

**CITY OF SHEBOYGAN**

Sheboygan, Wisconsin

FINANCIAL STATEMENTS

December 31, 2003

# CITY OF SHEBOYGAN

## TABLE OF CONTENTS December 31, 2003

---

Independent Auditors' Report	1 – 2
Management's Discussion and Analysis (required supplementary information)	3 – 14
Basic Financial Statements	
Government-wide Financial Statements	15 - 16
Statement of Net Assets	
Statement of Activities	17 – 18
Fund Financial Statements	
Balance Sheet – Governmental Funds	19 – 20
Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	21 – 22
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (non-GAAP) – General Fund	24 – 25
Statement of Net Assets – Proprietary Funds	26 – 29
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	30 – 31
Statement of Cash Flows – Proprietary Funds	32 – 35
Statement of Fiduciary Net Assets – Fiduciary Funds	36
Notes to Financial Statements	37 - 83

# CITY OF SHEBOYGAN

## TABLE OF CONTENTS December 31, 2003

---

### Combining Financial Statements

Combining Balance Sheet - Nonmajor Governmental Funds	84 - 86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	87 - 89
Combining Statement of Net Assets - Nonmajor Proprietary Fund	90 - 91
Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Proprietary Funds	92
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	93 - 94
Combining Statement of Net Assets - Internal Service Funds	95 - 96
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - Internal Service Funds	97 - 98
Combining Statement of Cash Flows - Internal Service Funds	99 -

### Single Audit

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	103
Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Guidelines and the Schedule of Expenditures of Federal and State Awards	104-105
Schedule of Expenditures of Federal Awards	106-107
Schedule of Expenditures of State Awards	108
Schedule of Findings and Questioned Costs	109-110
Notes to Schedules of Expenditures of Federal and State Awards	111

**INDEPENDENT AUDITORS' REPORT**



# Virchow Krause & company

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Common Council  
City of Sheboygan  
Sheboygan County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin, as of and for the year ended December 31, 2003, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sheboygan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Sheboygan and the Harbor Centre Business Improvement District, which represent 100 percent of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units is based on the report of the other auditor

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, 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.

As described in Note 1, the city has implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2003.

As described in Note IV, the city changed the basis of fund type for the Redevelopment Authority Fund.

Honorable Mayor and Common Council  
City of Sheboygan

In accordance with *Government Auditing Standards*, we have issued a report on our consideration of the City of Sheboygan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sheboygan's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Schedules of Expenditures of Federal and State Awards are presented for purposes of additional analysis as required by OMB Circular A-133 and State Single Audit Guidelines and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Virchow, Krause & Company, LLP*

Milwaukee, Wisconsin  
March 4, 2004, except for  
Note V. D. as to which the date  
is March 15, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **CITY OF SHEBOYGAN**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The City of Sheboygan's discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 15).

### **GENERAL INFORMATION**

2003 was a significant year for the City of Sheboygan since it was incorporated as a City 150 years ago on April 5, 1853. The City of Sheboygan is located in Sheboygan County, approximately 52 miles north of Milwaukee. The City's boundary encompasses 14.47 square miles and has a population of 50,317.

The City of Sheboygan is a municipal corporation governed by an elected mayor and sixteen-member council. The City provides the full range of municipal services, including police and fire protection, parks and culture activities, public works operations, parking and transit utilities, water and sewer utilities, community development, and general administrative services.

The City of Sheboygan operates under a Council-Mayor form of government with sixteen aldermen comprising the governing body. The aldermen are elected on an alternating basis for a term of two years. The Council members elect the president of the Council to that position. In 2003, the Council had four standing committees with five aldermen on each committee. The standing committees are: Finance, Public Protection and Safety, Public Works, and Salaries and Grievances.

The City has included the financial statements of the Housing Authority and the Business Improvement District as component units. They are legally separate organizations. The Water Utility is included in the accompanying financial statements. The Sheboygan Area School District is excluded from the financial reporting entity since this entity operates as a separate governing board that is not under the control of the City.

**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

**FINANCIAL HIGHLIGHTS**

- The City's assets exceeded its liabilities by \$55,398,322 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
  - (1) Capital assets of \$13,719,039 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Restricted assets of \$2,100,512 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net assets of \$39,578,771 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- At the end of the 2003 fiscal year, the City's ending fund balance for the governmental funds totaled \$31,608,286. The ending fund balance for the General Fund was \$12,470,326. The unreserved fund balance in the General Fund was \$7,774,573, or 24.5% of total general fund expenditures. The reserved fund balance includes a \$1.2 million allocation for the 2004 Budget.
- The General Fund revenues and expenditures showed favorable budget versus actual balances.
- The City issued \$23 million in general obligation notes in 2003. Of this amount, \$4 million related to refunding previous debt, \$3 million for the general capital improvements program, \$8 million for the Convention Center and \$8 million for the Tax Incremental District No. 6 projects in the South Pier District.
- In 2003, the City's general obligation debt increased \$14 million to a total of \$66 million, which is less than 3% of the City's equalized valuation.

**USING THE FINANCIAL STATEMENTS**

For the past 20 years, the primary focus of local government financial statements have been summarized fund type information on a current financial resources basis. This approach has been modified and for the first time the City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The new financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

**CITY OF SHEBOYGAN  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

---

**Government-Wide Financial Statements**

The government-wide financial statements (pages 15 to 18) are designed to be corporate-like in that governmental and business-type activities are consolidated into columns, which add to a total for the Primary Government. The focus of the Statement of Net Assets (the “Unrestricted Net Assets”) is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement, for the first time, combines and consolidates governmental fund’s current financial resources (short-term resources that can be spent) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities (pages 17 & 18) is focused on both the gross and net cost of various activities (including governmental, business-type), which are supported by the government’s general taxes and other resources. This is intended to summarize and simplify the user’s analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The Governmental Activities reflect the City’s basic services, including police, fire protection, public works and administration. State shared revenues and the property tax levy finance the majority of these services. The Business-type Activities reflect private sector type operations (Water and Wastewater), where the fee for service typically covers all or most of the cost of operation, including depreciation.

**Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than (the previous model’s) fund types.

The Governmental Major Fund (pages 19 to 25) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed for presenting the flow and availability of liquid resources. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

The Fund Financial Statements also allow the government to address its Fiduciary Funds. While these Funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

While the Total column on the Business-type Fund Financial Statements (pages 26 & 29) is substantially the same as the Business-type column at the Government-Wide Financial Statement, the Governmental Major Funds Total column require a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected in the reconciliations on pages 20 & 23. The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligation (bonds and others) into the Governmental Activities column (in the Government-wide statements).

**Infrastructure Assets**

Historically, a government's largest group of assets (infrastructure – streets, bridges, storm sewers, etc.) have not been reported nor depreciated in governmental financial statements. This new statement requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The City of Sheboygan has chosen to depreciate the assets.

**Financial Analysis of the City as a Whole**

In accordance with GASB Statement No. 34, the City is not required to restate prior periods for the purpose of providing comparative information. However, in future years, when prior year information is available, a comparative analysis of Government-wide information will be presented.

**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**GOVERNMENT-WIDE STATEMENT**

**Statement of Net Assets**

The City of Sheboygan's net assets exceed liabilities by \$55 million. The largest portion of the net assets, (\$40 million or 71 percent), are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

The portion of net assets that reflects the City's investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), net of related debt, is \$13 million or 25 percent. The restricted net assets reflect reserves and totaled \$2 million or 4 percent of the net assets.

The following table reflects the condensed Statement of Net Assets:

**CITY OF SHEBOYGAN  
Statement of Net Assets  
As of December 31, 2003**

(In thousands)

	<u>Governmental</u> <u>Activities</u> <u>2003</u>	<u>Business-type</u> <u>Activities</u> <u>2003</u>	<u>Total</u> <u>2003</u>
Current and other assets	\$ 88,942	\$ 9,825	\$ 98,767
Capital assets	<u>36,073</u>	<u>42,282</u>	<u>78,355</u>
Total Assets	125,015	52,107	177,122
 Long-term liabilities outstanding	 78,930	 6,677	 85,607
Current and other liabilities	<u>33,537</u>	<u>2,580</u>	<u>36,117</u>
Total Liabilities	112,468	9,257	121,724
 Net assets:			
Invested in capital assets, net of related debt	(21,886)	35,605	13,719
Restricted	1,316	784	2,100
Unrestricted	<u>33,118</u>	<u>6,461</u>	<u>39,579</u>
Total net assets	\$ 12,548	\$ 42,850	\$ 55,398

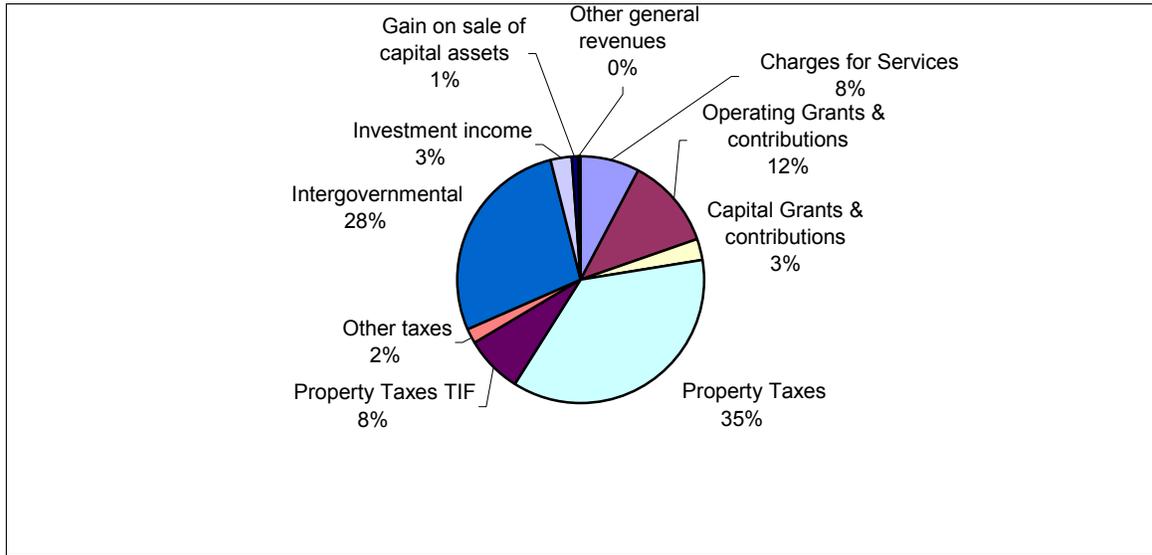
**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**CITY OF SHEBOYGAN  
Changes in Net Assets  
For the year ending December 31, 2003  
(In thousands)**

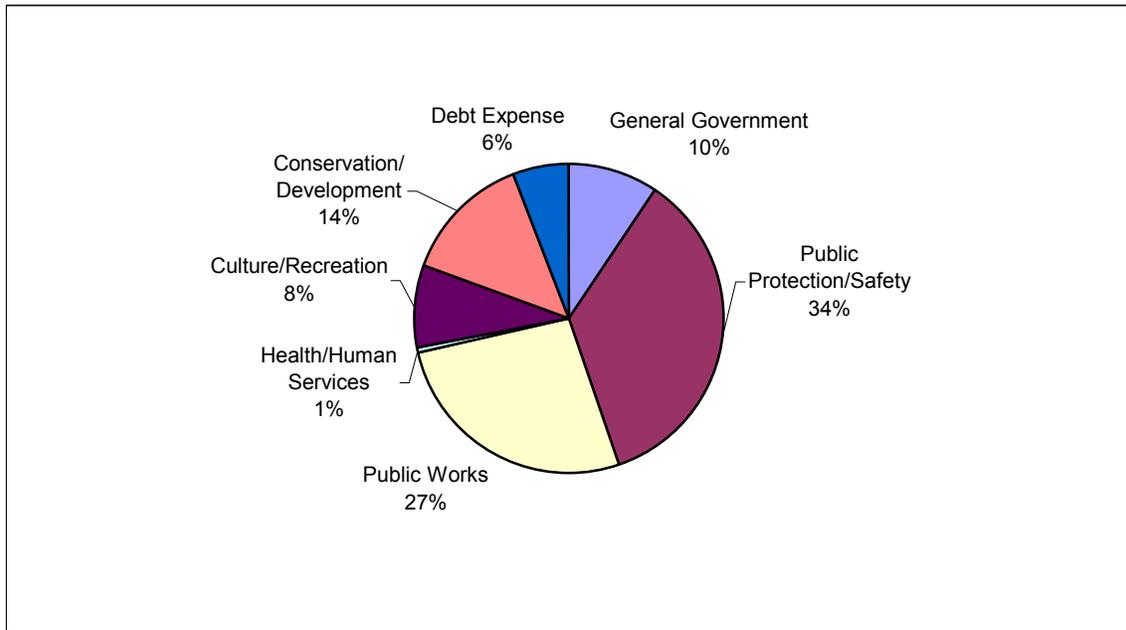
<u>REVENUES:</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Program Revenues:			
Charges for Services	\$ 3,912	\$ 11,008	\$ 14,920
Operating Grants & contributions	5,887	2,032	7,919
Capital Grants & contributions	1,458	1,641	3,099
General Revenues:			
Property Taxes	18,051	545	18,596
Property Taxes TIF	3,787	-	3,787
Other taxes	889	-	889
Intergovernmental	13,875	-	13,875
Investment income	1,408	198	1,606
Gain on sale of capital assets	403	-	403
Other general revenues	<u>94</u>	<u>112</u>	<u>206</u>
Total Revenues	49,764	15,536	65,300
 <u>EXPENSES:</u>			
Governmental Activities:			
General Government	4,639	-	4,639
Public Protection/Safety	17,196	-	17,196
Public Works	12,954	-	12,954
Health/Human Services	366	-	366
Culture/Recreation	4,132	-	4,132
Conservation/Development	6,630	-	6,630
Debt Expense	2,876	-	2,876
Business-type Activities:			
Wastewater System Fund	-	7,573	7,573
Water Utility Fund	-	3,368	3,368
Transit Funds	-	3,603	3,603
Parking Funds	-	365	365
Boat Facility Fund	<u>-</u>	<u>39</u>	<u>39</u>
Total expenses	<u>48,793</u>	<u>14,948</u>	<u>63,741</u>
Changes in net assets before transfers	971	588	1,559
Transfers	<u>613</u>	<u>(613)</u>	<u>-</u>
Change in net assets	1,584	(25)	1,559
Net Assets - January 1, 2003	<u>10,963</u>	<u>42,876</u>	<u>53,839</u>
Net Assets - December 31, 2003	\$ 12,547	\$ 42,851	\$ 55,398

**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Program and General Revenues by Source – Governmental Activities**



**Expenses – Governmental Activities**

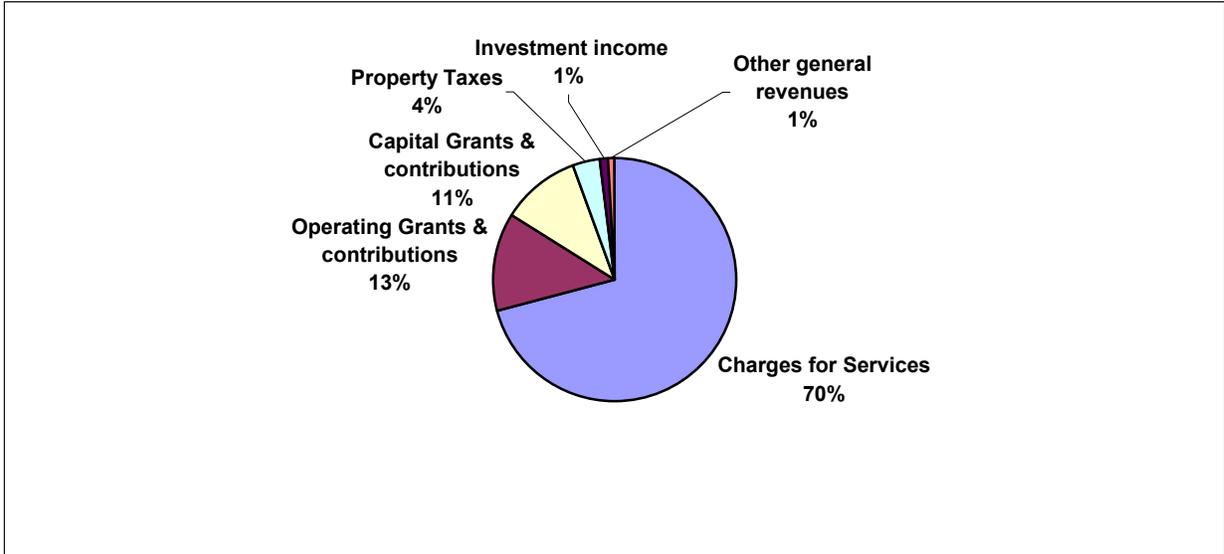


**CITY OF SHEBOYGAN  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**

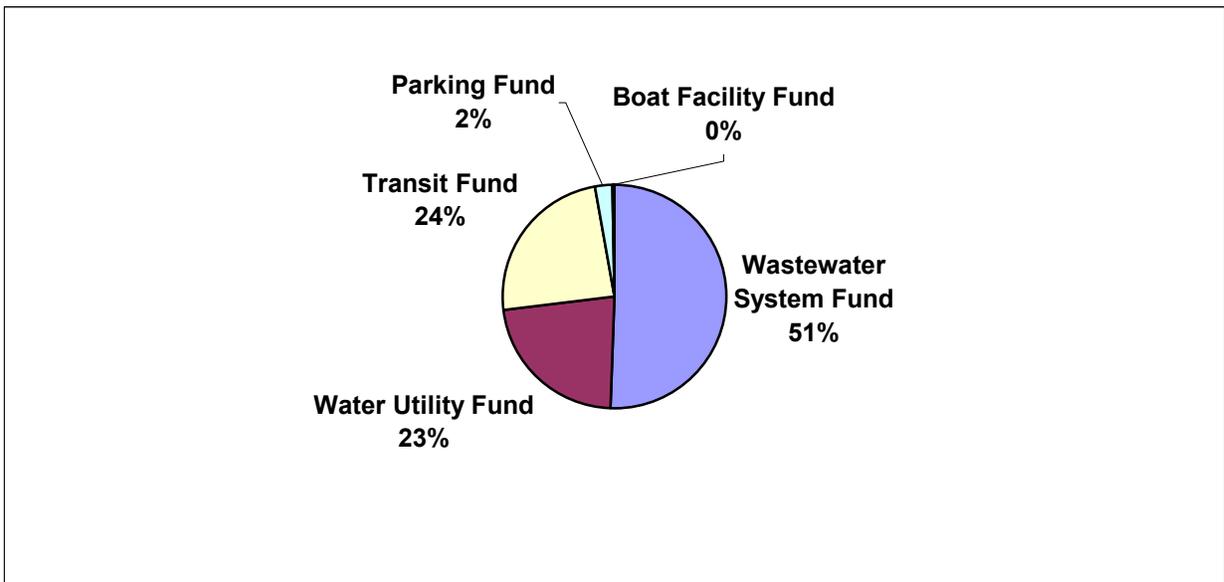
---

**Business-type activities.** Business-type activities accounted for 77% of the City of Sheboygan’s net assets. The revenues for business-type activities exceeded expenses by \$588,000. After transfers, the net assets for business-type activities decreased \$25,000 to \$42,851,000.

