)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(3,415,018)	(3,477,156)
Proceeds from sale of capital assets	4,875	-
Proceeds of capital debt	2,742,372	3,012,498
Principal payments on capital debt	(853,469)	(574,822)
Interest payments on capital debt	(97,012)	(356,407)
Special assessment collections	-	95,173
Capital contributions from municipality	100,067	-
Net Cash Used by Capital and Related Financing Activities	<u>(1,518,185)</u>	<u>(1,300,714)</u>
Cash Flows from Investing Activities		
Interest received	64,820	10,295
Change in Cash and Cash Equivalents	1,225,069	2,171,433
Cash and Cash Equivalents - January 1	5,323,511	5,106,416
Cash and Cash Equivalents - December 31	<u>\$ 6,548,580</u>	<u>\$ 7,277,849</u>
Reconciliation to Statement of Net Position		
Unrestricted cash and investments	\$ 6,548,580	\$ 4,973,089
Restricted cash and investments	-	2,304,760
	<u>\$ 6,548,580</u>	<u>\$ 7,277,849</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 927,373	\$ 3,129,837
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,093,389	1,092,819
Depreciation charged to clearing and other funds	-	128,834
Miscellaneous income	-	-
Changes in assets and liabilities		
Receivables	(5,787)	26,596
Due from other governments	(5,908)	76,437
Inventories and prepaid items	-	(9,370)
Accounts payable	1,070,974	(7,637)
Accrued and other liabilities	(166,138)	8,999
Due to other governments	-	-
Unearned revenues	277	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,914,180</u>	<u>\$ 4,446,515</u>
Noncash Investing, Capital and Financing Activities		
Special assessments levied	\$ -	\$ 73,770

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
\$ 784,542	\$ 466,129	\$ 15,938,927	\$ 12,263,316
(909,968)	(289,294)	(5,348,992)	(8,410,422)
(2,885,305)	(192,677)	(6,255,813)	(1,393,318)
<u>(3,010,731)</u>	<u>(15,842)</u>	<u>4,334,122</u>	<u>2,459,576</u>
511,547	-	511,547	-
2,694,859	-	2,706,424	-
-	-	(11,378)	-
-	-	(5,295)	-
103,001	-	103,001	-
-	6,290	(1,209,011)	(125,000)
-	(332)	(332)	-
<u>3,309,407</u>	<u>5,958</u>	<u>2,094,956</u>	<u>(125,000)</u>
(73,005)	-	(6,965,179)	(38,499)
-	-	4,875	4,100
-	-	5,754,870	-
-	-	(1,428,291)	-
(123)	-	(453,542)	-
-	-	95,173	-
-	-	100,067	-
<u>(73,128)</u>	<u>-</u>	<u>(2,892,027)</u>	<u>(34,399)</u>
14,063	10,260	99,438	78,982
239,611	376	3,636,489	2,379,159
<u>2,275,378</u>	<u>1,400,531</u>	<u>14,105,836</u>	<u>10,717,374</u>
<u>\$ 2,514,989</u>	<u>\$ 1,400,907</u>	<u>\$ 17,742,325</u>	<u>\$ 13,096,533</u>
\$ 2,514,989	\$ 1,400,907	\$ 15,437,565	\$ 13,096,533
-	-	2,304,760	-
<u>\$ 2,514,989</u>	<u>\$ 1,400,907</u>	<u>\$ 17,742,325</u>	<u>\$ 13,096,533</u>
\$ (3,634,478)	\$ (58,612)	\$ 364,120	\$ 1,854,083
541,230	43,558	2,770,996	812,786
-	-	128,834	-
-	5	5	-
4,963	(34,104)	(8,332)	4,065
(77,170)	-	(6,641)	-
19,641	-	10,271	33,366
44,747	26,227	1,134,311	2,541
15,766	2,054	(139,319)	(247,265)
74,570	1,877	76,447	-
-	3,153	3,430	-
<u>\$ (3,010,731)</u>	<u>\$ (15,842)</u>	<u>\$ 4,334,122</u>	<u>\$ 2,459,576</u>
\$ -	\$ -	\$ 73,770	\$ -

CITY OF SHEBOYGAN, WISCONSIN
Statement of Fiduciary Net Position
Agency Funds
December 31, 2013

	Property Tax Collection	Business Improvement District	Totals
ASSETS			
Cash and investments	\$ 27,120,311	\$ 13,606	\$ 27,133,917
Receivables			
Taxes	17,238,147	124,864	17,363,011
Special assessments	-	15,598	15,598
TOTAL ASSETS	\$ 44,358,458	\$ 154,068	\$ 44,512,526
LIABILITIES			
Liabilities			
Accounts payable	\$ 2,987	\$ -	\$ 2,987
Due to other governments	44,355,471	154,068	44,509,539
Total Liabilities	\$ 44,358,458	\$ 154,068	\$ 44,512,526

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, 2013

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, 2013 for the Housing Authority and December 31, 2013 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 621 S. 8th Street, Sheboygan, WI 53081.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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, 2013

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 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, 2013

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, 2013

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, 2013

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 vacation time 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

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, 2013

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, 2013

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, 2013

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, 2013.

2. Deficit Fund Equity

The following fund had deficit fund balance as of December 31, 2013:

Fund	Deficit Fund Balance
Nonmajor Special Revenue Fund	
Harbor Center Marina	\$ 2,778,239

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, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

The carrying amount of the City's cash and investments totaled \$94,990,653 on December 31, 2013 as summarized below:

Petty cash funds	\$ 5,111
Deposits with financial institutions	12,110,947
Investments	
Cash held by brokerage firm	22,928
Repurchase agreements	120,625
Federal agency securities	52,495,302
Wisconsin local government investment pool	27,934,439
Fixed income mutual funds	959,400
Money market mutual funds	929,089
Municipal bonds	412,812
	\$ 94,990,653

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position	
Cash and investments	\$ 65,551,976
Restricted cash and investments	2,304,760
Fiduciary Funds Statement of Net Position	
Agency funds	27,133,917
	\$ 94,990,653

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 the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-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 the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2013, \$2,138,415 of the City's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

On December 31, 2013, the City held repurchase agreement investments of \$120,625 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Credit Risk

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

Investment Type	Amount	Exempt From Disclosure	AAA	AA	Not Rated
Federal National MTG Assn	\$ 31,433,825	\$ -	\$ 31,433,825	\$ -	\$ -
Federal National MTG Assn Step Up Call	2,951,370	-	2,951,370	-	-
Federal Home Loan MTG Corp	6,406,499	-	6,406,499	-	-
Federal Home Loan Bank	9,308,233	-	9,308,233	-	-
Federal Farm Credit Bank	2,395,375	-	2,395,375	-	-
Fixed income mutual funds	959,400	-	-	-	959,400
Money market mutual funds	929,089	-	-	-	929,089
Municipal bonds	412,812	-	194,924	217,888	-
Cash held by brokerage firm	22,928	-	-	-	22,928
Wisconsin local government investment pool	27,934,439	-	-	-	27,934,439
Totals	\$ 82,753,970	\$ -	\$ 52,690,226	\$ 217,888	\$ 29,845,856