**Revenues by Source – Business-type Activities**



**Expenses – Business-type Activities:**



**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental Funds:**

Governmental funds reported ending fund balances of \$31,608,286. Of this year-end total, approximately \$12,645,751 is unreserved indicating availability for continuing City service requirements. Reserved fund balances include \$9,164,830 committed to debt service, \$3,541,316 committed to encumbrances, \$2,699,844 for non-current assets, \$1,614,635 for assets in trusts, \$1,282,600 for subsequent year budgets, \$550,000 for capital projects and \$109,310 for insurance claims.

The total ending fund balance of governmental funds show an increase of \$5,330,727 over the prior year. This increase is primarily the result of the events and programs described within the analysis of the City's governmental activities.

**Proprietary Funds:**

Unrestricted net assets of the Sewerage System at the end of the year were \$3,444,821 and the unrestricted net assets of the Water Utility were \$1,848,644. The unrestricted net assets of the other enterprise funds, including the Transit Commission, the Parking Utility and the Boat Facility, amounted to \$1,187,264 at year-end.

The City participates in a public entity risk pool called Cities and Villages Mutual Insurance Company that provides liability coverage beyond the City's retention of \$75,000 per occurrence and an annual aggregate limit of \$300,000.

The City continues to maintain self-insured funds for the health benefit plan and for workers compensation. The City's health rates that are charged to departments and retirees have been increasing by approximately 13% per year. The rates for the workers compensation fund have been stable.

**Major Governmental Funds:**

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund at the end of the current fiscal year was \$12,470,326. The General Fund revenues exceeded expenditures by \$172,189. With the addition of operating transfers, the fund balance of the General Fund increased \$1,080,196.

**General Fund Budgetary Highlights:**

Differences between the original budget and the final amended budget totaled \$1,612,040. The actual expenditures were \$1,784,337 less than the final budget and \$172,337 less than the original budget.

**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Of the total amendments, approximately half of the amount was prior year appropriations that included \$367,655 for a liability insurance claim reserve, \$114,751 for Police squads that are purchased every other year, and approximately \$350,000 that was mainly prior year appropriations for other capital outlay and projects.

The major budget amendments that increased the current year appropriations included:

- \$360,000 from a transfer from the Cable Fund for capital outlay in various departments
- \$83,576 for increases in intergovernmental grants.

The actual General Fund revenues exceeded the final revenue estimates by \$590,145.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The City of Sheboygan's investment in capital assets for its governmental and business type activities as of December 31, 2003, amounts to \$78,355,593 (net of depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways, and sidewalks.

**CITY OF SHEBOYGAN'S CAPITAL ASSETS**  
(Net of accumulated depreciation)

	Governmental Activities <u>2003</u>	Business-type Activities <u>2003</u>	Total <u>2003</u>
Land & improvements	\$ 16,228,134	\$ 23,873,540	\$ 40,101,674
Buildings	6,025,121	7,544,284	13,569,405
Machinery & equipment	5,418,563	7,079,858	12,498,421
Infrastructure	8,076,916	366,096	8,443,012
Construction in progress	<u>324,910</u>	<u>3,418,171</u>	<u>3,743,081</u>
Total	\$ 36,073,644	\$ 42,281,949	\$ 78,355,593

**Long-term debt.** At the end of the 2003 fiscal year, the City of Sheboygan's total bonded debt outstanding was \$72,515,444. Of this amount, \$65,838,812 comprises debt backed by the full faith and credit of the government. The remainder of the City of Sheboygan's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**CITY OF SHEBOYGAN'S  
OUTSTANDING BONDED DEBT**

	Governmental Activities <u>2003</u>	Business-type Activities <u>2003</u>	Total <u>2003</u>
General obligation bonds and notes	\$ 65,838,812	\$	\$ 65,838,812
Revenue Bonds and Mortgage notes	<u>-</u>	<u>6,676,632</u>	<u>6,676,632</u>
Total	\$ 65,838,812	\$ 6,676,632	\$ 72,515,444

**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The State debt limitation for the City of Sheboygan as of December 31, 2003 was \$111,165,485. The City Council has established a debt limit of 3 percent of equalized valuation, or \$66,699,291 as of December 31, 2003.

During 2003, the City of Sheboygan issued general obligation notes in the amount of \$23,120,000 for the following purposes:

- \$4,010,000 to refinance previously outstanding debt at lower rates
- \$3,000,000 to fund the 2003 Capital Improvements Program
- \$8,030,000 to construct a Convention Center
- \$8,080,000 to construct improvements and provide a development loan in Tax Incremental District No. 6.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

For the 2004 Budget, the operating funds were impacted from decreases in State funding. The State Shared Revenue estimates decreased \$841,848 and Transportation Aids decreased \$97,321.

The union and non-union employees gave wage and benefit concessions for 2004 that totaled over \$250,000. After decisions by the City Council to reduce some services and implement some staff reductions, the General Fund budget increased \$173,482 or 0.5% and the Library Fund budget increased \$6,680 or 0.2%.

The tax levy increased \$100,939 or 0.5%, which included an increase of \$90,218 in the tax levy for the Debt Service Fund, \$6,211 for the General Fund and \$4,510 for the Library Fund.

The applied fund balance in the General Fund budget increased from \$726,000 in 2003 to \$1,282,600 in 2004.

The Public Service Commission of Wisconsin granted the Water Utility a rate increase effective March 1, 2004. The increase will raise the rates approximately 16% for the average consumers. This is the first Water rate increase since 1999.

The City formed a Storm Water Utility with an implementation date of April 1, 2004. The Wastewater Utility increased the Wastewater rates by approximately 6% effective January 2004.

In October 2001, the City acquired a 42-acre parcel for redevelopment. This parcel is a peninsula along the lakefront and riverfront and is known as the South Pier District.

In July 2003, the City executed a development agreement with the Great Lakes Companies to construct a \$54 million project on one-half of the South Pier District that

**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

---

includes a 183-room resort, an indoor water park, a restaurant and 64 rental condominiums. The Great Lakes Companies anticipate creating approximately 350 full and part-time jobs. As part of the project, the City is constructing and will own a 1,000 person capacity convention center utilizing room tax dollars for future debt service payments.

In 2003, the City completed the initial improvements in the South Pier District for remediation, demolition, seawall replacement, street construction, utility work and a riverfront promenade. During 2004, the beach restoration, lakefront trails, public parking lots, restrooms and a fish cleaning station will be completed. Total project costs for the infrastructure are estimated at \$8 million.

The Sheboygan area will be hosting the 2004 PGA Championship and is now the third ranked golf destination in the United States.

Acuity, a regional property and casualty insurer, is currently expanding their existing facility with a 230,000 square foot addition with an estimated value of \$45 million.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Sheboygan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Finance Department, 828 Center Ave., Sheboygan, Wisconsin, 53081.

## **BASIC FINANCIAL STATEMENTS**

# CITY OF SHEBOYGAN

## STATEMENT OF NET ASSETS Wednesday, December 31, 2003

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 32,671,232	\$ 6,814,242	\$ 39,485,474
Receivables (net of allowance for uncollectible accounts)	36,043,348	2,321,188	38,364,536
Internal balances	481,254	(481,254)	-
Inventory	387,647	160,842	548,489
Investments	17,000,000	-	17,000,000
Deferred Charges	64,960	6,123	71,083
Other Assets	87,497	22,684	110,181
Deposit with CVMIC	2,205,665	-	2,205,665
Restricted assets			
Cash and cash equivalents	-	571,482	571,482
Investments	-	410,000	410,000
Capital assets (net of accumulated depreciation)			
Land	13,398,348	918,896	14,317,244
Other capital assets	22,350,386	37,944,882	60,295,268
Construction in progress	324,910	3,418,171	3,743,081
<b>TOTAL ASSETS</b>	<b>125,015,247</b>	<b>52,107,256</b>	<b>177,122,503</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	10,642,415	1,938,662	12,581,077
Accrued interest payable	558,165	47,029	605,194
Unearned revenue	22,336,817	594,346	22,931,163
Noncurrent liabilities			
Due within one year	8,277,692	518,543	8,796,235
Due in more than one year	70,652,423	6,158,089	76,810,512
<b>TOTAL LIABILITIES</b>	<b>112,467,512</b>	<b>9,256,669</b>	<b>121,724,181</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(21,886,278)	35,605,317	13,719,039
Restricted	1,316,059	784,453	2,100,512
Unrestricted	33,117,954	6,460,817	39,578,771
<b>TOTAL NET ASSETS</b>	<b>\$ 12,547,735</b>	<b>\$ 42,850,587</b>	<b>\$ 55,398,322</b>

Component Units	
Housing Authority	Business Improvement District
\$ 3,497,542	\$ 52,054
17,302	113,928
-	-
-	-
-	-
28,946	-
-	-
68,950	-
-	-
266,510	-
1,728,443	-
-	-
<u>5,607,693</u>	<u>165,982</u>
180,382	1,844
-	-
-	-
-	-
-	-
<u>180,382</u>	<u>1,844</u>
1,994,953	-
-	-
<u>3,432,358</u>	<u>164,138</u>
<u>\$ 5,427,311</u>	<u>\$ 164,138</u>

# CITY OF SHEBOYGAN

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2003

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 4,638,521	\$ 484,589	\$ 2,260,590	\$ 1,350
Public safety	17,195,761	1,560,321	103,623	-
Public works	12,954,443	1,030,440	1,504,178	113,318
Health and human services	366,065	82,711	-	-
Culture, recreation and education	4,131,864	696,048	686,049	-
Conservation and development	6,629,690	58,380	1,332,491	1,343,570
Interest and fiscal charges	2,876,330	-	-	-
Total Governmental Activities	48,792,674	3,912,489	5,886,931	1,458,238
Business Type Activities				
Sewerage System	7,573,025	5,874,498	11,435	-
Water	3,367,830	4,177,442	-	64,030
Transit	3,603,132	504,332	2,020,756	1,577,448
Parking	364,769	354,354	-	-
Boat	39,430	96,971	-	-
Total Business Type Activities	14,948,186	11,007,597	2,032,191	1,641,478
Total primary government	\$ 63,740,860	\$ 14,920,086	\$ 7,919,122	\$ 3,099,716
<b>Component units:</b>				
Business Improvement District	129,707	126,514	-	-
Housing Authority	1,641,772	793,505	642,759	-
Total Component Units	\$ 1,771,479	\$ 920,019	\$ 642,759	\$ -

General Revenues:

Taxes:

  Property taxes non-TIF

  Property taxes, TIF

  Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Gain on sale of capital assets

Miscellaneous

Transfers

  Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

Net (Expenses) Revenues and Changes in Net Assets				
Primary government			Component Units	
Governmental Activities	Business Type Activities	Totals	Housing Authority	Business Improvement District
\$ (1,891,992)	\$ -	\$ (1,891,992)	\$ -	\$ -
(15,531,817)	-	(15,531,817)	-	-
(10,306,507)	-	(10,306,507)	-	-
(283,354)	-	(283,354)	-	-
(2,749,767)	-	(2,749,767)	-	-
(3,895,249)	-	(3,895,249)	-	-
(2,876,330)	-	(2,876,330)	-	-
<u>(37,535,016)</u>	<u>-</u>	<u>(37,535,016)</u>	<u>-</u>	<u>-</u>
-	(1,687,092)	(1,687,092)	-	-
-	873,642	873,642	-	-
-	499,404	499,404	-	-
-	(10,415)	(10,415)	-	-
-	57,541	57,541	-	-
-	<u>(266,920)</u>	<u>(266,920)</u>	<u>-</u>	<u>-</u>
<u>(37,535,016)</u>	<u>(266,920)</u>	<u>(37,801,936)</u>	<u>-</u>	<u>-</u>
-	-	-	-	(3,193)
-	-	-	<u>(205,508)</u>	<u>-</u>
-	-	-	<u>(205,508)</u>	<u>(3,193)</u>
18,050,977	545,000	18,595,977	-	-
3,786,485	-	3,786,485	-	-
889,174	-	889,174	-	-
13,874,356	-	13,874,356	-	-
1,408,113	197,976	1,606,089	57,284	-
403,087	-	403,087	-	-
94,206	111,758	205,964	12,896	-
613,459	<u>(613,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>39,119,857</u>	<u>241,275</u>	<u>39,361,132</u>	<u>70,180</u>	<u>-</u>
1,584,841	(25,645)	1,559,196	(135,328)	(3,193)
<u>10,962,894</u>	<u>42,876,232</u>	<u>53,839,126</u>	<u>5,562,639</u>	<u>167,331</u>
<u>\$ 12,547,735</u>	<u>\$ 42,850,587</u>	<u>\$ 55,398,322</u>	<u>\$ 5,427,311</u>	<u>\$ 164,138</u>

See accompanying notes to financial statements.

**CITY OF SHEBOYGAN**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2003

	<u>General</u>	<u>Debt Service GO Debt</u>	<u>Debt Service TIF Districts</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,721,470	\$ 262,370	\$ 2,540,582
Receivables			
Property Taxes	11,983,440	3,665,018	4,041,758
Accounts	208,308	3,783	229
Special Assessments	312,955	-	12,145
Loans	-	-	-
Interest	34,917	335	5,633
Due from other funds	1,820,508	860,785	-
Due from other governments	-	-	-
Investments	9,200,000	-	-
Advances due from other funds	2,119,238	4,813,791	-
Inventory	358,011	-	-
Other assets	<u>14,289</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$ 29,773,136</b>	<b>\$ 9,606,082</b>	<b>\$ 6,600,347</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 287,496	\$ -	\$ -
Accrued payroll and other liabilities	1,366,197	-	-
Due to other funds	97,370	-	-
Deferred revenues	12,297,137	3,665,018	4,057,127
Advances due to other funds	-	-	6,610,060
Accrued compensated absences	3,254,610	-	-
Total Liabilities	<u>17,302,810</u>	<u>3,665,018</u>	<u>10,667,187</u>
Fund Balances (Deficits)			
Reserved	4,695,753	5,941,064	1,322,697
Unreserved, reported in:			
General fund	7,774,573	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	(5,389,537)
Capital project funds	-	-	-
Total Fund Balances	<u>12,470,326</u>	<u>5,941,064</u>	<u>(4,066,840)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 29,773,136</b>	<b>\$ 9,606,082</b>	<b>\$ 6,600,347</b>

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.

Internal Service Fund Balance

Internal Service Fund internal receivable between Governmental and Business Type Activities

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

Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.

**NET ASSETS OF GOVERNMENTAL FUNDS**

Capital Projects TIF Districts	Other Governmental Funds	Total Governmental Funds
\$ 5,409,045	\$ 14,828,084	\$ 26,761,551
-	2,637,750	22,327,966
23,599	231,533	467,452
-	303,050	628,150
3,000,000	7,244,068	10,244,068
805	14,047	55,737
314,146	-	2,995,439
1,386,205	878,750	2,264,955
-	3,200,000	12,400,000
-	2,020,708	8,953,737
-	29,636	387,647
-	7,942	22,231
<u>\$ 10,133,800</u>	<u>\$ 31,395,568</u>	<u>\$ 87,508,933</u>
\$ 1,243,922	\$ 2,296,719	\$ 3,828,137
-	804,174	2,170,371
303,783	2,079,394	2,480,547
3,000,600	10,147,416	33,167,298
4,323,091	66,533	10,999,684
-	-	3,254,610
<u>8,871,396</u>	<u>15,394,236</u>	<u>55,900,647</u>
1,901,069	5,101,952	18,962,535
-	-	7,774,573
-	1,942,971	1,942,971
-	-	(5,389,537)
<u>(638,665)</u>	<u>8,956,409</u>	<u>8,317,744</u>
<u>1,262,404</u>	<u>16,001,332</u>	<u>31,608,286</u>
<u>\$ 10,133,800</u>	<u>\$ 31,395,568</u>	
		33,494,097
		15,161,930
		19,912
		10,830,481
		<u>(78,566,971)</u>
		<u>\$ 12,547,735</u>

See accompanying notes to financial statements.