Concentration of Credit Risk

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

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

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

Issuer	Investment Type	Reported Amount	Percent of Total
Federal National MTG Assn	Federal Agency Securities	\$ 34,385,195	42%
Federal Home Loan MTG Corp	Federal Agency Securities	6,406,499	8%
Federal Home Loan Bank	Federal Agency Securities	9,308,233	11%

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 22,928	\$ 22,928	\$ -	\$ -	\$ -
Federal National MTG Assn	31,433,825	-	-	6,398,785	25,035,040
Federal National MTG Assn Step Up Call	2,951,370	-	-	-	2,951,370
Federal Home Loan MTG Corp	6,406,499	-	-	3,297,266	3,109,233
Federal Home Loan Bank	9,308,233	-	-	2,128,138	7,180,095
Federal Farm Credit Bank	2,395,375	-	-	-	2,395,375
Fixed income mutual funds	959,400	959,400	-	-	-
Money market mutual funds	929,089	929,089	-	-	-
Municipal bonds	412,812	-	-	194,924	217,888
Repurchase agreement	120,625	120,625	-	-	-
Wisconsin local government investment pool	27,934,439	27,934,439	-	-	-
Totals	\$ 82,874,595	\$ 29,966,481	\$ -	\$ 12,019,113	\$ 40,889,001

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
Federal National MTC Assn	\$ 31,433,825
Federal National MTC Assn Step Up Call	2,951,370
Federal Home Loan MTG Corp	6,406,499
Federal Home Loan Bank	9,308,233
Federal Farm Credit Bank	2,395,375
	<u>\$ 52,495,302</u>

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$27,934,439 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, 2013, the fair value of the City's share of the LGIP's assets were substantially equal to the carrying value.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 434,597
Reserve account	605,635
Construction Fund	<u>1,264,528</u>
Total Restricted Assets	<u><u>\$ 2,304,760</u></u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,037,262	\$ 148,926	\$ -	\$ 15,186,188
Capital assets, being depreciated:				
Buildings and improvements	32,384,886	35,003	-	32,419,889
Improvements other than buildings	13,805,709	-	-	13,805,709
Machinery and equipment	23,074,793	296,813	330,415	23,041,191
Infrastructure	115,541,365	1,417,632	-	116,958,997
Subtotals	184,806,753	1,749,448	330,415	186,225,786
Less accumulated depreciation for:				
Buildings and improvements	13,622,283	677,393	-	14,299,676
Improvements other than buildings	9,846,471	510,859	-	10,357,330
Machinery and equipment	17,514,563	1,322,754	330,415	18,506,902
Infrastructure	52,798,220	2,317,784	-	55,116,004
Subtotals	93,781,537	4,828,790	330,415	98,279,912
Total capital assets, being depreciated, net	91,025,216	(3,079,342)	-	87,945,874
Governmental activities capital assets, net	<u>\$ 106,062,478</u>	<u>\$ (2,930,416)</u>	<u>\$ -</u>	103,132,062
Less: General obligation debt				39,715,027
Less: Mortgage notes				225,000
Less: Capital lease				505,915
Less: Sheboygan County				1,000,000
Net investment in capital assets				<u>\$ 61,686,120</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 887,683	\$ -	\$ -	\$ 887,683
Construction in progress	3,524,535	6,721,640	5,751,845	4,494,330
Total capital assets, not being depreciated	<u>4,412,218</u>	<u>6,721,640</u>	<u>5,751,845</u>	<u>5,382,013</u>
Capital assets, being depreciated:				
Buildings and improvements	18,299,959	1,387,537	44,468	19,643,028
Improvements other than buildings	26,660,073	-	-	26,660,073
Machinery and equipment	30,546,752	734,175	264,104	31,016,823
Infrastructure	55,491,473	3,939,763	127,120	59,304,116
Subtotals	<u>130,998,257</u>	<u>6,061,475</u>	<u>435,692</u>	<u>136,624,040</u>
Less accumulated depreciation for:				
Buildings and improvements	12,549,517	477,030	26,737	12,999,810
Improvements other than buildings	19,273,773	374,531	-	19,648,304
Machinery and equipment	22,120,904	994,386	262,686	22,852,604
Infrastructure	22,329,689	1,053,883	146,269	23,237,303
Subtotals	<u>76,273,883</u>	<u>2,899,830</u>	<u>435,692</u>	<u>78,738,021</u>
Total capital assets, being depreciated, net	<u>54,724,374</u>	<u>3,161,645</u>	<u>-</u>	<u>57,886,019</u>
Business-type activities capital assets, net	<u>\$ 59,136,592</u>	<u>\$ 9,883,285</u>	<u>\$ 5,751,845</u>	63,268,032
Less: Revenue bonds				15,628,059
Less: Alliant Energy notes				497,619
Less: Bond premium				<u>14,542</u>
Net investment in capital assets				<u>\$ 47,127,812</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities		
General government		\$ 90,995
Public safety		616,289
Public works		2,325,089
Health and human services		244
Culture and recreation		555,677
Conservation and development		427,710
Internal service funds allocated to other activities		812,786
Total depreciation expense - governmental activities		<u>\$ 4,828,790</u>
Business-type activities		
Sewerage system		\$ 1,093,389
Water utility		
Depreciation expense		1,092,819
Depreciation expense allocated to clearing accounts		128,834
Transit commission		541,230
Parking facility		22,079
Boat facility		21,479
Total depreciation expense - business-type activities		<u>\$ 2,899,830</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, 2013 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 407,848	\$ -
	Special revenue fund - Lead based abatement program	14,110	-
	Special revenue fund - Police Meg Unit	1,296	-
	Debt service fund - TIF districts	106,788	-
	Enterprise fund - Water utility	1,047,977	-
	Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	<u>2,387,497</u>
Subtotal - Fund Financial Statements		3,965,516	2,387,497
Less: Fund eliminations		<u>(2,917,539)</u>	<u>(2,387,497)</u>
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ 1,047,977</u>	<u>\$ -</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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	\$ 1,239,411	\$ 1,239,411
Debt service fund - GO debt	Debt service fund - TIF districts	1,452,141	1,452,141
	Enterprise fund - Water utility	253,340	253,340
Capital projects fund - Tax levy	Debt service fund - TIF districts	313,352	-
		<u>3,258,244</u>	<u>2,944,892</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	331,767	331,767
Subtotal - Fund Financial Statements		3,590,011	3,276,659
Less: Fund eliminations		(3,004,904)	(2,691,552)
Less: Enterprise portion of advance		<u>(663,534)</u>	<u>(663,534)</u>
Total Internal Balances - Government-wide Statement of Net Position		<u>\$ (78,427)</u>	<u>\$ (78,427)</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	\$ 1,047,977
Interfund advances	(78,427)
Internal service fund allocation to business-type activities	<u>(452,873)</u>
Total Internal Balances - Government-wide Statement of Net Position	<u>\$ 516,677</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended December 31, 2013 were as follows:

Fund Transferred To	Fund Transferred From	Amount
General fund	Enterprise fund - Water utility	\$ 1,025,666
	Enterprise fund - Sewerage system	247,311
	Debt service fund - TIF districts	5,125
	Permanent fund - Cemetery perpetual care	749
	Special revenue fund - Cable TV	275,000
	Special revenue fund - Tourism promotion	47,112
	Special revenue fund - Municipal court	515,428
	Special revenue fund - Ambulance	728,847
	Internal service fund - Motor vehicle fund	125,000
Special revenue fund - Mead library	Permanent fund - Library Trust	12,500
	General fund	29,687
Special revenue fund - Meg unit	General fund	13,073
Debt service fund - GO debt	Special revenue fund - Tourism promotion	641,626
	Special revenue fund - Harbor Center marina	188,885
	Special revenue fund - Special assessment	593,670
	Debt service fund - TIF districts	143,666
Debt service fund - TIF districts	General fund	40,500
Capital projects fund - Tax levy	Special revenue fund - Special assessment	126,700
		<u>4,760,545</u>
Enterprise fund - Parking facility	General fund	3,557
	Capital projects tax levy fund	2,733
		<u>6,290</u>
Internal service fund - Workers comp self insurance	Internal service fund - Health self insurance	<u>68,795</u>
Subtotal - Fund Financial Statements		<u>\$ 4,835,630</u>
Government fund transfers in		\$ 4,829,340
Less: Fund eliminations		(3,562,653)
Total Transfers - Government-wide Statement of Activities		<u>\$ 1,266,687</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, 2013

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, 2013:

	Outstanding 1/1/13	Issued	Retired	Outstanding 12/31/13	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 30,875,000	\$ -	\$ 2,530,000	\$ 28,345,000	\$ 2,565,000
Notes	14,632,184	-	2,883,121	11,749,063	2,563,626
Total General Obligation Debt	45,507,184	-	5,413,121	40,094,063	5,128,626
Bond premium	86,865	-	9,391	77,474	9,391
Bond discount	(87,111)	-	(6,843)	(80,268)	(6,843)
Mortgage notes	225,000	-	-	225,000	-
Capital lease	623,935	-	118,020	505,915	122,895
Sheboygan County	1,000,000	-	-	1,000,000	-
Unfunded post employment benefits	913,701	396,474	502,179	807,996	-
Compensated absences	2,822,037	274,337	331,266	2,765,108	-
Governmental activities Long-term obligations	<u>\$ 51,091,611</u>	<u>\$ 670,811</u>	<u>\$ 6,367,134</u>	<u>\$ 45,395,288</u>	<u>\$ 5,254,069</u>
Business-type activities:					
Revenue bonds	\$ 12,936,655	\$ 5,742,372	\$ 1,180,805	\$ 17,498,222	\$ 1,293,418
Unamortized bond premium	2,657	12,498	613	14,542	-
Alliant Energy notes	745,105	-	247,486	497,619	247,932
Business-type activities Long-term obligations	<u>\$ 13,684,417</u>	<u>\$ 5,754,870</u>	<u>\$ 1,428,904</u>	<u>\$ 18,010,383</u>	<u>\$ 1,541,350</u>

Total interest paid during the year on long-term debt totaled \$1,873,446.

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, 2013

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, 2013 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/13
General Obligation Debt					
General Obligation Bonds					
Refunding Bonds	07/01/06	4.00-4.10%	10/01/22	\$ 5,155,000	\$ 3,400,000
Refunding Bonds	07/01/06	5.60-6.00%	10/01/22	8,575,000	6,250,000
Refunding Bonds	07/01/06	5.60-5.80%	11/01/18	7,150,000	3,700,000
General Obligation Bonds	09/01/07	4.5-5%	10/01/26	8,000,000	7,500,000
Taxable Refunding Bonds	06/23/10	2.25-5.25%	04/01/27	8,325,000	6,680,000
Refunding Bonds	11/09/10	1.20-2.40%	10/01/19	2,530,000	815,000
Total General Obligation Bonds					28,345,000
General Obligation Notes					
Land Recycling Loan	12/23/02	0%	05/01/22	\$ 2,700,000	721,161
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	398,224
State Trust Fund Notes	11/21/05	4.00%	03/15/15	500,000	128,375
Promissory Notes	04/15/06	3.80-3.85%	10/01/15	3,000,000	1,000,000
Promissory Notes	04/15/06	4.00%	10/01/15	1,400,000	450,000
State Trust Fund Notes	07/05/06	4.00%	03/15/16	220,000	74,390
Promissory Notes	04/15/07	3.85-4.00%	10/01/16	3,000,000	900,000
Promissory Notes	05/15/08	3.25-3.50%	10/01/17	3,000,000	1,725,000
State Trust Fund Notes	12/30/09	3.50%	03/15/14	800,000	211,913
Promissory Notes (Build America Bonds)	06/23/10	2.40-4.20%	04/01/20	2,045,000	1,485,000
Promissory Notes	09/29/11	1.25-1.75%	10/01/16	670,000	405,000
Promissory Notes	05/10/12	1.25-2.13%	04/01/22	4,745,000	4,250,000
Total General Obligation Notes					11,749,063
Total					\$ 40,094,063

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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 \$40,094,063 on December 31, 2013 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2014	\$ 5,128,626	\$ 1,619,030	\$ 6,747,656
2015	4,960,182	1,434,241	6,394,423
2016	4,525,726	1,251,025	5,776,751
2017	4,194,952	1,078,108	5,273,060
2018	3,954,951	909,453	4,864,404
2019-2023	13,119,626	2,494,895	15,614,521
2024-2027	4,210,000	426,576	4,636,576
	<u>\$ 40,094,063</u>	<u>\$ 9,213,328</u>	<u>\$ 49,307,391</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2013 was \$90,024,519 as follows:

Equalized valuation of the City	\$ 2,447,794,200
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>122,389,710</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 40,094,063
Less: Amounts available for financing general obligation debt	
Debt service funds	<u>7,728,872</u>
Net outstanding general obligation debt applicable to debt limitation	<u>32,365,191</u>
Legal Margin for New Debt	<u>\$ 90,024,519</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, 2013.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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
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	50,892	7,870	58,762
2019 - 2020	109,403	8,122	117,525
	<u>\$ 505,915</u>	<u>\$ 79,479</u>	<u>\$ 585,394</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, 2013 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/13
Sewerage System					
Clean Water Fund Loan	11/30/95	3.124%	05/01/15	\$ 4,375,561	\$ 591,404
Clean Water Fund Loan	11/25/96	3.195%	05/01/16	3,250,000	655,246
Clean Water Fund Loan	05/26/10	2.400%	05/01/30	2,747,622	2,513,168
Clean Water Fund Loan	10/23/13	2.625%	05/01/33	2,742,372	2,742,372
Total Sewerage System					<u>6,502,190</u>
Water Utility					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	1,861,032
Refunding Revenue Bonds	09/01/05	3.75-4.25%	06/01/25	4,900,000	2,810,000
Revenue Bonds	04/01/07	4.00-5.00%	05/01/27	4,000,000	3,325,000
Revenue Bonds	04/03/13	2.00-3.50%	05/01/33	3,000,000	3,000,000
Total Water Utility					<u>10,996,032</u>
Total Revenue Bonds					<u>\$ 17,498,222</u>

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2013

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$17,498,222 on December 31, 2013 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2014	\$ 1,293,418	\$ 580,216	\$ 1,873,634
2015	1,469,874	496,336	1,966,210
2016	1,192,196	453,124	1,645,320
2017	977,750	418,759	1,396,509
2018	993,908	387,865	1,381,773
2019-2023	5,397,395	1,438,924	6,836,319
2024-2028	4,035,684	599,228	4,634,912
2029-2033	2,137,997	146,479	2,284,476
	<u>\$ 17,498,222</u>	<u>\$ 4,520,931</u>	<u>\$ 22,019,153</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 2033. The total principal and interest remaining to be paid on the bonds is \$22,019,153. Principal and interest paid for the current year and net customer revenues for the water utility were \$896,979 and \$4,232,951, respectively. Principal and interest paid for the current year and net customer revenues for the sewer utility were \$714,819 and \$2,020,763, respectively.

Alliant Energy Notes

Debt service requirements of the Alliant Energy Notes are financed by the City's sewerage system. Alliant Energy Notes currently outstanding on December 31, 2013 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/13
Sewerage System					
Alliant Energy Note	8/2009	2.00%	7/2014	\$ 36,725	\$ 3,186
Alliant Energy Note	12/2010	2.00%	12/2015	1,200,000	494,433
Total Sewerage System					<u>\$ 497,619</u>

Annual principal and interest maturities of the above outstanding Alliant Energy Notes of \$497,619 on December 31, 2013 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2014	\$ 247,932	\$ 7,701	\$ 255,633
2015	249,687	2,713	252,400
	<u>\$ 497,619</u>	<u>\$ 10,414</u>	<u>\$ 508,033</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, 2013

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, 2013, there were 7 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$26,905,000.

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.

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 employees in the General category, 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:

	2013	
	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%
Executives & Elected Officials	7.0%	7.0%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for City employees covered by the WRS for the year ended December 31, 2013 was \$25,813,600; the employer's total payroll was \$26,639,846. The total required contribution for the year ended December 31, 2013 was \$4,145,739, which consisted of \$2,507,887 or 9.7% of covered payroll from the employer, and \$1,637,852, or 6.3% of covered payroll from employees. Total contributions for the years ended December 31, 2012 and 2011 were \$3,630,922 and \$3,754,905, respectively, equal to the required contributions for each year.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

NOTE D - OTHER INFORMATION (Continued)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 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	\$ 410,228
Interest on net OPEB	45,685
Adjustment to annual required contribution	(59,439)
Annual OPEB cost (expense)	396,474
Contributions made	(502,179)
Change in net OPEB obligation	(105,705)
OPEB obligation - beginning of year	913,701
OPEB obligation - end of year	<u>\$ 807,996</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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 2013 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2013	\$ 396,474	127%	\$ 807,996
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, 2013

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 \$145,000 per person and a minimum annual aggregate deductible of \$7,470,775 for the 2013 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 \$500,000 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. \$9,766,525 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				
2013	\$2,350,078	\$6,199,623	\$7,012,566	\$1,537,135
2012	2,550,010	5,677,791	5,877,723	2,350,078
Workers Compensation				
2013	\$58,638	\$343,457	\$333,408	\$68,687
2012	58,638	362,762	362,762	58,638

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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 \$125,000 per occurrence and an annual aggregate limit of \$500,000.

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
2013	\$ 185,703	\$144,072	\$144,072	\$185,703
2012	185,703	137,511	137,511	185,703

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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 2013 and 2014 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 2013 budget was 0.9%. The actual limit for the City for the 2014 budget was 0.56%. 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.

c. 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. Subsequent Event

The City was awarded a Clean Water Fund Loan in the amount of \$8,974,081 by the Wisconsin Department of Natural Resources on October 23, 2013. The proceeds are to be used for capital improvements by the sewerage system utility. As of December 31, 2013, the City has drawn proceeds totaling \$2,742,372. The remaining available proceeds are expected to be drawn during 2014.

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, 2013

NOTE E - COMPONENT UNITS (Continued)

2. Deposits and Investments

The carrying amount of the Authority's cash and investments totaled \$4,707,028 on March 31, 2013 as summarized below:

Deposits with financial institutions	<u>\$ 4,707,028</u>
Reconciliation to the basic financial statements:	
Government - Wide Statement of Net Position	
Cash and investments	\$ 4,627,550
Restricted cash and investments	<u>79,478</u>
	<u>\$ 4,707,028</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 the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-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 the combined amount of all deposit accounts per official custodian per depository institution. 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, 2013, was \$3,981,157.

3. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 346,943	\$ -	\$ -	\$ 346,943
Construction in progress	-	110,307	-	110,307
Total capital assets not being depreciated	346,943	110,307	-	457,250
Capital assets being depreciated				
Buildings and improvements	7,598,137	589,037	12,542	8,174,632
Machinery and equipment	681,325	338,955	326,833	693,447
Total capital assets being depreciated	8,279,462	927,992	339,375	8,868,079
Less: Accumulated depreciation	6,530,223	270,522	50,721	6,750,024
Net capital assets being depreciated	1,749,239	657,470	288,654	2,118,055
Total capital assets, net of accumulated depreciation	\$ 2,096,182	\$ 767,777	\$ 288,654	\$ 2,575,305

Accumulated depreciation is not available by class or function.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2013

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 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 cash totaled \$32,714, and consisted of bank deposits. 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, 2013

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, 2013

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2013	\$ 502,179	\$ 410,228	122.41%
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, 2013

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
ASSETS						
Cash and investments	\$ 729,286	\$ 678,362	\$ 182,731	\$ 806,980	\$ 468,569	\$ 309,226
Receivables						
Taxes	-	-	-	2,305,741	-	-
Accounts	-	-	-	-	149,073	142,500
Special assessments	-	-	-	-	-	-
Loans	3,801,854	3,923,984	1,729,576	-	-	-
Other	-	1,450	-	-	1,304	947
Advance to other funds	-	-	-	-	-	-
Due from other governments	228,020	-	55,812	-	-	-
Inventories and prepaid items	-	-	-	-	-	-
TOTAL ASSETS	\$ 4,759,160	\$ 4,603,796	\$ 1,968,119	\$ 3,112,721	\$ 618,946	\$ 452,673
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 27,462	\$ -	\$ 7,889	\$ 44,460	\$ 837	\$ 64,876
Accrued and other current liabilities	8,998	-	4,183	155,401	7,681	51
Due to other funds	407,848	-	14,110	-	-	-
Due to other governments	-	-	1,729,576	-	-	-
Unearned revenues	-	-	-	-	-	-
Advance from other funds	-	-	-	-	-	-
Total Liabilities	444,308	-	1,755,758	199,861	8,518	64,927
Deferred Inflows of Resources						
Property taxes	-	-	-	2,305,741	-	-
Special assessments	-	-	-	-	-	-
Loans receivable	3,801,854	3,923,984	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Total Deferred Inflows of Resources	3,801,854	3,923,984	-	2,305,741	-	-
Fund Balances (Deficits)						
Nonspendable						
Inventories and prepaid items	-	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-	-
Library trust	-	-	-	-	-	-
Restricted						
Capital improvements	-	-	-	-	-	-
Community development	512,998	679,812	212,361	-	-	-
Library trust	-	-	-	-	-	-
Assigned	-	-	-	607,119	610,428	387,746
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	512,998	679,812	212,361	607,119	610,428	387,746
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,759,160	\$ 4,603,796	\$ 1,968,119	\$ 3,112,721	\$ 618,946	\$ 452,673