**CITY OF SHEBOYGAN**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2003

	<u>General</u>	<u>Debt Service GO Debt</u>	<u>Debt Service TIF Districts</u>
<b>REVENUES</b>			
Taxes	\$ 12,168,310	\$ 3,574,800	\$ 3,805,079
Intergovernmental grants and aids	16,110,479	-	167,924
Special assessments	246,996	-	7,752
Intergovernmental charges for services	190,917	-	-
Licenses and permits	758,515	-	-
Public charges for services	503,411	-	-
Investment income	365,183	88,598	66,842
Fines, forfeits and penalties	643,270	-	-
Loan repayments	-	-	-
Other	242,574	75,000	9,970
Total Revenues	<u>31,229,655</u>	<u>3,738,398</u>	<u>4,057,567</u>
<b>EXPENDITURES</b>			
Current			
General government	4,398,101	-	-
Public safety	16,233,609	-	-
Public works	7,394,660	-	-
Health and human services	375,062	-	-
Culture, recreation and education	2,905,565	-	-
Conservation and development	320,951	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	7,529,662	3,397,361
Interest and fiscal charges	41,780	1,224,512	1,379,787
Total Expenditures	<u>31,669,728</u>	<u>8,754,174</u>	<u>4,777,148</u>
Excess (deficiency) of revenues over expenditures	<u>(440,073)</u>	<u>(5,015,776)</u>	<u>(719,581)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	7,100	-	-
Long-term debt issued	-	4,010,000	-
Transfers in	2,050,280	1,126,799	931,040
Transfers out	<u>(537,111)</u>	<u>-</u>	<u>(3,860,485)</u>
Total Other Financing Sources (Uses)	<u>1,520,269</u>	<u>5,136,799</u>	<u>(2,929,445)</u>
<b>Net Change in Fund Balances</b>	1,080,196	121,023	(3,649,026)
Fund Balances - Beginning of Year	<u>11,390,130</u>	<u>5,820,041</u>	<u>(417,814)</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 12,470,326</u>	<u>\$ 5,941,064</u>	<u>\$ (4,066,840)</u>

Capital Projects TIF Districts	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,178,447	\$ 22,726,636
1,343,570	3,339,800	20,961,773
-	157,274	412,022
21,333	-	212,250
-	411,605	1,170,120
-	1,002,585	1,505,996
54,775	347,146	922,544
-	-	643,270
-	846,954	846,954
1,203	142,383	471,130
<u>1,420,881</u>	<u>9,426,194</u>	<u>49,872,695</u>
-	-	4,398,101
-	-	16,233,609
-	-	7,394,660
-	647	375,709
-	4,147,957	7,053,522
3,746,080	2,248,061	6,315,092
6,733,111	8,224,964	14,958,075
-	140,000	11,067,023
121,210	44,994	2,812,283
<u>10,600,401</u>	<u>14,806,623</u>	<u>70,608,074</u>
<u>(9,179,520)</u>	<u>(5,380,429)</u>	<u>(20,735,379)</u>
-	464,550	471,650
8,916,514	11,760,000	24,686,514
3,921,820	1,062,500	9,092,439
<u>(216,905)</u>	<u>(3,569,996)</u>	<u>(8,184,497)</u>
<u>12,621,429</u>	<u>9,717,054</u>	<u>26,066,106</u>
3,441,909	4,336,625	5,330,727
<u>(2,179,505)</u>	<u>11,664,707</u>	<u>26,277,559</u>
<u>\$ 1,262,404</u>	<u>\$ 16,001,332</u>	<u>\$ 31,608,286</u>

# CITY OF SHEBOYGAN

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2003

---

Net change in fund balances - total governmental funds	\$ 5,330,727
--	--------------

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,147,852) was less than capital outlays (\$8,799,004) in the current period, less loss on disposal.	7,651,152
---	-----------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(13,959,434)
--	--------------

Governmental funds report payments received on the sale of fixed assets as revenues. Only the gain on the sale of fixed assets is recorded as a revenue on the statement of activities. This is the amount by which the payments received exceed the gain on the sale.	(68,563)
--	----------

The collection of special assessments is recorded in the fund financial statements as a revenue when received, while special assessments are recognized in the statement of activities when they are assessed. This amount is the amount the collections exceed the assessments for the current year.	(240,385)
---	-----------

The issuance of loans receivable consumes the current financial resources of governmental funds, while loan payments provides current financial resources. Neither transaction, however, has any effect on net assets.	2,928,572
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(63,257)
---	----------

Internal Service Fund internal receivable/payable between Governmental and Business Type Activities.	19,912
--	--------

Internal Service fund loss.	<u>(13,883)</u>
-----------------------------	-----------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,584,841</u>
---	---------------------

## CITY OF SHEBOYGAN, WISCONSIN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (NON-GAAP)  
GENERAL FUND  
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 12,753,392	\$ 12,753,392	\$ 12,780,572	\$ 27,180
Intergovernmental grants and aids	15,961,374	16,160,756	16,110,479	(50,277)
Special assessments	82,000	82,000	246,996	164,996
Intergovernmental charges for services	253,672	159,017	190,917	31,900
Licenses and permits	493,562	499,933	758,515	258,582
Public charges for services	448,600	451,586	503,411	51,825
Investment income	295,000	295,000	365,183	70,183
Fines, forfeits and penalties	661,000	661,000	643,270	(17,730)
Other	104,600	189,088	242,574	53,486
Total Revenues	<u>31,053,200</u>	<u>31,251,772</u>	<u>31,841,917</u>	<u>590,145</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Council	137,900	145,540	138,473	7,067
Mayor	245,691	249,125	241,770	7,355
City Clerk	315,582	330,035	322,991	7,044
Elections	36,722	31,722	29,583	2,139
Finance	1,415,399	1,454,728	1,403,386	51,342
Assessor	410,078	420,766	418,208	2,558
Personnel	404,784	410,206	393,248	16,958
City Attorney	349,051	362,028	360,218	1,810
City insurance	147,507	515,172	161,253	353,919
City buildings	863,921	899,019	894,157	4,862
Board of Review	665	665	427	238
Fringe benefits	210,086	111,124	34,387	76,737
	<u>4,537,386</u>	<u>4,930,130</u>	<u>4,398,101</u>	<u>532,029</u>
<b>PUBLIC SAFETY</b>				
Police	9,476,486	10,038,012	9,713,816	324,196
Fire	6,057,637	6,263,772	6,070,748	193,024
Building inspection	459,090	469,500	442,250	27,250
Emergency operations	1,700	2,200	2,036	164
Civil defense	9,757	13,517	4,746	8,771
Fire & Police commission	200	200	13	187
	<u>16,004,870</u>	<u>16,787,201</u>	<u>16,233,609</u>	<u>553,592</u>

**CITY OF SHEBOYGAN, WISCONSIN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL (NON-GAAP)  
 GENERAL FUND  
 For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>PUBLIC WORKS</b>				
Department of Public Works	\$ 304,258	\$ 329,565	\$ 328,944	\$ 621
Engineering	669,067	684,452	674,724	9,728
Streets	4,052,525	4,137,343	3,877,882	259,461
Sanitation Department	2,684,951	2,715,424	2,494,426	220,998
Incinerator	14,000	14,000	9,417	4,583
Boat facilities	8,449	9,314	9,267	47
	<u>7,733,250</u>	<u>7,890,098</u>	<u>7,394,660</u>	<u>495,438</u>
<b>HEALTH AND HUMAN SERVICES</b>				
Health	45,792	52,463	52,458	5
Cemetery	300,625	322,914	322,604	310
	<u>346,417</u>	<u>375,377</u>	<u>375,062</u>	<u>315</u>
<b>CULTURE, RECREATION AND EDUCATION</b>				
Park Department	2,589,729	2,692,314	2,577,988	114,326
Celebrations	27,249	144,269	86,838	57,431
Senior Citizens Center	241,526	245,043	240,739	4,304
	<u>2,858,504</u>	<u>3,081,626</u>	<u>2,905,565</u>	<u>176,061</u>
<b>CONSERVATION AND DEVELOPMENT</b>				
City development	325,738	347,893	320,951	26,942
<b>DEBT SERVICE</b>				
Debt issue costs	29,400	29,625	29,625	-
Bad debt expense	6,500	12,155	12,155	-
	<u>35,900</u>	<u>41,780</u>	<u>41,780</u>	<u>-</u>
Total Expenditures	<u>31,842,065</u>	<u>33,454,105</u>	<u>31,669,728</u>	<u>1,784,377</u>
Excess (Deficiency) of Revenues Over Expenditures	(788,865)	(2,202,333)	172,189	2,374,522
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	7,100	7,100
Transfers in	71,000	1,596,788	1,438,018	(158,770)
Transfers out	(8,135)	(542,130)	(537,111)	5,019
Excess (Deficiency) of Revenues and Other Sources (Uses) Over Expenditures	(726,000)	(1,147,675)	1,080,196	2,227,871
Fund Balances - Beginning of Year	<u>11,390,130</u>	<u>11,390,130</u>	<u>11,390,130</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 10,664,130</u>	<u>\$ 10,242,455</u>	<u>\$ 12,470,326</u>	<u>\$ 2,227,871</u>

# CITY OF SHEBOYGAN

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS December 31, 2003

	Business Type Activities - Enterprise Funds			Totals
	Sewerage System	Water Utility	Other Enterprise Funds	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 3,576,940	\$ 1,877,263	\$ 1,360,039	\$ 6,814,242
Receivables				
Property taxes	-	-	545,000	545,000
Accounts	885,782	581,401	17,601	1,484,784
Interest	845	8,844	3,052	12,741
Due from other funds	17,330	80,040	-	97,370
Due from other governments	-	-	54,905	54,905
Inventory	-	150,422	10,420	160,842
Other assets	3,661	15,432	3,591	22,684
Total Current Assets	4,484,558	2,713,402	1,994,608	9,192,568
Noncurrent Assets				
Restricted Assets				
Cash and cash equivalents	524,630	46,852	-	571,482
Investments	-	410,000	-	410,000
Capital assets				
Land	2,000	47,981	868,915	918,896
Other capital assets	42,404,940	30,814,051	12,084,131	85,303,122
Accumulated depreciation	(30,503,417)	(8,253,987)	(8,600,836)	(47,358,240)
Construction work in progress	2,950,092	468,079	-	3,418,171
Other Assets				
Investments	-	-	-	-
Special assessments receivable	17,061	125,125	81,572	223,758
Advances to other funds	-	-	66,533	66,533
Unamortized debt issue costs	-	6,123	-	6,123
Deposit with CVMIC	-	-	-	-
Total Noncurrent Assets	15,395,306	23,664,224	4,500,315	43,559,845
<b>TOTAL ASSETS</b>	<b>19,879,864</b>	<b>26,377,626</b>	<b>6,494,923</b>	<b>52,752,413</b>

---

Governmental  
Activities -  
Internal  
Service  
Funds

---

\$ 5,909,681

-

32,218

22,592

-

210

-

65,266

---

6,029,967

-

-

-

8,820,622

(6,241,075)

-

4,600,000

-

1,992,397

-

2,205,665

---

11,377,609

---

17,407,576

**CITY OF SHEBOYGAN**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 December 31, 2003

	Business Type Activities - Enterprise Funds			Totals
	Sewerage System	Water Utility	Other Enterprise Funds	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 734,124	\$ 132,382	\$ 110,045	\$ 976,551
Accrued liabilities	241,507	378,515	283,382	903,404
Current portion of long-term debt	-	-	-	-
Accrued interest payable	-	-	-	-
Deferred revenues	11,545	-	549,039	560,584
Due to other funds	-	612,262	-	612,262
Due to other governments	58,707	-	-	58,707
Total Current Liabilities	<u>1,045,883</u>	<u>1,123,159</u>	<u>942,466</u>	<u>3,111,508</u>
Current Liabilities payable from Restricted Assets				
Current portion of long-term debt	368,543	150,000	-	518,543
Accrued interest payable	28,934	18,095	-	47,029
Total Current Liabilities Payable from Restricted Assets	<u>397,477</u>	<u>168,095</u>	<u>-</u>	<u>565,572</u>
Noncurrent Liabilities				
Long-term debt	5,133,089	1,025,000	-	6,158,089
Deferred revenue	10,915	22,847	-	33,762
Advances due to other funds	-	-	12,983	12,983
Total noncurrent liabilities	<u>5,144,004</u>	<u>1,047,847</u>	<u>12,983</u>	<u>6,204,834</u>
<b>TOTAL LIABILITIES</b>	<u>6,587,364</u>	<u>2,339,101</u>	<u>955,449</u>	<u>9,881,914</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	9,351,983	21,901,124	4,352,210	35,605,317
Restricted for bond requirements	495,696	288,757	-	784,453
Unrestricted	3,444,821	1,848,644	1,187,264	6,480,729
<b>TOTAL NET ASSETS</b>	<u>\$ 13,292,500</u>	<u>\$ 24,038,525</u>	<u>\$ 5,539,474</u>	<u>\$ 42,870,499</u>
Amounts reported for business type activities in the statement of net assets are different because:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(19,912)</u>
<b>NET ASSETS OF BUSINESS TYPE ACTIVITY FUNDS</b>				<u>\$ 42,850,587</u>

---

Governmental  
Activities -  
Internal  
Service  
Funds

---

\$ 220,680  
1,168,617  
183,260  
16,279  
-  
-  
-  

---

1,588,836

-  
-  

---

-

656,810  
-  
-  

---

656,810

---

2,245,646

2,579,547  
-  

---

12,582,383

\$ 15,161,930

**CITY OF SHEBOYGAN**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2003

	Business Type Activities - Enterprise Funds			Totals
	Sewerage System	Water Utility	Other Enterprise Funds	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,873,503	\$ 4,101,168	\$ 947,571	\$ 10,922,242
Other	995	76,274	8,086	85,355
Total Operating Revenues	<u>5,874,498</u>	<u>4,177,442</u>	<u>955,657</u>	<u>11,007,597</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,467,968	1,353,214	2,541,530	5,362,712
Contractual services	1,762,834	411,905	697,636	2,872,375
Supplies and material	355,944	579,910	138,853	1,074,707
Depreciation	2,045,364	547,662	478,196	3,071,222
Insurance and other	1,708,217	380,030	140,918	2,229,165
Total Operating Expenses	<u>7,340,327</u>	<u>3,272,721</u>	<u>3,997,133</u>	<u>14,610,181</u>
Operating Income (Loss)	<u>(1,465,829)</u>	<u>904,721</u>	<u>(3,041,476)</u>	<u>(3,602,584)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Taxes	-	-	545,000	545,000
Intergovernmental grants and aids	11,435	-	2,020,756	2,032,191
Investment income	113,122	60,365	24,489	197,976
Interest and fiscal charges	(206,533)	(94,208)	(242)	(300,983)
Amortization of debt discount	(16,209)	(901)	-	(17,110)
Miscellaneous revenue	40,941	-	70,817	111,758
Total Nonoperating Revenues (Expenses)	<u>(57,244)</u>	<u>(34,744)</u>	<u>2,660,820</u>	<u>2,568,832</u>
Income (loss) before contributions and transfers	<u>(1,523,073)</u>	<u>869,977</u>	<u>(380,656)</u>	<u>(1,033,752)</u>
<b>CAPITAL CONTRIBUTIONS</b>	-	64,030	1,577,448	1,641,478
<b>TRANSFERS IN</b>	-	-	12,220	12,220
<b>TRANSFERS OUT</b>	<u>(41,712)</u>	<u>(583,967)</u>	<u>-</u>	<u>(625,679)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(1,564,785)</u>	<u>350,040</u>	<u>1,209,012</u>	<u>(5,733)</u>
TOTAL NET ASSETS - Beginning of Year	<u>14,857,285</u>	<u>23,688,485</u>	<u>4,330,462</u>	
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u>\$ 13,292,500</u>	<u>\$ 24,038,525</u>	<u>\$ 5,539,474</u>	

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

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (19,912)

**CHANGE IN NET ASSETS OF BUSINESS TYPE ACTIVITIES** \$ (25,645)

---

Governmental  
Activities -  
Internal  
Service  
Funds

---

\$ 8,068,860  

---

-  

---

8,068,860

514,036  
928,960  
16,666  
785,172  

---

6,042,459  

---

8,287,293

---

(218,433)

-  
94,604  
454,112  
(76,582)  
(683)  

---

27,582  

---

499,033

280,600

-  
20,517  

---

(315,000)

(13,883)