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
\$ 19,404	\$ 8,932	\$ 1,480,850	\$ 156,442	\$ 24,921	\$ 67,150	\$ 150,867	\$ 67,302	\$ 5,151,022
-	-	-	-	-	-	-	1,144	2,306,885
21,864	42	-	-	-	6,412	354,301	-	674,192
-	-	205,171	-	-	-	-	-	205,171
-	-	-	1,340,004	-	-	-	-	10,795,418
-	-	5,164	443	65	593	939	169	11,074
-	-	-	-	-	-	-	-	-
-	13,073	-	-	-	-	-	-	296,905
59,167	-	-	-	-	-	-	-	59,167
\$ 100,435	\$ 22,047	\$ 1,691,185	\$ 1,496,889	\$ 24,986	\$ 74,155	\$ 506,107	\$ 68,615	\$ 19,499,834
\$ 81,708	\$ 9,524	\$ -	\$ 2,440	\$ 317	\$ 53,336	\$ 14,022	\$ -	\$ 306,871
77,702	144	-	-	-	7,592	15,024	-	276,776
2,387,497	1,296	-	-	-	-	-	-	2,810,751
-	-	-	-	-	-	-	-	1,729,576
-	-	4,962	-	-	-	-	-	4,962
331,767	-	-	-	-	-	-	-	331,767
2,878,674	10,964	4,962	2,440	317	60,928	29,046	-	5,460,703
-	-	-	-	-	-	-	-	2,305,741
-	-	191,204	-	-	-	-	-	191,204
-	-	-	1,340,004	-	-	-	-	9,065,842
-	-	-	-	-	-	155,387	-	155,387
-	-	191,204	1,340,004	-	-	155,387	-	11,718,174
59,167	-	-	-	-	-	-	-	59,167
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,405,171
-	-	-	-	-	-	-	-	-
-	11,083	1,495,019	154,445	24,669	13,227	321,674	68,615	3,694,025
(2,837,406)	-	-	-	-	-	-	-	(2,837,406)
(2,778,239)	11,083	1,495,019	154,445	24,669	13,227	321,674	68,615	2,320,957
\$ 100,435	\$ 22,047	\$ 1,691,185	\$ 1,496,889	\$ 24,986	\$ 74,155	\$ 506,107	\$ 68,615	\$ 19,499,834

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2013

	Capital Project Funds		
	Capital Projects Tax Levy	Capital Projects Bonded	Total
ASSETS			
Cash and investments	\$ 3,100,921	\$ 572,675	\$ 3,673,596
Receivables			
Taxes	-	-	-
Accounts	-	-	-
Special assessments	-	-	-
Loans	-	-	-
Other	8,406	-	8,406
Advance to other funds	313,352	-	313,352
Due from other governments	33,085	-	33,085
Inventories and prepaid items	-	-	-
TOTAL ASSETS	\$ 3,455,764	\$ 572,675	\$ 4,028,439
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 40,907	\$ 193,639	\$ 234,546
Accrued and other current liabilities			
liabilities	-	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Unearned revenues	-	-	-
Advance from other funds	-	-	-
Total Liabilities	40,907	193,639	234,546
Deferred Inflows of Resources			
Property taxes	-	-	-
Special assessments	-	-	-
Loans receivable	-	-	-
Accounts receivable	-	-	-
Total Deferred Inflows of Resources	-	-	-
Fund Balances (Deficits)			
Nonspendable			
Inventories and prepaid items	-	-	-
Cemetery perpetual care	-	-	-
Library trust	-	-	-
Restricted			
Capital improvements	-	379,036	379,036
Community development	-	-	-
Library trust	-	-	-
Assigned	3,414,857	-	3,414,857
Unassigned	-	-	-
Total Fund Balances (Deficits)	3,414,857	379,036	3,793,893
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,455,764	\$ 572,675	\$ 4,028,439

Permanent Funds			Total Governmental Funds
Cemetery Perpetual Care	Library Trust	Total	
\$ 826,222	\$ 1,065,100	\$ 1,891,322	\$ 10,715,940
-	-	-	2,306,885
802	-	802	674,994
-	-	-	205,171
-	-	-	10,795,418
171	77	248	19,728
-	-	-	313,352
-	-	-	329,990
-	-	-	59,167
<u>\$ 827,195</u>	<u>\$ 1,065,177</u>	<u>\$ 1,892,372</u>	<u>\$ 25,420,645</u>

\$ -	\$ 259	\$ 259	\$ 541,676
-	-	-	276,776
-	-	-	2,810,751
-	-	-	1,729,576
-	-	-	4,962
-	-	-	331,767
-	259	259	5,695,508
-	-	-	2,305,741
-	-	-	191,204
-	-	-	9,065,842
-	-	-	155,387
-	-	-	11,718,174

-	-	-	59,167
827,195	-	827,195	827,195
-	600,000	600,000	600,000
-	-	-	379,036
-	-	-	1,405,171
-	464,918	464,918	464,918
-	-	-	7,108,882
-	-	-	(2,837,406)
<u>827,195</u>	<u>1,064,918</u>	<u>1,892,113</u>	<u>8,006,963</u>

<u>\$ 827,195</u>	<u>\$ 1,065,177</u>	<u>\$ 1,892,372</u>	<u>\$ 25,420,645</u>
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CITY OF SHEBOYGAN, WISCONSIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2013

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 2,377,053	\$ -	\$ 1,195,326
Special assessments	-	-	-	-	-	-
Intergovernmental	1,155,166	-	517,840	674,229	-	-
Licenses and permits	-	-	-	-	584,189	-
Fines and forfeits	-	-	-	-	-	2,266
Public charges for services	-	-	-	79,104	4,513	-
Miscellaneous	370,460	499,846	29,902	98,175	3,433	2,546
Total Revenues	1,525,626	499,846	547,742	3,228,561	592,135	1,200,138
Expenditures						
Current						
General government	-	-	-	-	-	3,640
Public safety	-	-	-	-	-	9,455
Public works	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-
Culture and recreation	-	-	-	3,258,780	169,244	31,080
Conservation and development	883,615	253,879	517,839	-	-	383,569
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	942,787	-	-	80,558	36,859	-
Total Expenditures	1,826,402	253,879	517,839	3,339,338	206,103	427,744
Excess of Revenues Over (Under) Expenditures	(300,776)	245,967	29,903	(110,777)	386,032	772,394
Other Financing Sources (Uses)						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	42,187	-	-
Transfers out	-	-	-	-	(275,000)	(688,738)
Total Other Financing Sources (Uses)	-	-	-	42,187	(275,000)	(688,738)
Net Change in Fund Balances	(300,776)	245,967	29,903	(68,590)	111,032	83,656
Fund Balances (Deficits) - January 1	813,774	433,845	182,458	675,709	499,396	304,090
Fund Balances (Deficits) - December 31	\$ 512,998	\$ 679,812	\$ 212,361	\$ 607,119	\$ 610,428	\$ 387,746