---

15,175,813

---

\$ 15,161,930

**CITY OF SHEBOYGAN**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 For the Year Ended December 31, 2003

	Business Type Activities - Enterprise Funds			Totals
	Sewerage System	Water Utility	Other Enterprise Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 5,874,714	\$ 4,241,260	\$ 1,029,306	\$ 11,145,280
Payments to suppliers for goods and services	(4,297,599)	(1,442,040)	(963,128)	(6,702,767)
Payments to employees for services	(996,270)	(1,223,906)	(2,541,530)	(4,761,706)
Net Cash Flows Provided (Used) by Operating Activities	<u>580,845</u>	<u>1,575,314</u>	<u>(2,475,352)</u>	<u>(319,193)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	-	12,220	12,220
Transfer out	(41,712)	-	-	(41,712)
Payments to municipality for tax equivalent Taxes	-	(579,279)	-	(579,279)
Advances to other funds	-	-	545,000	545,000
Intergovernmental grants and aids	-	-	2,020,756	2,020,756
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(41,712)</u>	<u>(579,279)</u>	<u>2,577,976</u>	<u>1,956,985</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(3,051,521)	(1,386,423)	(116,034)	(4,553,978)
Collection of special assessments	4,378	16,832	48,012	69,222
Contributed capital	-	64,030	-	64,030
Principal paid on long-term debt	(1,097,273)	(150,000)	(8,370)	(1,255,643)
Interest and fees on long-term debt	(211,067)	(96,458)	(242)	(307,767)
Payments of advances to other funds	-	-	(747)	(747)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(4,355,483)</u>	<u>(1,552,019)</u>	<u>(77,381)</u>	<u>(5,984,883)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	128,037	63,715	24,946	216,698
Investments purchased	-	-	(3,104)	(3,104)
Proceeds from matured investments	-	-	2,419	2,419
Principal paid on long term debt	-	-	-	-
Interest and fees on long-term debt	-	-	-	-
Net Cash Flows Provided (Used) by Investing Activities	<u>128,037</u>	<u>63,715</u>	<u>24,261</u>	<u>216,013</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(3,688,313)</b>	<b>(492,269)</b>	<b>49,504</b>	<b>(4,131,078)</b>
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>7,789,883</u>	<u>2,416,384</u>	<u>1,310,535</u>	<u>11,516,802</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b><u>\$ 4,101,570</u></b>	<b><u>\$ 1,924,115</u></b>	<b><u>\$ 1,360,039</u></b>	<b><u>\$ 7,385,724</u></b>

---

Governmental  
Activities -  
Internal  
Service  
Funds

---

\$ 8,145,680  
(6,916,319)  
(331,910)

897,451

20,517  
(315,000)

-  
-  
(1,992,397)  
94,604

(2,192,276)

(327,871)

-  
-  
-  
-  
-

(327,871)

475,492  
(4,600,000)

-  
(168,245)  
(80,404)

(4,373,157)

(5,995,853)

11,905,534

\$ 5,909,681

# CITY OF SHEBOYGAN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Concluded) For the Year Ended December 31, 2003

	Business Type Activities - Enterprise Funds			Totals
	Sewerage System	Water Utility	Other Enterprise Funds	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (1,465,829)	\$ 904,721	\$ (3,041,476)	\$ (3,602,584)
Adjustments to reconcile operating income (loss) to net cash flows provided (used) by operating activities				
Non cash items included in operating income				
Depreciation	2,045,364	547,662	478,196	3,071,222
Depreciation allocated to other accounts	-	59,287	-	59,287
Miscellaneous revenue	52,375	-	70,817	123,192
Changes in assets and liabilities				
Accounts receivable	(43,088)	25,181	6,245	(11,662)
Due from other funds	(568)	(9,737)	18,968	8,663
Inventory	-	1,581	-	1,581
Other assets	(534)	1,904	(3,509)	(2,139)
Accounts payable	398,448	7,681	9,318	415,447
Accrued liabilities	31,695	37,034	7,720	76,449
Due to other funds	-	-	750	750
Deferred revenues	(8,503)	-	(22,381)	(30,884)
Due to other governments	(428,515)	-	-	(428,515)
Net Cash Flows Provided by (Used in) Operating Activities	<u>\$ 580,845</u>	<u>\$ 1,575,314</u>	<u>\$ (2,475,352)</u>	<u>\$ (319,193)</u>
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS</b>				
Cash and cash equivalents - unrestricted	\$ 3,576,940	\$ 1,877,263	\$ 1,360,039	\$ 6,814,242
Cash and cash equivalents - restricted	<u>524,630</u>	<u>46,852</u>	<u>-</u>	<u>571,482</u>
<b>CASH AND CASH EQUIVALENTS</b>	<u><b>\$ 4,101,570</b></u>	<u><b>\$ 1,924,115</b></u>	<u><b>\$ 1,360,039</b></u>	<u><b>\$ 7,385,724</b></u>
 <b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special Assessment levied	<u>\$ -</u>	<u>\$ 14,502</u>	<u>\$ 79,744</u>	<u>\$ 94,246</u>

---

Governmental  
Activities -  
Internal  
Service  
Funds

---

\$ (218,433)

785,172

-

27,582

49,448

(210)

-

(34,056)

104,155

183,793

-

-

-

---

\$ 897,451

\$ 5,909,681

-

---

\$ 5,909,681

\$ -

**CITY OF SHEBOYGAN**

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 December 31, 2003

	Agency Funds		
	Property Tax Collection	Business Improvement District	Totals
<b>ASSETS</b>			
Cash and investments	\$ 16,188,270	\$ 3,484	\$ 16,191,754
Receivables			
Taxes receivable	23,961,995	104,244	24,066,239
Interest	-	6	6
TOTAL ASSETS	<u>\$ 40,150,265</u>	<u>\$ 107,734</u>	<u>\$ 40,257,999</u>
<b>LIABILITIES</b>			
Due to other governments	\$ 40,150,265	\$ -	\$ 40,150,265
Other Liabilities	-	107,734	107,734
TOTAL LIABILITIES	<u>40,150,265</u>	<u>107,734</u>	<u>40,257,999</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# CITY OF SHEBOYGAN

## INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

<b>NOTE</b>	<b>Page</b>
I. Summary of Significant Accounting Policies	39
A. Reporting Entity	39
B. Government-Wide and Fund Financial Statements	39
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	43
D. Assets, Liabilities, and Net Assets or Equity	46
1. Deposits and Investments	46
2. Receivables	47
3. Inventories and Prepaid Items	48
4. Restricted Assets	48
5. Capital Assets	49
6. Other Assets	50
7. Compensated Absences	50
8. Long-Term Obligations/Conduit Debt	51
9. Claims and Judgments	51
10. Equity Classifications	52
II. Reconciliation of Government-Wide and Fund Financial Statements	53
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Assets	53
B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities	54
C. Detailed Explanation of Adjustment to Prior Year Ending Balances to Current Year Beginning Balances Used on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance And the Statement of Activities	56
III. Stewardship, Compliance, and Accountability	57
A. Budgetary Information	57
B. Excess Expenditures Over Appropriations	57
C. Deficit Balances	57
IV. Detailed Notes on All Funds	58
A. Deposits and Investments	58
B. Receivables	59
C. Restricted assets	60
D. Capital Assets	61
E. Interfund Receivables/Payables and Transfers	64
F. Long-Term Obligations	67
G. Lease Disclosures	73
H. Net Assets/Fund Balances	73
I. Restatement of Fund Balances/Net Assets	77
J. Component Units	78

# CITY OF SHEBOYGAN

## INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

<b>NOTE</b>	<u>Page</u>
V. Other Information	80
A. Employees' Retirement System	80
B. Risk Management	81
C. Commitments and Contingencies	83
D. Subsequent Events	83
E. Post Retirement Benefits	83

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

The accounting policies of the City of Sheboygan, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

#### **A. REPORTING ENTITY**

This report includes all of the funds of the City of Sheboygan. The reporting entity for the city consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting 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. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

The government-wide financial statements include both the Housing Authority of the City of Sheboygan and the Harbor Centre Business Improvement District as component units. They are both legally separate organizations. The governing body's of both are appointed by the city common council. Wisconsin Statutes provide for circumstances whereby the city can impose their will on both, and also create a potential financial benefit to or burden on the city. See Note IV.I. As component units, both financial statements have been presented in a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2003 for the Harbor Centre Business Improvement District and for the fiscal year ended March 31, 2003 for the Housing Authority of the City of Sheboygan.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

In June 1999, GASB issued Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) and in June 2001, issued Statement No. 37 *Basic Financial Statement – and Management's Discussion and Analysis – For State and Local Governments – Omnibus*, (GASB 37), and Statement No. 38 *Certain Financial Statement Note Disclosures* (GASB 38).

The City of Sheboygan implemented these standards effective January 1, 2003.

Statements No. 34 and 37, among many other changes, add two new "government-wide" financial statements as basic financial statements required for all governmental units. The statement of net assets and the statement of activities are the two new required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the city used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements. Statement No. 38 requires additional note disclosures.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

---

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)***

In addition, all funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note I.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

#### ***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect expenses to functions in the Statement of Activities. 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 or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

#### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

##### ***Fund Financial Statements*** (continued)

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the city's management believes is particularly important to financial statement users may be reported as a major fund.

The city reports the following major governmental funds:

*General Fund* – accounts for the city's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

*Debt Service General Obligation Debt Fund* – accounts for the accumulation of resources for, and the payments of, the principal and interest on the city's general obligation debt.

*Debt Service Tax Increment Financing Districts Fund* – accounts for the accumulation of resources for, and the payments of, the principal and interest on the city's tax incremental financing debt.

*Capital Projects Tax Increment Financing Districts Fund* – accounts for financial resources to be used for the acquisition of equipment or construction of major capital facilities located in the city's tax increment districts.

The city reports the following major enterprise funds:

*Sewerage System* – used to account for the operations of the sanitary sewer system.

*Water Utility* – used to account for the operations of the water system.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** (continued)

##### **Fund Financial Statements** (continued)

The city reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Community Development Block Grant
- Revolving Loan funds
- Mead Library
- Cable TV
- Tourism Promotion
- Harbor Centre Marina
- Police Meg Unit
- Special Assessment
- Redevelopment Authority
- E.H. May Environmental Park

Capital Projects Funds – used to account for financial resources to be used for the acquisition of equipment or construction of major capital facilities.

- Capital Projects Tax Levy
- Capital Projects Bonded

Permanent Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

- Cemetery Perpetual Care
- Library Trust

Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

- Transit Commission
- Parking Utility
- Boat Facility

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

##### ***Fund Financial Statements*** (continued)

In addition, the city reports the following fund types:

Internal service funds - used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

- Motor Vehicle
- Data Processing
- Health Self Insurance
- Worker Compensation Self Insurance
- General Liability Self Insurance

Agency Funds - used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

- Property Tax Collection
- Business Improvement District

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

##### ***Government-Wide Financial Statements***

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type funds have elected to follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board Pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's water and sewerage system utilities, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION** (continued)

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The city reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the city has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the city has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION** (continued)

##### ***Fund Financial Statements*** (continued)

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds have elected to follow all issues of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989. The 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 proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***All Financial Statements***

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

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY***

##### ***1. Deposits and Investments***

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

Investment of city funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, drainage district, technical college district, city, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

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. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

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, 2003, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these financial statements.

See Note IV.A. for further information.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)**

##### **2. Receivables**

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying balance sheet.

Property tax calendar – 2003 tax roll:

Lien date and levy date	December 2003
Tax bills mailed	December 2003
Payment in full, or	
First installment due	January 31, 2004
Second installment due to county	July 31, 2004
Personal property taxes in full	January 31, 2004
Tax settlements	
First settlement	January 15, 2004
Second settlement	February 20, 2004
Final settlement	August 15, 2004
Tax deed by county – 2003	
Delinquent real estate taxes	October 2006

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewerage system utilities because they have the right by law to place delinquent bills on the tax roll.

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

The city has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The city records a loan receivable when the loan has been made and funds have been disbursed. All loans are considered collectible and no allowance for uncollectible accounts has been established.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY** (continued)

##### **2. Receivables** (continued)

It is the city's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

##### **3. Inventories and Prepaid Items**

Governmental fund inventories are recorded at cost based on the average cost method using the consumption method of accounting. Proprietary fund inventories are generally used for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### **4. Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (continued)**

##### **5. Capital Assets**

###### **Government–Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for both general capital assets and infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34 governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2007, when GASB 34 requires the city to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2003, the city has not retroactively reported all network infrastructure acquired by its governmental fund types.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No capitalized interest was recorded during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. One half year of depreciation is recorded on assets placed in service in the first six months of the year. No depreciation is recorded on assets placed in service in the last six months of the year. The range of estimated useful lives by type of asset is as follows:

Buildings and Building Improvements	25-45 Years
Machinery and Equipment	3-25 Years
Utility System	15-108 Years
Infrastructure	20-50 Years

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY** (continued)

##### **5. Capital Assets** (continued)

###### ***Fund Financial Statements***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

##### **6. Other Assets**

In governmental funds, debt issuance costs, if any, are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

##### **7. Compensated Absences**

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

Employees accumulate vacation, sick leave and other benefits at various rates depending on classification and length of service. Terminated employees are paid for their unused vacation time. Accrued vacation and vested sick pay is recognized as an expenditure or expense as the benefits accrue to the employees and are funded currently.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2003 are determined on the basis of current salary rates and include salary related payments.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY*** (continued)

##### ***8. Long-Term Obligations/Conduit Debt***

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the balance sheet.

The city has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$41.2 million, made up of 9 issues.

##### ***9. 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 that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

---

#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY** (continued)

##### **10. Equity Classifications**

###### **Government–Wide Statements**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either 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.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

###### **Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

---

#### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long-term assets that are not available to pay for current period expenditures and therefore are deferred in the funds.” The details of this difference are as follows:

Special Assessments	\$ 586,415
Loans receivable	<u>10,244,066</u>
	<u>\$ 10,830,481</u>

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Capital assets, net of accumulated depreciation	\$ 36,073,644
Less amounts reported in the Internal Service Funds	<u>(2,579,547)</u>
	<u>\$ 33,494,097</u>

Long-term liabilities applicable to the city’s governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets.

Bonds and notes payable	\$ 78,090,045
Accrued interest	541,886
Unamortized debt issue costs	<u>(64,960)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 78,566,971</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

---

#### ***B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES***

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “some revenues in the statement of activities do not result in the availability of current financial resources and, therefore, are not reported as revenues in the funds.” The details of this difference are as follows:

Special assessments collected	\$ <u>(240,385)</u>
-------------------------------	---------------------

Another element of that reconciliation states that “the issuance of loans receivable consumes the current financial resources of governmental funds, while the loan payments provides current financial resources. Neither transaction, however, has any effect on net assets.” The details of this difference are as follows:

Loans issued	\$ 3,775,526
Loan payments received	<u>(846,954)</u>
	<u>\$ 2,928,572</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

---

#### **B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)**

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued or incurred	
Issuance of general long-term debt	24,686,514
Other long-term liabilities	789,127
Principal repayments	
General long-term debt	(10,999,380)
Less amounts reported in the Internal Service Fund	168,245
Other long-term liabilities	(609,280)
Debt issue costs paid	<u>(75,792)</u>
Net adjustment to decrease <i>net changes in fund balances - total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 13,959,434</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.” The details of this difference are as follows:

Accrued interest payable	\$ 52,425
Amortization of debt discount and issuance costs	<u>10,832</u>
Net adjustment to decrease <i>net changes in fund balances - total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 63,257</u>



# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

---

#### **A. BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C. except the actual (non-GAAP) revenues presented reflect actual (GAAP) revenues adjusted for the payment in lieu of taxes for the Water Utility reported as a transfer under GAAP.

A budget has been adopted for the General, Special Revenue and Debt Service Funds. Budgets have not been formally adopted for the Capital Projects Fund.

The budgeted amounts presented include any amendments made. The Finance Committee or the Director of Finance may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Supplemental appropriations during the year were \$2,146,035. Appropriations lapse at year-end unless specifically carried over. Budgets are adopted at the department level of expenditures.

#### **B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The following appropriation units have an excess of actual expenditures over appropriations for the year ended December 31, 2003:

<u>Fund</u>	<u>Amount</u>
Special revenue fund:	
Revolving Loan	\$ 41,000
Tourism Promotion	354,462
Harbor Center Marina	150,281
Special Assessment	161,805
Debt Service fund	
Tax Increment Financing District	3,179,062

#### **C. DEFICIT BALANCES**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2003, the following individual funds held a deficit balance:

Special Revenue Funds	
Harbor Centre Marina	\$ 905,655
Debt Service Funds	
Tax Incremental Financing District	4,066,840

The Tax Incremental Financing District deficit is anticipated to be funded with future incremental taxes levied over the life of the District.

The Harbor Centre Marina deficit is anticipated to be funded over time by an increase in charges for services revenue.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

### NOTE IV – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The city's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the city or its agent in the city's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the city's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the city's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments, with securities held by the counterparty or its trust department or agent but not in the city's name.