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
\$ 166	\$ -	\$ -	\$ 22,428	\$ -	\$ -	\$ -	\$ -	\$ 3,594,973
-	-	307,802	-	-	-	-	-	307,802
-	35,892	-	-	-	-	8,371	-	2,391,498
-	-	-	-	-	-	-	-	584,189
-	-	-	-	-	1,186,667	-	-	1,188,933
811,556	-	-	-	18,223	6,412	1,378,401	5,403	2,303,612
1,208	3,969	22,895	1,339	5,153	1,292	2,163	615	1,042,996
812,930	39,861	330,697	23,767	23,376	1,194,371	1,388,935	6,018	11,414,003
-	-	-	-	-	684,652	-	-	688,292
-	49,560	-	-	-	-	496,135	-	555,150
824,887	-	-	-	-	-	-	-	824,887
-	-	-	-	-	-	-	-	-
-	-	-	-	23,693	-	-	-	3,482,797
-	-	-	22,806	-	-	-	-	2,061,708
-	-	-	-	-	-	77,974	-	77,974
331	-	-	-	-	-	9,056	-	9,387
-	-	-	210	-	-	-	-	1,060,414
825,218	49,560	-	23,016	23,693	684,652	583,165	-	8,760,609
(12,288)	(9,699)	330,697	751	(317)	509,719	805,770	6,018	2,653,394
-	-	-	-	-	-	-	-	-
-	13,073	-	-	-	-	-	-	55,260
(188,885)	-	(720,370)	-	-	(515,428)	(728,847)	-	(3,117,268)
(188,885)	13,073	(720,370)	-	-	(515,428)	(728,847)	-	(3,062,008)
(201,173)	3,374	(389,673)	751	(317)	(5,709)	76,923	6,018	(408,614)
(2,577,066)	7,709	1,884,692	153,694	24,986	18,936	244,751	62,597	2,729,571
\$ (2,778,239)	\$ 11,083	\$ 1,495,019	\$ 154,445	\$ 24,669	\$ 13,227	\$ 321,674	\$ 68,615	\$ 2,320,957

(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, 2013

	Capital Project Funds		
	Capital Projects Tax Levy	Capital Projects Bonded	Total
Revenues			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental	920,000	-	920,000
Licenses and permits	-	-	-
Fines and forfeits	-	-	-
Public charges for services	-	-	-
Miscellaneous	25,724	668	26,392
Total Revenues	<u>945,724</u>	<u>668</u>	<u>946,392</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and human services	-	-	-
Culture and recreation	-	-	-
Conservation and development	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	965,331	3,529,472	4,494,803
Total Expenditures	<u>965,331</u>	<u>3,529,472</u>	<u>4,494,803</u>
Excess of Revenues Over (Under) Expenditures	<u>(19,607)</u>	<u>(3,528,804)</u>	<u>(3,548,411)</u>
Other Financing Sources (Uses)			
Sale of capital assets	15,448	-	15,448
Transfers in	126,700	-	126,700
Transfers out	(2,733)	-	(2,733)
Total Other Financing Sources (Uses)	<u>139,415</u>	<u>-</u>	<u>139,415</u>
Net Change in Fund Balances	119,808	(3,528,804)	(3,408,996)
Fund Balances (Deficits) - January 1	<u>3,295,049</u>	<u>3,907,840</u>	<u>7,202,889</u>
Fund Balances (Deficits) - December 31	<u>\$ 3,414,857</u>	<u>\$ 379,036</u>	<u>\$ 3,793,893</u>

Permanent Funds			Total Governmental Funds
Cemetery Perpetual Care	Library Trust	Total	
\$ -	\$ -	\$ -	\$ 3,594,973
-	-	-	307,802
-	-	-	3,311,498
-	-	-	584,189
-	-	-	1,188,933
13,048	-	13,048	2,316,660
866	84,193	85,059	1,154,447
<u>13,914</u>	<u>84,193</u>	<u>98,107</u>	<u>12,458,502</u>
-	-	-	688,292
-	-	-	555,150
-	-	-	824,887
231	-	231	231
-	12,015	12,015	3,494,812
-	-	-	2,061,708
-	-	-	77,974
-	-	-	9,387
-	-	-	5,555,217
<u>231</u>	<u>12,015</u>	<u>12,246</u>	<u>13,267,658</u>
<u>13,683</u>	<u>72,178</u>	<u>85,861</u>	<u>(809,156)</u>
-	-	-	15,448
-	-	-	181,960
<u>(749)</u>	<u>(12,500)</u>	<u>(13,249)</u>	<u>(3,133,250)</u>
<u>(749)</u>	<u>(12,500)</u>	<u>(13,249)</u>	<u>(2,935,842)</u>
12,934	59,678	72,612	(3,744,998)
<u>814,261</u>	<u>1,005,240</u>	<u>1,819,501</u>	<u>11,751,961</u>
<u>\$ 827,195</u>	<u>\$ 1,064,918</u>	<u>\$ 1,892,113</u>	<u>\$ 8,006,963</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2013

	Parking Facility	Boat Facility	Totals
ASSETS			
Cash and investments	\$ 1,025,180	\$ 375,727	\$ 1,400,907
Receivables			
Taxes	28,376	-	28,376
Accounts	4,512	-	4,512
Special assessments	128,729	-	128,729
Other	2,797	1,044	3,841
Advance to other funds	-	331,767	331,767
Capital assets, nondepreciable			
Land	716,258	-	716,258
Capital assets, depreciable			
Buildings and improvements	14,241	-	14,241
Improvements other than buildings	1,387,464	495,106	1,882,570
Machinery and equipment	282,214	-	282,214
Less: Accumulated depreciation	(1,643,440)	(322,748)	(1,966,188)
TOTAL ASSETS	<u>1,946,331</u>	<u>880,896</u>	<u>2,827,227</u>
LIABILITIES			
Accounts payable	42,333	1,903	44,236
Accrued and other current liabilities	10,367	-	10,367
Due to other governments	2,933	-	2,933
Unearned revenues	16,743	1,811	18,554
TOTAL LIABILITIES	<u>72,376</u>	<u>3,714</u>	<u>76,090</u>
NET POSITION			
Net investment in capital assets	756,737	172,358	929,095
Unrestricted	1,117,218	704,824	1,822,042
TOTAL NET POSITION	<u>\$ 1,873,955</u>	<u>\$ 877,182</u>	<u>\$ 2,751,137</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2013

	Parking Facility	Boat Facility	Totals
Operating Revenues			
Charges for services	\$ 393,080	\$ 96,943	\$ 490,023
Other	7,052	-	7,052
Total Operating Revenues	<u>400,132</u>	<u>96,943</u>	<u>497,075</u>
Operating Expenses			
Personal services	192,730	2,001	194,731
Contractual services	173,861	85,192	259,053
Supplies and materials	27,012	-	27,012
Insurance	760	-	760
Other	30,573	-	30,573
Depreciation	22,079	21,479	43,558
Total Operating Expenses	<u>447,015</u>	<u>108,672</u>	<u>555,687</u>
Operating Loss	<u>(46,883)</u>	<u>(11,729)</u>	<u>(58,612)</u>
Nonoperating Revenues			
Investment income	7,415	2,845	10,260
Miscellaneous revenues	5	-	5
Total Nonoperating Revenues	<u>7,420</u>	<u>2,845</u>	<u>10,265</u>
Loss Before Transfers	(39,463)	(8,884)	(48,347)
Transfers in	<u>6,290</u>	<u>-</u>	<u>6,290</u>
Change in Net Position	(33,173)	(8,884)	(42,057)
Net Position - January 1	<u>1,907,128</u>	<u>886,066</u>	<u>2,793,194</u>
Net Position - December 31	<u>\$ 1,873,955</u>	<u>\$ 877,182</u>	<u>\$ 2,751,137</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2013

	Parking Facility	Boat Facility	Totals
Cash Flows from Operating Activities			
Receipts from customers	\$ 359,298	\$ 106,831	\$ 466,129
Payments to suppliers	(199,160)	(90,134)	(289,294)
Payments to employees	(190,676)	(2,001)	(192,677)
Net Cash Provided (Used) by Operating Activities	<u>(30,538)</u>	<u>14,696</u>	<u>(15,842)</u>
Cash Flows from Noncapital and Related Financing Activities			
Transfers in	6,290	-	6,290
Advances from other funds	-	(332)	(332)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>6,290</u>	<u>(332)</u>	<u>5,958</u>
Cash Flows from Investing Activities			
Interest received	7,415	2,845	10,260
Change in Cash and Cash Equivalents	(16,833)	17,209	376
Cash and Cash Equivalents - January 1	<u>1,042,013</u>	<u>358,518</u>	<u>1,400,531</u>
Cash and Cash Equivalents - December 31	<u>\$ 1,025,180</u>	<u>\$ 375,727</u>	<u>\$ 1,400,907</u>
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Operating loss	\$ (46,883)	\$ (11,729)	\$ (58,612)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	22,079	21,479	43,558
Miscellaneous nonoperating revenues	5	-	5
Changes in assets and liabilities			
Receivables	(42,278)	8,174	(34,104)
Accounts payable	31,169	(4,942)	26,227
Accrued and other liabilities	2,054	-	2,054
Due to other governments	1,877	-	1,877
Unearned revenues	1,439	1,714	3,153
Net Cash Provided (Used) by Operating Activities	<u>\$ (30,538)</u>	<u>\$ 14,696</u>	<u>\$ (15,842)</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Net Position
Internal Service Funds
December 31, 2013

	Motor Vehicle	Data Processing	Health Self Insurance
ASSETS			
Cash and investments	\$ 2,709,871	\$ 1,040,307	\$ 7,430,721
Receivables			
Accounts	-	1,663	26,749
Other	7,263	2,624	17,792
Inventories and prepaid items	-	-	-
Deposit with CVMIC	-	-	-
Capital assets, depreciable			
Machinery and equipment	11,596,794	1,220,572	-
Less: Accumulated depreciation	(8,531,270)	(1,053,921)	-
TOTAL ASSETS	<u>5,782,658</u>	<u>1,211,245</u>	<u>7,475,262</u>
LIABILITIES			
Accounts payable	70,064	4,199	14,110
Accrued and other current liabilities	39,406	36,251	1,608,507
TOTAL LIABILITIES	<u>109,470</u>	<u>40,450</u>	<u>1,622,617</u>
NET POSITION			
Net investment in capital assets	3,065,524	166,651	-
Unrestricted	2,607,664	1,004,144	5,852,645
TOTAL NET POSITION	<u>\$ 5,673,188</u>	<u>\$ 1,170,795</u>	<u>\$ 5,852,645</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 1,564,863	\$ 350,771	\$ 13,096,533
-	-	28,412
3,945	617	32,241
-	42,765	42,765
-	2,205,665	2,205,665
-	-	12,817,366
-	-	(9,585,191)
<u>1,568,808</u>	<u>2,599,818</u>	<u>18,637,791</u>
120	236	88,729
<u>68,687</u>	<u>185,703</u>	<u>1,938,554</u>
<u>68,807</u>	<u>185,939</u>	<u>2,027,283</u>
-	-	3,232,175
<u>1,500,001</u>	<u>2,413,879</u>	<u>13,378,333</u>
<u>\$ 1,500,001</u>	<u>\$ 2,413,879</u>	<u>\$ 16,610,508</u>

CITY OF SHEBOYGAN, WISCONSIN

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

For the Year Ended December 31, 2013

	Motor Vehicle	Data Processing	Health Self Insurance
Operating Revenues			
Charges for services	\$ 2,199,942	\$ 892,293	\$ 8,393,866
Other	1,223	100	83,173
Total Operating Revenues	<u>2,201,165</u>	<u>892,393</u>	<u>8,477,039</u>
Operating Expenses			
Personal services	583,523	476,330	118,370
Contractual services	562,168	197,950	264,606
Supplies and materials	464,932	1,399	36
Insurance	-	-	6,199,623
Other	26,858	7,278	-
Depreciation	719,502	93,284	-
Total Operating Expenses	<u>2,356,983</u>	<u>776,241</u>	<u>6,582,635</u>
Operating Income (Loss)	<u>(155,818)</u>	<u>116,152</u>	<u>1,894,404</u>
Nonoperating Revenues			
Investment income	17,455	6,244	41,134
Sale of capital assets	4,100	-	-
Total Nonoperating Revenues	<u>21,555</u>	<u>6,244</u>	<u>41,134</u>
Income (Loss) Before Transfers	<u>(134,263)</u>	<u>122,396</u>	<u>1,935,538</u>
Transfers in	-	-	-
Transfers out	<u>(125,000)</u>	<u>-</u>	<u>(68,795)</u>
Change in Net Position	<u>(259,263)</u>	<u>122,396</u>	<u>1,866,743</u>
Net Position - January 1	<u>5,932,451</u>	<u>1,048,399</u>	<u>3,985,902</u>
Net Position - December 31	<u>\$ 5,673,188</u>	<u>\$ 1,170,795</u>	<u>\$ 5,852,645</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 465,086	\$ 158,054	\$ 12,109,241
-	65,514	150,010
<u>465,086</u>	<u>223,568</u>	<u>12,259,251</u>
123,067	-	1,301,290
20,749	57,964	1,103,437
-	-	466,367
343,457	144,072	6,687,152
-	-	34,136
-	-	812,786
<u>487,273</u>	<u>202,036</u>	<u>10,405,168</u>
(22,187)	21,532	1,854,083
12,706	1,443	78,982
-	-	4,100
<u>12,706</u>	<u>1,443</u>	<u>83,082</u>
(9,481)	22,975	1,937,165
68,795	-	68,795
-	-	(193,795)
59,314	22,975	1,812,165
<u>1,440,687</u>	<u>2,390,904</u>	<u>14,798,343</u>
<u>\$ 1,500,001</u>	<u>\$ 2,413,879</u>	<u>\$ 16,610,508</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2013