	Category			Totals	Carrying Amount/ Fair Value
	1	2	3		Totals
Local and area banks	\$ 200,000	\$ -	\$ 3,488,261	\$ 3,688,261	\$ 10,842,483
Repurchase Agreements	-	2,334,461	-	2,334,461	2,334,461
U.S. Government Securities	17,410,000	-	-	17,410,000	17,410,000
Subtotals	\$ 17,610,000	\$ 2,334,461	\$ 3,488,261	\$ 23,432,722	
Local government investment pool					43,065,175
Petty cash					6,591
Total Deposits and Investments					\$ 73,658,710
Per statement of net assets					
Government and Business type activities					\$ 39,485,474
Unrestricted cash and cash equivalents					
Business type activities					571,482
Restricted cash and cash equivalents					
Restricted investments					410,000
Unrestricted investments					17,000,000
Per statement of fiduciary net assets – fiduciary funds					16,191,754
Total					\$ 73,658,710

The city had no significant type of investment during the year not included in the above schedule.

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the insured amounts above.

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**A. DEPOSITS AND INVESTMENTS (continued)**

Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

Fluctuating cash flows due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in temporary balances significantly during the year exceeding uninsured amounts at the balance sheet date.

**B. RECEIVABLES**

Receivable amounts not expected to be collected within one year are as follows:

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts	Nonmajor and Other Funds	Total
Accounts	\$ 51,522	\$ 3,783	\$ -	\$ -	\$ -	\$ 55,305
Special assessments	312,955	-	12,145	-	303,050	628,150
Loans	-	-	-	3,000,000	7,244,068	10,244,068
	<u>\$ 364,477</u>	<u>\$ 3,783</u>	<u>\$ 12,145</u>	<u>\$ 3,000,000</u>	<u>\$ 7,547,118</u>	<u>\$ 10,927,523</u>

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

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 22,194,172	\$ 22,194,172
Special assessments not yet due	586,413	-	586,413
Other unearned deposits	-	142,645	142,645
Loans receivable	<u>10,244,068</u>	<u>-</u>	<u>10,244,068</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 10,830,481</u>	<u>\$ 22,336,817</u>	<u>\$ 33,167,298</u>

For economic development loans, the city is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans that it may retain and loan to other businesses. Program income includes interest received from economic development loans repayments. Based upon its current population, the city may retain \$750,000.

At December 31, 2003, the city has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

**Long Term Debt Accounts**

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
- Construction – Used to report proceeds of revenue bond issuances that are restricted for use in construction.

**Equipment Replacement Account**

The sewerage system utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets for the sewerage system utility at December 31, 2003:

	Restricted Assets	Liabilities Payable from Restricted Assets	Net Assets
Bond redemption account	\$ 274,630	\$ 28,934	\$ 245,696
Bond depreciation account	250,000	-	250,000
Totals	<u>\$ 524,630</u>	<u>\$ 28,934</u>	<u>\$ 495,696</u>

Following is a list of restricted assets for the water utility at December 31, 2003:

	Restricted Assets	Payable from Restricted Assets	Net Assets
Bond redemption account	\$ 49,739	\$ 18,095	\$ 31,644
Bond reserve account	257,113	-	257,113
Bond depreciation account	150,000	-	150,000
Totals	<u>\$ 456,852</u>	<u>\$ 18,095</u>	<u>\$ 438,757</u>

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 13,463,502	\$ -	\$ 65,154	\$ 13,398,348
Construction in progress	<u>-</u>	<u>324,910</u>	<u>-</u>	<u>324,910</u>
Total Capital Assets Not Being Depreciated	<u>13,463,502</u>	<u>324,910</u>	<u>65,154</u>	<u>13,723,258</u>
Capital assets being depreciated				
Buildings	15,993,939	-	-	15,993,939
Improvements other than buildings	9,070,469	-	-	9,070,469
Machinery and equipment	18,279,089	721,639	161,105	18,839,623
Infrastructure	<u>-</u>	<u>8,076,916</u>	<u>-</u>	<u>8,076,916</u>
Total Capital Assets Being Depreciated	<u>43,343,497</u>	<u>8,798,555</u>	<u>161,105</u>	<u>51,980,947</u>
Less: Accumulated Depreciation for				
Buildings	9,669,286	299,532	-	9,968,818
Improvements other than buildings	5,999,143	241,540	-	6,240,683
Machinery and equipment	<u>12,189,531</u>	<u>1,391,951</u>	<u>160,422</u>	<u>13,421,060</u>
Total Accumulated Depreciation	<u>27,857,960</u>	<u>1,933,023</u>	<u>160,422</u>	<u>29,630,561</u>
Net Capital Assets being Depreciated	<u>15,485,537</u>	<u>6,865,532</u>	<u>683</u>	<u>22,350,386</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 28,949,039</u>	<u>\$ 7,190,442</u>	<u>\$ 65,837</u>	<u>\$ 36,073,644</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

---

#### **D. CAPITAL ASSETS** (continued)

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 123,417
Public safety	818,844
Public works	515,305
Health and human services	18,492
Culture, recreation and education	445,744
Conservation and development	<u>11,221</u>
Total Governmental Activities Depreciation Expense	<u>\$ 1,933,023</u>

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**D. CAPITAL ASSETS (continued)**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 918,896	\$ -	\$ -	\$ 918,896
Construction in progress	<u>554,437</u>	<u>2,950,092</u>	<u>86,358</u>	<u>3,418,171</u>
Total Capital Assets Not Being Depreciated	<u>1,473,333</u>	<u>2,950,092</u>	<u>86,358</u>	<u>4,337,067</u>
Capital assets being depreciated				
Buildings and improvements	16,430,938	42,082	14,174	16,458,846
Improvements other than buildings	38,262,828	1,212,270	61,144	39,413,954
Machinery and equipment	27,529,145	1,823,069	293,519	29,058,695
Infrastructure	<u>276,560</u>	<u>95,067</u>	<u>-</u>	<u>371,627</u>
Total Capital Assets Being Depreciated	<u>82,499,471</u>	<u>3,172,488</u>	<u>368,837</u>	<u>85,303,122</u>
Less: Accumulated Depreciation for				
Buildings and improvements	8,538,783	389,953	14,174	8,914,562
Improvements other than buildings	15,003,527	1,532,127	76,344	16,459,310
Machinery and equipment	21,054,255	1,219,117	294,535	21,978,837
Infrastructure	<u>-</u>	<u>5,531</u>	<u>-</u>	<u>5,531</u>
Total Accumulated Depreciation	<u>44,596,565</u>	<u>3,146,728</u>	<u>385,053</u>	<u>47,358,240</u>
Net Capital Assets being Depreciated	<u>37,902,906</u>	<u>25,760</u>	<u>(16,216)</u>	<u>37,944,882</u>
Business-Type Activities				
Capital Assets, Net of Accumulated Depreciation	<u>\$ 39,376,239</u>	<u>\$ 2,975,852</u>	<u>\$ 70,142</u>	<u>\$ 42,281,949</u>

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**D. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

<b>Business-Type Activities</b>	
Sewerage System	\$ 2,045,364
Water	623,168
Transit Commission	397,525
Parking Utility	69,847
Boat Facility	<u>10,824</u>
Total Business-Type Activities	
Depreciation Expense	<u>\$ 3,146,728</u>

**E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The following is a schedule of interfund receivables and payables including overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund - Police Meg Unit	\$ 1,703
General Fund	Special Revenue Fund - CDBG	404,264
General Fund	Capital Projects Fund - TIF District	303,783
General Fund	Capital Projects Fund - Capital Projects	498,496
General Fund	Enterprise Funds - Water Utility	612,262
Debt Service Funds - GO Debt	Special Revenue Fund - Harbor Centre Marina	860,785
Capital Projects Funds TIF Districts	Special Revenue Fund - CDBG	<u>314,146</u>
		<u>2,995,439</u>
Enterprise Funds - Sewer	General Fund	17,330
Enterprise Funds - Water	General Fund	<u>80,040</u>
		<u>97,370</u>
		<u>\$ 3,092,809</u>

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

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

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

***E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)***

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount not Due Within One Year</u>
General Fund	Debt Service Fund - TIF Districts	\$ 657,323	\$ 657,323
	Capital Projects Funds - TIF Districts	1,448,932	1,448,932
	Enterprise Fund - Parking Utility	12,983	12,983
Debt Service Fund - GO Debt	Debt Service Fund - TIF Districts	4,368,760	4,368,760
	Capital Projects Funds - TIF Districts	445,031	445,031
Capital Projects Fund - Tax Levy	Debt Service Fund - TIF Districts	594,439	594,439
	Capital Projects Funds - TIF Districts	<u>1,426,269</u>	<u>1,426,269</u>
		<u>8,953,737</u>	<u>8,953,737</u>
 Enterprise Fund - Boat Facility	Special Revenue Fund Harbor Centre Marina	 <u>66,533</u>	 <u>66,533</u>
 Internal Service Fund Motor Vehicle	Debt Service Fund - TIF Districts Capital Projects Funds - TIF Districts	 989,536 <u>1,002,861</u>	 989,536 <u>1,002,861</u>
		<u>1,992,397</u>	<u>1,992,397</u>

The principal purpose of these interfund advances was capital projects.

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

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

***E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)***

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Fiduciary Fund - Cemtery Perpetual Care	\$ 8,147
	Special Revenue Fund - Cable TV	362,368
	Special Revenue Fund - Special Assessment	115,929
	Special Revenue Fund - Tourism Promotion	41,680
	Debt Service Fund - TIF District	68,000
	Capital Projects Fund - TIF District	70,000
	Enterprise Funds - Sewage System	28,295
	Enterprise Funds - Water Utility	583,967
	Internal Service Fund - Motor Vehicle	315,000
Debt Service Fund General Obligations	Special Revenue Fund - Cable TV	150,000
	Special Revenue Fund - Special Assessment	498,427
	Special Revenue Fund - Harbor Centre Marina	325,880
	Capital Projects Fund - Bonded	152,492
Debt Service Fund - TIF District	General Fund	160,000
	Special Revenue Fund - Harbor Centre Marina	33,469
	Debt Service Fund - TIF District	750,663
	Capital Projects Fund - TIF District	146,907
Capital Projects Fund - Tax Levy	Special Revenue Fund - Cable TV	62,500
	General Fund	366,895
Capital Projects Fund - TIF District	Debt Service Fund - TIF District	3,041,820
	Capital Projects Fund - Tax Levy	<u>1,810,000</u>
		<u>9,092,439</u>
Enterprise Fund - Parking Utility	General Fund	3,117
	Capital Projects Fund - Tax Levy	<u>9,103</u>
		<u>12,220</u>
Internal Service Fund Information Systems	General Fund	7,100
	Enterprise Fund - Sewer	<u>13,417</u>
		<u>20,517</u>
		<u>\$ 9,125,176</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### **F. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Long-Term Debt					
General Obligation Taxable Bonds	\$ 3,870,000	\$ -	\$ 340,000	\$ 3,530,000	\$ 370,000
General Obligation Refunding Bonds	6,878,315	-	1,003,245	5,875,070	1,058,260
General Obligation Promissory Notes	25,117,247	8,470,207	5,120,000	28,467,454	4,763,276
General Obligation					
Bond Anticipation Notes	-	16,110,000	-	16,110,000	-
General Obligation Marina Promissory					
Notes and Bonds	2,210,000	-	175,000	2,035,000	175,000
General Obligation Development Bonds	1,900,000	-	100,000	1,800,000	100,000
General Obligation Corporate					
Purpose Bonds	5,730,000	-	575,000	5,155,000	635,000
Mortgage Notes	1,706,382	-	1,189,715	516,667	198,286
State Trust Fund loans	5,256,401	106,307	2,496,420	2,866,288	358,590
Subtotal	52,668,345	24,686,514	10,999,380	66,355,479	7,658,412
Other Long-Term Liabilities					
Section 108 Loan	620,000	-	140,000	480,000	150,000
Sheboygan County	1,000,000	-	-	1,000,000	-
Wisconsin Power and Light	284,383	-	95,888	188,495	95,888
Unfunded retirement liability	10,490,406	789,127	373,392	10,906,141	373,392
Total Other Liabilities	12,394,789	789,127	609,280	12,574,636	619,280
Total Governmental Activities					
Long-Term Liabilities	\$ 65,063,134	\$ 25,475,641	\$ 11,608,660	\$ 78,930,115	\$ 8,277,692
<b>BUSINESS-TYPE ACTIVITIES</b>					
Refunding Revenue Bonds	\$ 740,000	\$ -	\$ 740,000	\$ -	\$ -
Clean Water Fund Loans	5,858,905	-	357,273	5,501,632	368,543
Revenue Bonds	1,325,000	-	150,000	1,175,000	150,000
Total Business-Type Activities					
Long-Term Liabilities	\$ 7,923,905	\$ -	\$ 1,247,273	\$ 6,676,632	\$ 518,543

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

---

#### ***F. LONG-TERM OBLIGATIONS*** (continued)

##### ***General Obligation Debt***

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2003, was \$111,165,485. Total general obligation debt outstanding at year end was \$65,838,812.

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG-TERM OBLIGATIONS (continued)**

**General Obligation Debt (continued)**

	Date of Issue	Interest Rate	Final Maturity	Original Indebted- ness	Balance Outstanding 12/31/03
Governmental Activities General Obligation Debt Taxable Bonds	3/15/92	8.25-9.00%	3/15/12	\$ 840,000	\$ 555,000
	4/1/91	6.00-8.00	10/ 1/10	5,100,000	<u>2,975,000</u>
					<u>3,530,000</u>
Refunding Bonds	11/1/87	7.00-8.70	4/1/107	2,205,665	840,070
	2/1/93	4.35-5.75	10/1/10	2,735,000	1,685,000
	3/1/95	5.75-6.05	9/1/14	3,580,000	2,850,000
	6/1/98	4.05-5.00	9/1/04	2,725,000	500,000
					<u>5,875,070</u>
Promissory Notes	3/15/95	5.30-5.50	10/1/04	600,000	90,000
	2/15/97	4.00-6.00	9/1/06	4,195,000	2,800,000
	3/15/98	4.20-6.20	10/1/07	3,690,000	2,765,000
	2/15/99	3.75-5.75	10/1/08	3,000,000	2,600,000
	3/15/00	4.90-6.90	10/1/09	4,200,000	3,675,000
	3/15/01	4.25-4.375	10/1/10	2,915,000	2,690,000
	10/15/02	1.55-3.35	4/1/12	1,685,000	1,575,000
	10/15/02	3.50-4.50	4/1/12	3,940,000	3,740,000
	12/23/02	0.00	5/1/22	2,700,000	1,522,454
	7/01/03	1.5-2.85	12/1/12	7,010,000	<u>7,010,000</u>
					<u>28,467,454</u>
Bond Anticipation Notes	7/01/03	2.30	6/01/08	2,350,000	2,350,000
	8/01/03	3.00	6/01/08	1,740,000	1,740,000
	11/3/03	3.95	6/01/08	12,020,000	<u>12,020,000</u>
					<u>16,110,000</u>
Marina Promissory Notes and Bonds	8/15/97	6.80-6.875	9/1/12	2,210,000	<u>2,035,000</u>
Development Bonds	3/15/01	4.40-5.00	10/1/19	1,900,000	<u>1,800,000</u>
Corporate Purpose Bonds	7/15/94	7.60-8.50	10/1/13	2,010,000	1,260,000
	10/1/94	5.20-7.20	10/1/14	2,555,000	1,705,000
	3/15/95	5.00-7.50	10/1/09	5,465,000	<u>2,190,000</u>
					<u>5,155,000</u>
Mortgage Note - SDC	1/6/95	Variable	Unknown	225,000	225,000
Mortgage Note - Various	10/5/01	3.40	10/16/06	291,667	<u>291,667</u>
					<u>516,667</u>

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG-TERM OBLIGATIONS (continued)**

**General Obligation Debt (continued)**

	Date of Issue	Interest Rate	Final Maturity	Original Indebtedness	Balance Outstanding 12/31/2003
State Trust Fund Loans	7/23/97	5.75 %	3/15/07	\$ 132,000	\$ 60,569
	3/24/00	6.00	3/14/17	604,000	570,000
	10/17/01	5.75	3/15/18	430,000	422,015
	6/19/02	4.50	3/15/12	300,000	272,484
	7/3/02	4.50	3/15/12	2,700,000	276,224
	11/20/02	5.00	3/15/18	1,700,000	1,264,996
					<u>2,866,288</u>
Total Government Activities - General Obligation Debt					<u>\$ 66,355,479</u>

Debt service requirements to maturity exclusive of the Mortgage Note – SDC are as follows:

Year	Governmental Activities General Obligation Debt	
	Principal	Interest
2004	\$ 6,360,124	\$ 2,858,204
2005	6,052,258	2,562,252
2006	6,420,063	2,349,840
2007	6,048,510	2,016,019
2008	21,727,070	1,741,308
2009-2013	16,583,639	2,505,527
2014-2018	2,468,298	309,116
2019-2022	470,517	7,127
	<u>\$ 66,130,479</u>	<u>\$ 14,349,393</u>

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**F. LONG-TERM OBLIGATIONS (continued)**

**Revenue Debt**

Revenue bonds are payable only from revenues derived from the operation of the utility.