	Motor Vehicle	Data Processing	Health Self Insurance
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,208,093	\$ 891,227	\$ 8,479,205
Payments to suppliers	(1,021,560)	(240,305)	(6,586,627)
Payments to employees	(605,853)	(546,028)	(118,370)
Net Cash Provided (Used) by Operating Activities	<u>580,680</u>	<u>104,894</u>	<u>1,774,208</u>
Cash Flows from Noncapital and Related Financing Activities			
Transfer in (out)	<u>(125,000)</u>	-	<u>(68,795)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(31,044)	(7,455)	-
Proceeds from sale of capital assets	4,100	-	-
Net Cash Used by Capital and Related Financing Activities	<u>(26,944)</u>	<u>(7,455)</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest received	<u>17,455</u>	<u>6,244</u>	<u>41,134</u>
Change in Cash and Cash Equivalents	<u>446,191</u>	<u>103,683</u>	<u>1,746,547</u>
Cash and Cash Equivalents - January 1	<u>2,263,680</u>	<u>936,624</u>	<u>5,684,174</u>
Cash and Cash Equivalents - December 31	<u>\$ 2,709,871</u>	<u>\$ 1,040,307</u>	<u>\$ 7,430,721</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (155,818)	\$ 116,152	\$ 1,894,404
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	719,502	93,284	-
Changes in assets and liabilities			
Receivables	6,928	(1,166)	2,166
Inventories and prepaid items	-	-	37,323
Accounts payable	32,398	(33,678)	5,601
Accrued and other liabilities	(22,330)	(69,698)	(165,286)
Net Cash Provided (Used) by Operating Activities	<u>\$ 580,680</u>	<u>\$ 104,894</u>	<u>\$ 1,774,208</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 461,276	\$ 223,515	\$ 12,263,316
(354,847)	(207,083)	(8,410,422)
(123,067)	-	(1,393,318)
<u>(16,638)</u>	<u>16,432</u>	<u>2,459,576</u>
68,795	-	(125,000)
-	-	(38,499)
-	-	4,100
-	-	<u>(34,399)</u>
12,706	1,443	78,982
64,863	17,875	2,379,159
1,500,000	332,896	10,717,374
<u>\$ 1,564,863</u>	<u>\$ 350,771</u>	<u>\$ 13,096,533</u>
\$ (22,187)	\$ 21,532	\$ 1,854,083
-	-	812,786
(3,810)	(53)	4,065
-	(3,957)	33,366
(690)	(1,090)	2,541
10,049	-	(247,265)
<u>\$ (16,638)</u>	<u>\$ 16,432</u>	<u>\$ 2,459,576</u>

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

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

To Mayor Michael Vandersteen and the Common Council
City of 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Sheboygan, Wisconsin's basic financial statements, and have issued our report thereon dated April 15, 2014. Our report includes a reference to other auditors who audited the financial statements of the Water Utility Enterprise Fund, 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
April 15, 2014

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND THE SCHEDULE OF STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES

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

Report on Compliance for Each Major Federal and State Program

We have audited the City of Sheboygan, Wisconsin's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the City of Sheboygan, Wisconsin's major federal and state programs for the year ended December 31, 2013. The 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 the 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 the 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 the City of Sheboygan, Wisconsin's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the 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, 2013.

Report on Internal Control Over Compliance

Management of the 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 the 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
April 15, 2014

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2013

Grantor Agency/Federal Program Title	Pass-through Agency	Federal CFDA Number
FEDERAL PROGRAMS		
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>Community Development Block Grant Entitlement Grants Cluster</i>		
Community Development Block Grant	Direct Program	14.218
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Public Safety Partnership and Community Policing Grants		
COPS Hiring Program Grant #2010UMWX0351	Direct Program	16.710
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
<i>Federal Transit Cluster</i>		
Federal Transit Formula Grants	WI Department of Transportation	20.507
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>		
Great Lakes Program		
River Habitat Restoration	WI Department of Natural Resources	66.469
<u>U.S. DEPARTMENT OF ENERGY</u>		
State Energy Program		
	WI State Energy Office	81.041
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Children's Justice Grants to States		
	WI Department of Justice	93.643
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>		
Pre-Disaster Competitive Mitigation Planning Grant		
	WI Department of Military Affairs	97.047
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 1/1/13	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/13	Total Revenues	Total Expenditures
\$ (1,106,706)	\$ 2,495,880	\$ 283,832	\$ 1,673,006	\$ 1,673,006
(53,563)	252,382	67,154	265,973	265,973
-	1,277,528	-	1,277,528	1,277,528
(652,968)	1,438,186	33,085	818,303	818,303
-	5,657	5,908	11,565	11,565
-	3,687	-	3,687	3,687
-	12,013	-	12,013	12,013
<u>\$ (1,813,237)</u>	<u>\$ 5,485,333</u>	<u>\$ 389,979</u>	<u>\$ 4,062,075</u>	<u>\$ 4,062,075</u>

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of State Financial Assistance
 For the Year Ended December 31, 2013

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

DEPARTMENT OF NATURAL RESOURCES

Urban Wildlife Damage	Direct Program	370.580
Aquatic Invasive Species	Direct Program	370.678
Total Department of Natural Resources		

DEPARTMENT OF TRANSPORTATION

Elderly and Disabled Transportation	Sheboygan County	395.101
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
Transit Operating Aid - 2013	Direct Program	395.104
Total Department of Transportation		

DEPARTMENT OF JUSTICE

Drug Crimes Enforcement	Direct Program	455.225
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TOTAL STATE FINANCIAL ASSISTANCE

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

(Accrued) Deferred Revenue 1/1/13	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/13	Total Revenues	Total Expenditures
\$ -	\$ 2,500	\$ -	\$ 2,500	\$ 2,500
(2,566)	2,566	-	-	-
<u>(2,566)</u>	<u>5,066</u>	<u>-</u>	<u>2,500</u>	<u>2,500</u>
-	267,032	-	267,032	267,032
153,323	-	(229,026)	(75,703)	(75,703)
112,166	-	(108,926)	3,240	3,240
74,212	-	(76,319)	(2,107)	(2,107)
(84,684)	-	84,684	-	-
-	875,315	96,546	971,861	971,861
<u>255,017</u>	<u>1,142,347</u>	<u>(233,041)</u>	<u>1,164,323</u>	<u>1,164,323</u>
(8,988)	31,807	-	22,819	22,819
<u>\$ 243,463</u>	<u>\$ 1,179,220</u>	<u>\$ (233,041)</u>	<u>\$ 1,189,642</u>	<u>\$ 1,189,642</u>

CITY OF SHEBOYGAN, WISCONSIN

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance For the Year Ended December 31, 2013

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 2013 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 2013.

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, 2013

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 Unmodified

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

State ID Number	Name of State Programs/Cluster
395.101	Elderly and Disabled Transportation
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, 2013.

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, 2013.

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended December 31, 2013

Section IV - Other Issues

Does the auditors' report or the notes to the financial statements 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 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

April 15, 2014

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended December 31, 2013

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2012.

Corrective Action Plan

No corrective action plan is required.