Revenue debt payable at December 31, 2003 consists of the following:

<u>Type</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Indebtedness</u>	<u>Balance Outstanding 12/31/03</u>
Clean Water Fund					
Loans	11/30/95	3.124	5/1/15	4,375,561	\$ 3,059,368
	11/26/96	3.195	5/1/16	3,250,000	<u>2,442,264</u>
					<u>5,501,632</u>
Water Utility Revenue					
Bonds	10/15/89	6.90-9.25	10/15/09	1,240,000	550,000
	11/15/90	6.00-7.30	10/15/10	1,205,000	<u>625,000</u>
					<u>1,175,000</u>
					<u>\$ 6,676,632</u>

<u>Year</u>	<u>Business-Type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 518,553	\$ 253,568
2005	530,166	230,962
2006	567,156	207,909
2007	604,523	182,546
2008	617,281	154,937
2009-2013	2,592,291	411,581
2014-2018	<u>1,246,662</u>	<u>50,459</u>
	<u>\$ 6,676,632</u>	<u>\$ 1,491,962</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

---

#### *F. LONG-TERM OBLIGATIONS* (continued)

##### ***Other Debt Information***

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

Other long-term liabilities of \$1,000,000 were provided by Sheboygan County to assist in developing 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.

Other long-term liabilities of \$620,000 were provided by the U.S. Department of Housing and Urban Development to accelerate the acquisition, relocation of businesses and residents and demolition of blighted structure in the city from the Section 108 Loan Guarantee Program. Payment of the principal and interest on the loan is financed from the city's current and future Community Development Block Grant entitlement programs and program income. Annual principal and interest payments to maturity on the Section 108 loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003			
2004	\$ 150,000	\$ 34,270	\$ 184,270
2005	160,000	23,545	183,545
2006	<u>170,000</u>	<u>12,121</u>	<u>182,121</u>
	<u>\$ 480,000</u>	<u>\$ 69,936</u>	<u>\$ 549,936</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

---

#### **G. LEASE DISCLOSURES**

The city has no material leases as lessee or lessor.

#### **H. NET ASSETS/FUND BALANCES**

Governmental activities net assets reported on the government wide statement of net assets at December 31, 2003 includes the following:

##### **Governmental Activities**

Invested in capital assets, net of related debt	
Land	\$ 13,398,348
Construction in progress	324,910
Other capital assets, net of accumulated depreciation	22,350,386
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(57,959,922)</u>
Total Invested in Capital Assets, Net of Related Debt	(21,886,278)
Restricted for	
Debt Service	1,316,059
Unrestricted	<u>33,117,954</u>
Total Governmental Activities Net Assets	<u>\$ 12,547,735</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

---

#### H. NET ASSETS/FUND BALANCES (continued)

Governmental fund balances on the fund financial statements at December 31, 2003 include the following:

<b>Reserved</b>	
Major Fund	
General Fund	
Encumbrances	\$ 163,309
Non-current assets	2,699,844
Projects	550,000
Subsequent years expenditures	<u>1,282,600</u>
Total	<u>\$ 4,695,753</u>
Debt Service GO Debt Fund	
Debt Service	<u>\$ 5,941,064</u>
Debt Service TIF District	
Debt Service	<u>\$ 1,322,697</u>
Capital Projects TIF District	
Debt Service	<u>\$ 1,901,069</u>
Non-Major Funds	
Special Revenue Fund	
Community Development Block Grant	
Encumbrances	<u>\$ 354,951</u>
Mead Library	
Insurance Claims	<u>\$ 109,310</u>
Harbor Centre Marina	
Encumbrances	<u>\$ 225,000</u>
E.H. May Environmental Park	
Trust Activities	<u>\$ 62,295</u>
Capital Projects Funds	
Capital Projects Tax Levy	
Encumbrances	<u>\$ 2,291,202</u>
Capital Project Bonded	
Encumbrances	<u>\$ 506,854</u>
Permanent Fund	
Cemetery Perpetual Care	\$ 707,556
Library trust	844,784
	<u>\$ 1,552,340</u>
Total non-major funds	<u>\$ 5,101,952</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

#### H. NET ASSETS/FUND BALANCES (continued)

Major Funds	
General Fund	
Designated for subsequent year budget appropriations	\$ 18,446
Undesignated	<u>7,756,127</u>
	<u>7,774,573</u>
Debt Service Fund - Undesignated	<u>\$ (5,389,537)</u>
Capital Projects TIF District - Undesignated	<u>\$ (638,665)</u>
Non-Major Funds	
Special Revenue Funds	
Designated for subsequent year budget appropriation	
Mead Library	<u>\$ 346,898</u>
Designated for equipment purchases	
Cable TV	<u>106,230</u>
Undesignated	
Community Development Block Grant	761,314
Revolving Loan Funds	335,263
Mead Library	178,726
Cable TV	668,133
Tourism Promotion	39,031
Harbor Centre Marina	(1,130,655)
Police Meg Unity	19,790
Special Assessment	533,169
Redevelopment Authority	<u>85,072</u>
Total	<u>1,489,843</u>
Total Special Revenue Funds	<u>\$ 1,942,971</u>
Capital Projects Funds	
Designated for projects	
Capital Project Tax Levy	\$ 1,605,031
Capital Projects Bonded	<u>1,666,599</u>
Total	<u>3,271,630</u>
Undesignated	
Capital Project Tax Levy	565,149
Capital Projects Bonded	<u>5,119,630</u>
Total	<u>5,684,779</u>
Total Capital Projects Funds	<u>\$ 8,956,409</u>

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

---

#### *H. NET ASSETS/FUND BALANCES* (continued)

##### ***Business-Type Activities***

Invested in capital assets, net of related debt	
Construction in progress	\$ 3,418,171
Land	918,896
Other capital assets, net of accumulated depreciation	37,944,882
Less: related long-term debt outstanding	<u>(6,676,632)</u>
Total Invested in Capital Assets, Net of Related Debt	35,605,317
Restricted for	
Bond requirements	784,453
Unrestricted	<u>6,460,817</u>
Total Net Assets	<u>\$ 42,850,587</u>

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

***I. RESTATEMENT OF FUND BALANCES/NET ASSETS***

The city has restated its December 31, 2002 fund balance/net assets as follows to reflect certain adjustments as noted. The effect of these adjustments is as follows:

	General Fund	Special Revenue Fund Redevelopment Authority	Enterprise Fund Redevelopment Authority
Fund Balance/Net Assets, December 31, 2002 (as previously reported)	\$ 10,782,553	\$ -	\$ 608,730
Add (Deduct)			
Adjustment to bring the payment in lieu of taxes from the water utility on the modified accrual basis of accounting	607,577	-	-
Reclassify redevelopment fund to new fund type	-	608,730	(608,730)
Remove non financial assets (land) from net assets reclassified above	-	(526,900)	-
Fund Balance/Net Assets, December 31, 2002 (as restated)	<u>\$ 11,390,130</u>	<u>\$ 81,830</u>	<u>\$ -</u>

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**J. COMPONENT UNITS**

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

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

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

**A. SIGNIFICANT ACCOUNTING POLICIES**

1. The Housing Authority follows the accrual basis of accounting.
2. Temporary cash investments are stated at cost which approximates fair value.
3. Fixed assets are recorded at original cost. The provision for depreciation was computed under the straight-line method over the useful lives of the assets.

**B. DEPOSITS AND INVESTMENTS**

The Authority's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Authority's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments, with securities held by the counterparty or its trust department or agent but not in the Authority's name.

	Category			Totals	Carrying Amount/ Fair Value
	1	2	3		
Local and area banks	\$ 307,095	\$ -	\$ -	\$ 307,095	\$ 303,546
Securities	<u>3,296,563</u>	<u>-</u>	<u>-</u>	<u>3,296,563</u>	<u>3,262,946</u>
 Total	 <u>\$ 3,603,658</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 3,603,658</u>	 <u>\$ 3,566,492</u>

Reconciliation to financial statements

Per statement of net assets

Component Unit - Unrestricted (not including the Harbor Centre Business Improvement District)	\$ 3,497,542
Component Unit - Restricted	<u>68,950</u>
 Total	 <u>\$ 3,566,492</u>

**CITY OF SHEBOYGAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

**J. COMPONENT UNITS (continued)**

**C. CAPITAL ASSETS**

	Beginning Balance	Additions	Deletions	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital assets not being depreciated				
Land	\$ 266,510	-	-	266,510
Capital assets being depreciated				
Buildings and improvements	6,071,458	-	-	6,071,458
Machinery and equipment	<u>280,509</u>	<u>10,106</u>	<u>6,261</u>	<u>284,354</u>
Total Capital Assets Being Depreciated	<u>6,351,967</u>	<u>10,106</u>	<u>6,261</u>	<u>6,355,812</u>
Less: Accumulated Depreciation	<u>4,441,777</u>	<u>190,558</u>	<u>4,966</u>	<u>4,627,369</u>
Net Capital Assets being Depreciated	<u>1,910,190</u>	<u>(180,452)</u>	<u>1,295</u>	<u>1,728,443</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,176,700</u>	<u>\$ (180,452)</u>	<u>\$ 1,295</u>	<u>\$ 1,994,953</u>

Accumulated depreciation is not available by class or function.

Information related to the Business Improvement District is as follows:

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. DEPOSITS AND INVESTMENTS**

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to the statutory amount for demand deposits and time deposits. At year end, the carrying amount of the District's deposits was \$52,054, and the bank balance was \$52,170. The entire bank balance was covered by Federal depository insurance.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE V – OTHER INFORMATION

---

#### **A. EMPLOYEES' RETIREMENT SYSTEM**

All eligible city employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system ("PERS"). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the general category are required by statute to contribute 5.4% of their salary (2.6% for executives and elected officials, 4.0% for protective occupations with social security, and 2.4% for protective occupations without social security) to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended December 31, 2003 was \$23,889,232; the employer's total payroll was \$24,216,688. The total required contribution paid entirely by the employer for the year ended December 31, 2003 was \$ 3,021,140 or 12.64% of covered payroll. Of the total required contribution, 100 percent was contributed for the current year. Total contributions for the years ended December 31, 2002 and 2001 were \$2,958,596 and \$2,890,298, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive retirement benefits. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefits are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final Average Earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. For employees beginning participation 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 are immediately vested.

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

The pension related debt for the city as of December 31, 2003, was \$10,906,141. This amount is included in the financial statements as the city's best estimate of its unfunded commitment to the plan. This liability was determined in accordance with provisions of GASB 27 regarding pension-related debt. Depending on actuarial assumptions, this estimate can vary greatly.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE V – OTHER INFORMATION (continued)

---

#### **A. EMPLOYEES' RETIREMENT SYSTEM** (continued)

The city currently provides contributions to the Wisconsin Retirement System for employees formerly covered under the city-sponsored and administered Police-Fire pension fund. This fund was terminated by State Statute in a prior year. In accordance with the statute terminating the pension funds, the city chose a "pay-as-you-go" basis for pension contributions in which payments are made to the Wisconsin Retirement Fund as the benefits become due and payable to the participants of the old plan. The total expenditures for 2003 was \$153,180.

#### **B. 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.

##### ***Public Entity Risk Pool***

##### ***Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)***

The 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 WMIC provided for the capitalization of the CVMIC through the issuance of \$28,645,000 of WMIC revenue bonds, dated November 11, 1987 and refinanced on December 15, 1997 in the amount of \$22,800,000. The bonds are due in varying installments starting in 1998 and ending in 2007. Interest rates vary from 5.74% to 6.47%. The underlying security for the revenue bonds are general obligation bonds of each of the cities and villages participating in the enterprise. Each city and village assumed a proportionate share of the revenue bond obligation and delivered its general obligation bond in that proportionate amount to the WMIC. The principal and interest payments made by each municipality to the WMIC on its general obligation bond provides the revenue stream to make the principal and interest payments on the WMIC revenue bonds.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. 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 4.8%.

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS December 31, 2003

---

### NOTE V – OTHER INFORMATION (continued)

---

#### **B. RISK MANAGEMENT** (continued)

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, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

The city shows the general obligation bond that it owes to WMIC in the general liability self insurance internal service fund and governmental activities column of government-wide statement of net assets in the amount of \$840,070. 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 \$75,000 per occurrence and an annual aggregate limit of \$300,000.

#### ***Self Insurance***

For health insurance claims, the uninsured risk of loss is \$100,000 per person and a minimum annual aggregate deductible of \$6,720,925 for the 2003 policy year. The city has purchased commercial insurance for claims in excess of those amounts. Settled claims have exceeded the commercial coverage for the individual stop-loss but not the aggregate deductible during any of the past three years.

For workers compensation claims, the uninsured risk of loss is \$350,000 per Police/Fire incident and \$300,000 for all other incidents. 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. \$1,685,523 was designated for that reserve at year end, and is included in unreserved net assets of the internal service fund.

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 claims that have been incurred but not reported.

<u>Year</u>	<u>Balance Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance End of Year</u>
2003	\$ 760,000	5,651,468	5,531,468	880,000
2002	740,000	5,203,178	5,183,178	760,000

# CITY OF SHEBOYGAN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

---

### NOTE V – OTHER INFORMATION (continued)

---

#### **C. COMMITMENTS AND CONTINGENCIES**

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

The city has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

In June 2003, the city common council approved initial resolutions during 2003 authorizing the issuance of \$34,708,000 in general obligation securities and the levying of tax in connection therewith. To date, none of this debt has been issued.

During 2003 the city entered into an agreement with Blue Harbor Resort Sheboygan, LLC providing for the city to loan them \$4,000,000. The proceeds of the loan are to be used solely in connection with the construction, furnishing and equipping of the resort project and/or the funding of the condominium completion escrow. Of the \$4,000,000, \$3,000,000 has been disbursed.

#### **D. SUBSEQUENT EVENTS**

On March 15, 2004, the city issued two series of general obligation promissory notes. The total of the two series is equal to \$2,565,000. The notes are to be used for the cost of various public improvement projects. The notes mature from December 1, 2005 through 2013 and bear interest ranging from 2.35-3.10%.

The city also issued \$3,200,000 of taxable bond anticipation notes. These notes are to be used for the purpose of reimbursement of advances by the city for public projects included in the project plan for Tax Incremental District No. 6. These notes mature on June 1, 2008 and bear interest at a rate of 3.125%.

In June, 2004, the city issued \$1,910,000 of General Obligation Refunding Bonds. The bonds will be used to refinance the February 15, 1997 promissory notes. These bonds mature from September 1, 2005 through September 1, 2006 and bear interest ranging from 2.00-2.20%.

#### **E. POST RETIREMENT BENEFITS**

The city provides certain health care benefits for retired employees depending upon classification. Substantially all of the city's employees may become eligible for those benefits if they reach normal retirement age while working for the city. The cost of retiree health care benefits is recognized as an expenditure as premiums/claims are paid. For 2003, these costs totaled approximately \$86,041 for 18 retired employees.

## **COMBINING FINANCIAL STATEMENTS**

**CITY OF SHEBOYGAN**  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET  
Wednesday, December 31, 2003

	Special Revenue Funds				
	Community Development Block Grant	Revolving Loan Funds	Mead Library	Cable TV	Tourism Promotion
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,146,044	\$ 334,578	\$ 1,379,544	\$ 684,312	\$ 3,839
Receivables					
Property taxes	-	-	2,555,515	-	-
Special assessments	-	-	-	-	-
Accounts	-	-	2,871	98,669	75,943
Loans	3,249,446	2,654,618	-	-	-
Interest	-	685	3,585	1,677	125
Due from other governments	824,420	-	-	-	-
Inventory	-	-	-	-	-
Investments	-	-	-	-	-
Advances due from other funds	-	-	-	-	-
Other assets	1,900	-	-	41	-
<b>TOTAL ASSETS</b>	<b><u>\$ 5,221,810</u></b>	<b><u>\$ 2,989,881</u></b>	<b><u>\$ 3,941,515</u></b>	<b><u>\$ 784,699</u></b>	<b><u>\$ 79,907</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 137,689	\$ -	\$ 58,902	\$ 755	\$ 40,837
Accrued liabilities	-	-	692,164	9,581	39
Due to other funds	718,410	-	-	-	-
Advances due to other funds	-	-	-	-	-
Deferred revenues	3,249,446	2,654,618	2,555,515	-	-
Total Liabilities	<u>4,105,545</u>	<u>2,654,618</u>	<u>3,306,581</u>	<u>10,336</u>	<u>40,876</u>
Fund Balances (Deficit)					
Reserved	354,951	-	109,310	-	-
Unreserved					
Designated	761,314	335,263	346,898	106,230	-
Undesignated	-	-	178,726	668,133	39,031
Total Fund Balances	<u>1,116,265</u>	<u>335,263</u>	<u>634,934</u>	<u>774,363</u>	<u>39,031</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 5,221,810</u></b>	<b><u>\$ 2,989,881</u></b>	<b><u>\$ 3,941,515</u></b>	<b><u>\$ 784,699</u></b>	<b><u>\$ 79,907</u></b>

Special Revenue Funds					Capital Projects	
Harbor Centre Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Capital Projects Tax Levy	Capital Projects Bonded
\$ 113,101	\$ 9	\$ 493,500	\$ 91,754	\$ 62,750	\$ 2,512,145	\$ 6,456,201
-	-	82,235	-	-	-	-
-	-	244,471	58,579	-	-	-
35,678	-	-	1,105	150	-	15,139
-	-	-	1,340,004	-	-	-
578	12	1,112	204	140	4,642	1,232
-	40,616	-	-	-	13,714	-
29,636	-	-	-	-	-	-
-	-	-	-	-	-	3,200,000
-	-	-	-	-	2,020,708	-
6,001	-	-	-	-	-	-
<u>\$ 184,994</u>	<u>\$ 40,637</u>	<u>\$ 821,318</u>	<u>\$ 1,491,646</u>	<u>\$ 63,040</u>	<u>\$ 4,551,209</u>	<u>\$ 9,672,572</u>
\$ 61,273	\$ 18,812	\$ -	\$ 6,886	\$ 745	\$ 89,827	\$ 1,880,993
102,058	332	-	-	-	-	-
860,785	1,703	-	-	-	-	498,496
66,533	-	-	-	-	-	-
-	-	288,149	1,399,688	-	-	-
<u>1,090,649</u>	<u>20,847</u>	<u>288,149</u>	<u>1,406,574</u>	<u>745</u>	<u>89,827</u>	<u>2,379,489</u>
225,000	-	-	-	62,295	2,291,202	506,854
-	-	-	-	-	1,605,031	1,666,599
(1,130,655)	19,790	533,169	85,072	-	565,149	5,119,630
<u>(905,655)</u>	<u>19,790</u>	<u>533,169</u>	<u>85,072</u>	<u>62,295</u>	<u>4,461,382</u>	<u>7,293,083</u>
<u>\$ 184,994</u>	<u>\$ 40,637</u>	<u>\$ 821,318</u>	<u>\$ 1,491,646</u>	<u>\$ 63,040</u>	<u>\$ 4,551,209</u>	<u>\$ 9,672,572</u>

**CITY OF SHEBOYGAN**  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET *(concluded)*  
Wednesday, December 31, 2003

	<u>Permant Funds</u>		Total Nonmajor Governmental Funds
	Cemetery Perpetual Care	Library Trust	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 705,528	\$ 844,779	\$ 14,828,084
Receivables			
Property taxes	-	-	2,637,750
Special assessments	-	-	303,050
Accounts	1,978	-	231,533
Loans	-	-	7,244,068
Interest	50	5	14,047
Due from other governments	-	-	878,750
Inventory	-	-	29,636
Investments	-	-	3,200,000
Advances due from other funds	-	-	2,020,708
Other assets	-	-	7,942
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 707,556</u>	<u>\$ 844,784</u>	<u>\$ 31,395,568</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 2,296,719
Accrued liabilities	-	-	804,174
Due to other funds	-	-	2,079,394
Advances due to other funds	-	-	66,533
Deferred revenues	-	-	10,147,416
Total Liabilities	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>15,394,236</u>
Fund Balances (Deficit)			
Reserved	707,556	844,784	5,101,952
Unreserved			
Designated	-	-	4,821,335
Undesignated	-	-	6,078,045
Total Fund Balances	<u>707,556</u>	<u>844,784</u>	<u>16,001,332</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 707,556</u>	<u>\$ 844,784</u>	<u>\$ 31,395,568</u>

**CITY OF SHEBOYGAN**  
NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2003

	Special Revenue Funds				
	Community Development Block Grant	Revolving Loan Funds	Mead Library	Cable TV	Tourism Promotion
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ 2,551,005	\$ -	\$ 416,796
Intergovernmental grants and aids	1,332,488	-	548,182	-	-
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	411,605	-
Public charges for services	-	-	86,670	18,541	-
Investment income	23,288	87,052	39,905	12,153	1,204
Loan repayments	575,233	271,721	-	-	-
Other	26,417	-	65,319	334	1,359
Total Revenues	<u>1,957,426</u>	<u>358,773</u>	<u>3,291,081</u>	<u>442,633</u>	<u>419,359</u>
<b>EXPENDITURES</b>					
Current					
Health and human services	-	-	-	-	-
Culture, recreation and education	-	-	3,239,796	116,685	-
Conservation and development	968,546	194,131	-	-	377,782
Capital outlay	376,925	-	61,935	237	-
Debt service					
Principal	140,000	-	-	-	-
Interest	44,247	-	-	-	-
Total Expenditures	<u>1,529,718</u>	<u>194,131</u>	<u>3,301,731</u>	<u>116,922</u>	<u>377,782</u>
Excess (Deficiency) of Revenues Over Expenditures	427,708	164,642	(10,650)	325,711	41,577
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	-	300	-	-
Long-term debt issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(574,868)	(41,680)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	427,708	164,642	(10,350)	(249,157)	(103)
FUND BALANCES (DEFICITS) - Beginning of year	<u>688,557</u>	<u>170,621</u>	<u>645,284</u>	<u>1,023,520</u>	<u>39,134</u>
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ 1,116,265</u>	<u>\$ 335,263</u>	<u>\$ 634,934</u>	<u>\$ 774,363</u>	<u>\$ 39,031</u>

Special Revenue Funds				Capital Projects Funds		
Harbor Centre Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Capital Projects Tax Levy	Capital Projects Bonded
\$ 200	\$ -	\$ -	\$ -	\$ -	\$ 210,446	\$ -
-	75,792	-	-	-	943,338	440,000
-	-	157,274	-	-	-	-
-	-	-	-	-	-	-
853,079	-	-	-	33,723	-	-
4,140	252	32,764	1,577	1,007	77,488	48,569
-	-	-	-	-	-	-
4	5	6,000	17,390	19,819	5,725	11
<u>857,423</u>	<u>76,049</u>	<u>196,038</u>	<u>18,967</u>	<u>54,549</u>	<u>1,236,997</u>	<u>488,580</u>
-	-	-	-	-	-	-
680,451	61,260	-	-	30,877	-	-
-	-	6,686	15,725	-	19,940	665,251
-	12,338	39,190	-	-	1,799,328	5,935,011
-	-	-	-	-	-	-
747	-	-	-	-	-	-
<u>681,198</u>	<u>73,598</u>	<u>45,876</u>	<u>15,725</u>	<u>30,877</u>	<u>1,819,268</u>	<u>6,600,262</u>
176,225	2,451	150,162	3,242	23,672	(582,271)	(6,111,682)
-	-	358,000	-	-	106,250	-
-	-	-	-	-	-	11,760,000
-	-	-	-	-	1,062,500	-
<u>(359,349)</u>	<u>-</u>	<u>(614,356)</u>	<u>-</u>	<u>-</u>	<u>(1,819,104)</u>	<u>(152,492)</u>
(183,124)	2,451	(106,194)	3,242	23,672	(1,232,625)	5,495,826
<u>(722,531)</u>	<u>17,339</u>	<u>639,363</u>	<u>81,830</u>	<u>38,623</u>	<u>5,694,007</u>	<u>1,797,257</u>
<u>\$ (905,655)</u>	<u>\$ 19,790</u>	<u>\$ 533,169</u>	<u>\$ 85,072</u>	<u>\$ 62,295</u>	<u>\$ 4,461,382</u>	<u>\$ 7,293,083</u>

**CITY OF SHEBOYGAN**

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND *(concluded)*  
 CHANGES IN FUND BALANCES  
 For the Year Ended December 31, 2003

	Permanent Funds		
	Cemetery Perpetual Care	Library Trust	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 3,178,447
Intergovernmental grants and aids	-	-	3,339,800
Special assessments	-	-	157,274
Licenses and permits	-	-	411,605
Public charges for services	10,572	-	1,002,585
Investment income	8,068	9,679	347,146
Loan repayments	-	-	846,954
Other	-	-	142,383
Total Revenues	18,640	9,679	9,426,194
<b>EXPENDITURES</b>			
Current			
Health and human services	647	-	647
Culture, recreation and education	-	18,888	4,147,957
Conservation and development	-	-	2,248,061
Capital outlay	-	-	8,224,964
Debt service			
Principal	-	-	140,000
Interest	-	-	44,994
Total Expenditures	647	18,888	14,806,623
Excess (Deficiency) of Revenues Over Expenditures	17,993	(9,209)	(5,380,429)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	-	-	464,550
Long-term debt issued	-	-	11,760,000
Transfers in	-	-	1,062,500
Transfers out	(8,147)	-	(3,569,996)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	9,846	(9,209)	4,336,625
FUND BALANCES (DEFICITS) - Beginning of year	697,710	853,993	11,664,707
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<b>\$ 707,556</b>	<b>\$ 844,784</b>	<b>\$ 16,001,332</b>

**CITY OF SHEBOYGAN**  
**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**  
December 31, 2003

	<u>Transit Commission</u>	<u>Parking Utility</u>	<u>Boat Facility</u>	<u>Totals</u>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 699,578	\$ 382,619	\$ 277,842	\$ 1,360,039
Receivables				
Property taxes	545,000	-	-	545,000
Accounts	16,343	1,241	17	17,601
Interest	1,457	973	622	3,052
Due from other governments	54,905	-	-	54,905
Inventory	10,420	-	-	10,420
Other assets	3,591	-	-	3,591
Total Current Assets	<u>1,331,294</u>	<u>384,833</u>	<u>278,481</u>	<u>1,994,608</u>
Noncurrent Assets				
Capital assets				
Land	35,753	833,162	-	868,915
Other capital assets	10,331,797	1,526,372	225,962	12,084,131
Accumulated depreciation	(7,115,913)	(1,280,129)	(204,794)	(8,600,836)
Other Assets				
Special assessments receivable	-	81,572	-	81,572
Advances to other funds	-	-	66,533	66,533
Total Noncurrent Assets	<u>3,251,637</u>	<u>1,160,977</u>	<u>87,701</u>	<u>4,500,315</u>
<b>TOTAL ASSETS</b>	<u>4,582,931</u>	<u>1,545,810</u>	<u>366,182</u>	<u>6,494,923</u>

---

	<u>Transit Commission</u>	<u>Parking Utility</u>	<u>Boat Facility</u>	<u>Totals</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 101,281	\$ 3,816	\$ 4,948	\$ 110,045
Accrued liabilities	253,272	30,066	44	283,382
Deferred revenues	549,039	-	-	549,039
Total Current Liabilities	<u>903,592</u>	<u>33,882</u>	<u>4,992</u>	<u>942,466</u>
Noncurrent Liabilities				
Advances due to other funds	-	12,983	-	12,983
Total Noncurrent Liabilities	<u>-</u>	<u>12,983</u>	<u>-</u>	<u>12,983</u>
<b>TOTAL LIABILITIES</b>	<u>903,592</u>	<u>46,865</u>	<u>4,992</u>	<u>955,449</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,251,637	1,079,405	21,168	4,352,210
Unrestricted	<u>427,702</u>	<u>419,540</u>	<u>340,022</u>	<u>1,187,264</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,679,339</u>	<u>\$ 1,498,945</u>	<u>\$ 361,190</u>	<u>\$ 5,539,474</u>

**CITY OF SHEBOYGAN**  
NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
For the Year Ended December 31, 2003

	Transit Commission	Parking Utility	Boat Facility	Totals
<b>OPERATING REVENUES</b>				
Charges for services	\$ 496,246	\$ 354,354	\$ 96,971	\$ 947,571
Other	8,086	-	-	8,086
Total Operating Revenues	<u>504,332</u>	<u>354,354</u>	<u>96,971</u>	<u>955,657</u>
<b>OPERATING EXPENSES</b>				
Personal services	2,357,870	182,904	756	2,541,530
Contractual services	588,650	81,893	27,093	697,636
Supplies and material	119,093	19,003	757	138,853
Depreciation	397,525	69,847	10,824	478,196
Insurance and other	130,038	10,880	-	140,918
Total Operating Expenses	<u>3,593,176</u>	<u>364,527</u>	<u>39,430</u>	<u>3,997,133</u>
Operating Income (Loss)	<u>(3,088,844)</u>	<u>(10,173)</u>	<u>57,541</u>	<u>(3,041,476)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Taxes	545,000	-	-	545,000
Intergovernmental grants and aids	2,020,756	-	-	2,020,756
Investment income	11,120	7,958	5,411	24,489
Interest and fiscal charges	-	(242)	-	(242)
Miscellaneous revenue	67,007	3,810	-	70,817
Total Nonoperating Revenues (Expenses)	<u>2,643,883</u>	<u>11,526</u>	<u>5,411</u>	<u>2,660,820</u>
Income (loss) before contributions and transfers	(444,961)	1,353	62,952	(380,656)
<b>CAPITAL CONTRIBUTIONS</b>	1,577,448	-	-	1,577,448
<b>TRANSFERS IN</b>	<u>-</u>	<u>12,220</u>	<u>-</u>	<u>12,220</u>
<b>CHANGE IN NET ASSETS</b>	1,132,487	13,573	62,952	1,209,012
NET ASSETS - Beginning of year	<u>2,546,852</u>	<u>1,485,372</u>	<u>298,238</u>	<u>4,330,462</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,679,339</u>	<u>\$ 1,498,945</u>	<u>\$ 361,190</u>	<u>\$ 5,539,474</u>

**CITY OF SHEBOYGAN**  
NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2003

	Transit Commission	Parking Utility	Boat Facility	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 572,278	\$ 360,057	\$ 96,971	\$ 1,029,306
Payments to suppliers	(810,409)	(123,842)	(28,877)	(963,128)
Payments to employees for services	(2,357,870)	(182,904)	(756)	(2,541,530)
Net Cash Flows Provided (Used) by Operating Activities	<u>(2,596,001)</u>	<u>53,311</u>	<u>67,338</u>	<u>(2,475,352)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	12,220	-	12,220
Taxes	545,000	-	-	545,000
Intergovernmental grants and aids	2,020,756	-	-	2,020,756
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>2,565,756</u>	<u>12,220</u>	<u>-</u>	<u>2,577,976</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(20)	(116,014)	-	(116,034)
Collection of special assessments	-	48,012	-	48,012
Payments of advances to other funds	-	-	(747)	(747)
Principal paid on long-term debt	-	(8,370)	-	(8,370)
Interest and fees on long-term debt	-	(242)	-	(242)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(20)</u>	<u>(76,614)</u>	<u>(747)</u>	<u>(77,381)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	12,360	6,985	5,601	24,946
Proceeds from matured investments	2,419	-	-	2,419
Investments purchases	(3,104)	-	-	(3,104)
Net Cash Flows Provided (Used) by Investing Activities	<u>11,675</u>	<u>6,985</u>	<u>5,601</u>	<u>24,261</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(18,590)</b>	<b>(4,098)</b>	<b>72,192</b>	<b>49,504</b>
CASH AND CASH EQUIVALENTS – Beginning of year	<u>718,168</u>	<u>386,717</u>	<u>205,650</u>	<u>1,310,535</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b><u>\$ 699,578</u></b>	<b><u>\$ 382,619</u></b>	<b><u>\$ 277,842</u></b>	<b><u>\$ 1,360,039</u></b>

	Business Type Activities - Enterprise Funds			Totals
	Transit Commission	Parking Utility	Boat Facility	
<b>Reconciliation of operating income to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (3,088,844)	\$ (10,173)	\$ 57,541	\$ (3,041,476)
Adjustments to reconcile operating income (loss) to net cash flows provided (used) by operating activities				
Non cash items included in operating income				
Depreciation	397,525	69,847	10,824	478,196
Miscellaneous revenue	67,007	3,810	-	70,817
Changes in assets and liabilities				
Accounts receivable	4,352	1,893	-	6,245
Due from other funds	18,968	-	-	18,968
Other assets	(3,487)	(22)	-	(3,509)
Accounts payable	22,917	(12,544)	(1,055)	9,318
Accrued liabilities	7,942	(250)	28	7,720
Due to other funds	-	750	-	750
Deferred revenues	(22,381)	-	-	(22,381)
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ (2,596,001)</u>	<u>\$ 53,311</u>	<u>\$ 67,338</u>	<u>\$ (2,475,352)</u>
 <b>NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Special assessments levied	<u>\$ -</u>	<u>\$ 79,744</u>	<u>\$ -</u>	<u>\$ 79,744</u>

**CITY OF SHEBOYGAN**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
Wednesday, December 31, 2003

	Motor Vehicle	Data Processing	Health Self Insurance
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 1,747,308	\$ 574,181	\$ 1,270,085
Receivables			
Accounts	30	771	26,438
Interest	14,280	1,284	1,988
Due from other governments	210	-	-
Other assets	22	12,690	-
Total Current Assets	1,761,850	588,926	1,298,511
Noncurrent Assets			
Investments	4,600,000	-	-
Capital assets			
Other capital assets	8,164,227	656,395	-
Accumulated depreciation	(5,722,244)	(518,831)	-
Other Assets			
Deposit with CVMIC	-	-	-
Advances due from other funds	1,992,397	-	-
Total Noncurrent Assets	9,034,380	137,564	-
<b>TOTAL ASSETS</b>	<b>10,796,230</b>	<b>726,490</b>	<b>1,298,511</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	61,989	96,437	45,223
Accrued liabilities	112,115	-	1,006,502
Current portion of long-term debt	-	-	-
Accrued interest payable	-	-	-
Total Current Liabilities	174,104	96,437	1,051,725
Non-Current Liabilities			
Long-term debt	-	-	-
<b>TOTAL LIABILITIES</b>	<b>174,104</b>	<b>96,437</b>	<b>1,051,725</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,441,983	137,564	-
Unrestricted	8,180,143	492,489	246,786
<b>TOTAL NET ASSETS</b>	<b>\$ 10,622,126</b>	<b>\$ 630,053</b>	<b>\$ 246,786</b>

Workers Compensation Self Insurance	General Liability Self Insurance	Total
\$ 1,986,676	\$ 331,431	\$ 5,909,681
4,979	-	32,218
4,453	587	22,592
-	-	210
14,687	37,867	65,266
<u>2,010,795</u>	<u>369,885</u>	<u>6,029,967</u>
-	-	4,600,000
-	-	8,820,622
-	-	(6,241,075)
-	2,205,665	2,205,665
-	-	1,992,397
-	2,205,665	11,377,609
<u>2,010,795</u>	<u>2,575,550</u>	<u>17,407,576</u>
-	17,031	220,680
50,000	-	1,168,617
-	183,260	183,260
-	16,279	16,279
50,000	216,570	1,588,836
-	656,810	656,810
50,000	873,380	2,245,646
-	-	2,579,547
1,960,795	1,702,170	12,582,383
<u>\$ 1,960,795</u>	<u>\$ 1,702,170</u>	<u>\$ 15,161,930</u>

**CITY OF SHEBOYGAN**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS**  
For the Year Ended December 31, 2003

	<u>Motor Vehicle</u>	<u>Data Processing</u>	<u>Health Self Insurance</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,049,781	\$ 126,522	\$ 5,679,526
<b>OPERATING EXPENSES</b>			
Personal services	480,932	-	-
Contractual services	660,920	107,496	110,542
Supplies and material	7,838	8,047	781
Depreciation	676,801	108,371	-
Insurance and other	57,437	193,350	5,547,169
Total Operating Expenses	<u>1,883,928</u>	<u>417,264</u>	<u>5,658,492</u>
Operating Income (Loss)	<u>165,853</u>	<u>(290,742)</u>	<u>21,034</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Intergovernmental grants and aids	-	94,604	-
Investment income	133,946	11,158	17,742
Interest expense	-	-	-
Loss on sale of equipment	(683)	-	-
Miscellaneous revenue	1,107	-	26,475
Total Nonoperating Revenues (Expenses)	<u>134,370</u>	<u>105,762</u>	<u>44,217</u>
Income (Loss) Before Transfers	300,223	(184,980)	65,251
<b>TRANSFER IN</b>	-	20,517	-
<b>TRANSFERS OUT</b>	<u>(315,000)</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(14,777)	(164,463)	65,251
NET ASSETS - Beginning of Year	<u>10,636,903</u>	<u>794,516</u>	<u>181,535</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,622,126</u>	<u>\$ 630,053</u>	<u>\$ 246,786</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 41,880	\$ 171,151	\$ 8,068,860
33,104	-	514,036
11,259	38,743	928,960
-	-	16,666
-	-	785,172
<u>98,978</u>	<u>145,525</u>	<u>6,042,459</u>
<u>143,341</u>	<u>184,268</u>	<u>8,287,293</u>
<u>(101,461)</u>	<u>(13,117)</u>	<u>(218,433)</u>
-	-	94,604
36,671	254,595	454,112
-	(76,582)	(76,582)
-	-	(683)
<u>-</u>	<u>-</u>	<u>27,582</u>
<u>36,671</u>	<u>178,013</u>	<u>499,033</u>
(64,790)	164,896	280,600
-	-	20,517
<u>-</u>	<u>-</u>	<u>(315,000)</u>
(64,790)	164,896	(13,883)
<u>2,025,585</u>	<u>1,537,274</u>	<u>15,175,813</u>
<u>\$ 1,960,795</u>	<u>\$ 1,702,170</u>	<u>\$ 15,161,930</u>

**CITY OF SHEBOYGAN**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2003

	<u>Motor Vehicle</u>	<u>Data Processing</u>	<u>Health Self Insurance</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,050,648	\$ 188,887	\$ 5,683,816
Payments to suppliers	(832,455)	(273,183)	(5,466,096)
Payments to employees for services	(331,910)	-	-
Net Cash Flows Provided (Used) by Operating Activities	<u>886,283</u>	<u>(84,296)</u>	<u>217,720</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer in	-	20,517	-
Transfer out	(315,000)	-	-
Advances due from other funds	(1,992,397)	-	-
Intergovernmental grants and aids	-	94,604	-
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(2,307,397)</u>	<u>115,121</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	<u>(250,859)</u>	<u>(77,012)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	150,121	12,187	18,265
Investments purchased	(4,600,000)	-	-
Principal paid on long term debt	-	-	-
Interest paid on long term debt	-	-	-
Net Cash Flows Provided (Used) by Investing Activities	<u>(4,449,879)</u>	<u>12,187</u>	<u>18,265</u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(6,121,852)</b>	<b>(34,000)</b>	<b>235,985</b>
CASH AND CASH EQUIVALENTS – Beginning of year	<u>7,869,160</u>	<u>608,181</u>	<u>1,034,100</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b><u>\$ 1,747,308</u></b>	<b><u>\$ 574,181</u></b>	<b><u>\$ 1,270,085</u></b>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 49,568	\$ 172,761	\$ 8,145,680
(159,343)	(185,242)	(6,916,319)
<u>-</u>	<u>-</u>	<u>(331,910)</u>
<u>(109,775)</u>	<u>(12,481)</u>	<u>897,451</u>
-	-	20,517
-	-	(315,000)
-	-	(1,992,397)
<u>-</u>	<u>-</u>	<u>94,604</u>
<u>-</u>	<u>-</u>	<u>(2,192,276)</u>
<u>-</u>	<u>-</u>	<u>(327,871)</u>
40,057	254,862	475,492
-	-	(4,600,000)
-	(168,245)	(168,245)
<u>-</u>	<u>(80,404)</u>	<u>(80,404)</u>
<u>40,057</u>	<u>6,213</u>	<u>(4,373,157)</u>
(69,718)	(6,268)	(5,995,853)
<u>2,056,394</u>	<u>337,699</u>	<u>11,905,534</u>
<u>\$ 1,986,676</u>	<u>\$ 331,431</u>	<u>\$ 5,909,681</u>

**CITY OF SHEBOYGAN**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
(concluded)  
For the Year Ended December 31, 2003

	<u>Motor Vehicle</u>	<u>Data Processing</u>	<u>Health Self Insurance</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 165,853	\$ (290,742)	\$ 21,034
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities			
Non-operating income	1,107	-	26,475
Non cash items included in operating income			
Depreciation	676,801	108,371	-
Changes in assets and liabilities			
Accounts receivable	(30)	62,365	(22,185)
Due from other funds	(210)	-	-
Other assets	-	(12,690)	-
Accounts payable	39,103	50,649	10,013
Accrued liabilities	<u>3,659</u>	<u>(2,249)</u>	<u>182,383</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 886,283</u>	<u>\$ (84,296)</u>	<u>\$ 217,720</u>

<u>Workers Compensation Self Insurance</u>	<u>General Liability Self Insurance</u>	<u>Totals</u>
\$ (101,461)	\$ (13,117)	\$ (218,433)
-	-	27,582
-	-	785,172
7,688	1,610	49,448
-	-	(210)
(6,854)	(14,512)	(34,056)
(9,148)	13,538	104,155
<u>-</u>	<u>-</u>	<u>183,793</u>
<u>\$ (109,775)</u>	<u>\$ (12,481)</u>	<u>\$ 897,451</u>

**SINGLE AUDIT**



# Virchow Krause & company

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

Honorable Mayor and Common Council  
City of Sheboygan  
Sheboygan County, Wisconsin

We have audited the basic financial statements of the City of Sheboygan as of and for the year ended December 31, 2003, and have issued our report thereon dated March 4, 2004. We did not audit the financial statements of the Housing Authority of the City of Sheboygan and the Harbor Centre Business Improvement District, which are included as discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the component units, was based solely on the reports 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.

### **Compliance**

As part of obtaining reasonable assurance about whether the City of Sheboygan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

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

In planning and performing our audit, we considered the City of Sheboygan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

*Virchow, Krause & Company, LLP*

Milwaukee, Wisconsin  
March 4, 2004

Page 103



# Virchow Krause & company

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133* AND THE *STATE SINGLE AUDIT GUIDELINES*

Honorable Mayor and Common Council  
City of Sheboygan  
Sheboygan County, Wisconsin

### **Compliance**

We have audited the compliance of the City of Sheboygan 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* that are applicable to each of its major federal and major state programs for the year ended December 31, 2003. The City of Sheboygan's major federal and major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and major state programs is the responsibility of the City of Sheboygan's management. Our responsibility is to express an opinion on the City of Sheboygan's compliance based on our audit.

The City of Sheboygan's basic financial statements included the operation of the Housing Authority of the City of Sheboygan, which received \$642,759 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2003. Our audit, described below, did not include the operations of the Housing Authority of the City of Sheboygan because the component unit had a separate audit in accordance with OMB Circular A-133.

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 *State Single Audit Guidelines*. Those standards, *OMB Circular A-133* and *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 major state program occurred. An audit includes examining, on a test basis, evidence about the City of Sheboygan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Sheboygan's compliance with those requirements.

In our opinion, the City of Sheboygan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and major state programs for the year ended December 31, 2003.

***Internal Control Over Compliance***

The management of the City of Sheboygan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the City of Sheboygan's internal control over compliance with requirements that could have a direct and material effect on a major federal and major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and *State Single Audit Guidelines*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal and state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Virchow, Krause & Company, LLP*

Milwaukee, Wisconsin  
March 4, 2004

**CITY OF SHEBOYGAN, WISCONSIN**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2003

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Award Amount	Revenues				Expenditures			
			(Accrued) Deferred Revenue	Grantor Receipts	Accrued (Deferred) Revenue	Local Revenue	Total Revenues	Grantor	Local	Total
			12/31/2002		12/31/2003					
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>										
Community Development Block Grants										
2000	14.218	1,222,000	-	14,241	4,573	-	18,814	21,218	-	21,218
2001	14.218	1,267,000	-	81,626	34,130	-	115,756	95,492	-	95,492
2002	14.218	1,257,000	(4,725)	360,402	60,097	-	415,774	361,326	-	361,326
2003	14.218	1,233,000	-	-	411,474	-	411,474	411,474	-	411,474
Economic Development Initiative HUD Special Projects Grant	14.248	498,900	(277,008)	350,570	439,430	-	512,992	512,992	-	512,992
Passed through State of Wisconsin										
Department of Commerce										
Federal Disaster Grant Funds	14.228	615,584	-	1,000	-	-	1,000	-	-	-
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>										
Urban Mass Transportation Operating Assistance	20.507	948,571	-	948,571	-	-	948,571	948,571	-	948,571
Passed through State of Wisconsin										
Department of Transportation										
2001 Section 5309 Capital Assistance Grant	20.500	1,744,400	-	1,261,958	-	315,490	1,577,448	1,261,958	315,490	1,577,448

**CITY OF SHEBOYGAN, WISCONSIN**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2003

Federal Grantor/Pass Through Grantor/Program Title	Revenues						Expenditures			
	Federal CFDA Number	Program or Award Amount	(Accrued)	Grantor Receipts	Accrued	Local Revenue	Total Revenues	Grantor	Local	Total
			Deferred Revenue 12/31/2002		(Deferred) Revenue 12/31/2003					
<b>U.S. DEPARTMENT OF JUSTICE</b>										
Passed through State of Wisconsin										
Department of Administration										
Office of Justice Assistance										
Truancy Abatement & Crime Suppression	16.579	20,284	-	13,082	-	1,560	14,642	13,082	1,560	14,642
Byrne Formula Grant - Ecstasy Initiative	16.579	11,250	(968)	968	-	-	-	-	-	-
Byrne Formula Grant - Ecstasy Initiative	16.579	6,397	-	1,786	-	-	1,786	1,786	-	1,786
Byrne Formula Grant - Task Force Operations	16.579	69,720	(27,308)	27,308	-	-	-	-	-	-
Byrne Formula Grant - Task Force Operations	16.579	62,313	-	33,390	27,923	89,079	150,392	61,313	89,079	150,392
<b>U.S. DEPARTMENT OF ADMINISTRATION</b>										
Passed through State of Wisconsin										
Department of Administration										
Coastal Management Program	11.419	101,250	-	-	101,250	33,750	135,000	101,250	33,750	135,000
<b>U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY</b>										
Passed through State of Wisconsin										
Department of Military Affairs										
Public Assistance Grants	83.544	573,483	-	590	-	-	590	-	-	-
Pre-Disaster Mitigation Planning Grant	83.557	25,112	-	1,781	-	-	1,781	-	-	-
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ (310,009)</u>	<u>3,097,273</u>	<u>1,078,877</u>	<u>439,879</u>	<u>4,306,020</u>	<u>3,790,462</u>	<u>439,879</u>	<u>4,230,341</u>

See accompanying notes to Schedules of Expenditures of Federal and State Awards.

**CITY OF SHEBOYGAN, WISCONSIN**

SCHEDULE OF EXPENDITURES OF STATE AWARDS  
Year Ended December 31, 2003

State Agency/Program Title	State ID Number	Program or Award Amount	Revenues					Expenditures		
			(Accrued) Deferred Revenue 12/31/2002	Grantor Receipts	Accrued (Deferred) Revenue 12/31/2003	Local Revenue	Total Revenues	Grantor	Local	Total
<b>WISCONSIN DEPARTMENT OF TRANSPORTATION</b>										
Transit Operating Aid	395.104	\$ 1,169,010	(31,346)	31,346	-	-	-	-	-	-
Transit Operating Aid	395.104	1,109,936	(36,090)	32,968	-	3,122	-	-	-	-
Transit Operating Aid	395.104	1,038,966	-	935,070	54,905	-	989,975	989,975	-	989,975
<b>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</b>										
Local Park Aids Program	370.421	100,000	49,964	-	(49,964)	-	-	-	-	-
Local Park Aids Program	370.421	173,763	(173,763)	173,763	-	-	-	-	-	-
Brownsfield Site Assessment Grant	370.687	100,000	(100,000)	100,000	-	-	-	-	-	-
Brownsfield Site Assessment Grant	370.687	27,928	(27,928)	27,928	-	-	-	-	-	-
Brownsfield Site Assessment Grant	370.687	1,100,000	-	-	1,100,000	8,581,846	9,681,846	1,100,000	8,581,846	9,681,846
<b>WISCONSIN DEPARTMENT OF JUSTICE</b>										
24-hour recertification training	455.202	11,591	-	11,591	-	-	11,591	11,591	-	11,591
Police training aid	455.202	14,267	-	14,267	-	-	14,267	14,267	-	14,267
<b>WISCONSIN DEPARTMENT OF ADMINISTRATION</b>										
Office of Justice Assistance										
Byrne Formula Grant - Ecstasy Initiative	505.646	2,132	-	1,786	1,574	-	3,360	3,360	-	3,360
Byrne Formula Grant - Task Force Operations	505.646	13,944	(8,399)	8,399	-	-	-	-	-	-
Byrne Formula Grant - Task Force Operations	505.646	12,463	-	-	11,119	-	11,119	11,119	-	11,119
<b>TOTAL STATE AWARDS</b>			<u>\$ (327,562)</u>	<u>1,337,118</u>	<u>1,117,634</u>	<u>8,584,968</u>	<u>10,712,158</u>	<u>2,130,312</u>	<u>8,581,846</u>	<u>10,712,158</u>

See accompanying notes to Schedules of Expenditures of Federal and State Awards.

**CITY OF SHEBOYGAN, WISCONSIN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2003

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

**Financial Statements**

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to general purpose financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

**Federal or State Awards**

Internal control over federal award program:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable condition(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance of federal award program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section 510(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major federal program:

**CFDA NUMBER**

**Name of Federal Program or Cluster**

20.500

2001 Section 5309 Capital Assistance

20.507

Urban Mass Transportation  
Operating Assistance

Federal Programs

State Programs

Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
--	---	-----------------------------	---	-----------------------------

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

# CITY OF SHEBOYGAN, WISCONSIN

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 2003

### Section I: Summary of Auditors' Results (continued)

#### *Federal or State Awards (continued)*

Identification of major state programs:

State Number	Name of State Program
395.104	Transit Operating Aid

### Section II: Financial Statement Findings

There were no findings required to be reported in accordance with Generally Accepted Government Auditing Standards.

### Section III: Federal and State Findings and Questioned Costs

There were no findings or questioned costs for federal or state awards.

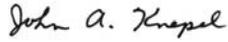
### Section IV: Other Issues

1. Does the auditor's 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       no       N/A
2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, reportable condition, 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 Health and Family Services	_____ yes	_____ no	_____ X	N/A
Department of Workforce Development	_____ yes	_____ no	_____ X	N/A
Department of Corrections	_____ yes	_____ no	_____ X	N/A
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?

yes       no       N/A
4. Name and signature of partner

John Knepel, CPA, Partner  
  


---
5. Date of report

March 4, 2004

## CITY OF SHEBOYGAN

### NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS Year Ended December 31, 2003

---

**NOTE 1** - The report on Expenditures of Federal and State Awards includes all of the funds of the City of Sheboygan. The reporting entity for the City is based upon criteria established by the Governmental Accounting Standards Board.

State programs reported include only those programs required to be included by the *State Single Audit Guidelines*.

**NOTE 2** - The accounting records for the grant programs are maintained on the modified accrual basis of accounting.

**NOTE 3** - The City's federal oversight agency for audit is the U.S. Department of Housing and Urban Development. The City's state cognizant agency is the Wisconsin Department of Transportation.

**NOTE 4** – Status of Prior Year Findings

No findings of noncompliance were identified in the Single Audit Report for the year ended December 31, 2002.