

CITY OF SHEBOYGAN, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2005

CITY OF SHEBOYGAN, WISCONSIN
December 31, 2005

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

To the Honorable Mayor Perez and Common Council
City of Sheboygan
Sheboygan, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sheboygan, Wisconsin ("the City") as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sheboygan, Wisconsin's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Water Utility enterprise fund, which represents 40 percent and 35 percent, respectively, of the assets and revenues of the City's business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Water Utility enterprise fund, is based on the report of the other auditors. We did not audit the financial statements of the Housing Authority of the City of Sheboygan. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to amounts included for the Housing Authority of the City of Sheboygan, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis is not a required part the basic financial statements but is supplemental 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 supplemental 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's basic financial statements. The financial information listed in the table of contents as supplemental information, and the accompanying schedule of expenditures of federal awards and schedule of state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the State of Wisconsin, are presented for purposes of additional analysis 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.



Certified Public Accountants
Green Bay, Wisconsin
March 3, 2006

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 17).

GENERAL INFORMATION

The City of Sheboygan was incorporated as a City on April 5, 1853. The City of Sheboygan is located in Sheboygan County, approximately 52 miles north of Milwaukee. The City's boundary encompasses 14.48 square miles and has a population of 50,741.

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 2005, the Council had five standing committees with five aldermen on each committee. The standing committees are: Finance, Public Protection and Safety, Public Works, Salaries and Grievances and Law and Licensing.

The City has included the financial statements of the Housing Authority and the Business Improvement District as component units. They are legally separate organizations. Virchow Krause audited the Water Utility and their financial statements are 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 of Sheboygan's assets exceeded its liabilities by \$145 million (net assets) for the fiscal year reported, which is an increase of \$41 million from the previous year. Approximately \$36 million of this increase related to street infrastructure retroactively restated in 2005.
- Total net assets are comprised of the following:
 - (1) Capital assets of \$99.9 million include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. Capital assets increased \$41.7 million, mainly from the recognition of City streets.
 - (2) Restricted assets of \$9.9 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
 - (3) Unrestricted net assets of \$35.1 million represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- At the end of the 2005 fiscal year, the City's ending fund balance for the governmental funds totaled \$28.1 million, an increase of \$0.8 million in comparison to the previous year. The ending fund balance for the General Fund was \$13.4 million, an increase of \$1.4 million from the previous year. The unreserved fund balance in the General Fund was \$10.5 million, which includes a designation of \$4 million for working capital and \$750,000 for the subsequent year's budget. The General Fund reserved fund balance was \$2.9 million. The total fund balance in the General Fund increased \$1.3 million, mainly from transfers from other funds.
- The total General Fund revenues and expenditures showed favorable budget versus actual balances.
- In 2005, the City entered into a State Trust Fund loan of \$500,000 and issued general obligation refunding bonds of \$3,140,000, Water Utility revenue bonds of \$4,900,000 and general obligation refunding bonds for Tax Incremental District No.3 of \$3,595,000.
- In 2005, the City's general obligation debt and bond anticipation notes decreased \$6 million to a total of \$60.8 million, which is 2.4% of the City's equalized valuation.

CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

USING THE FINANCIAL STATEMENTS

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.

Government-Wide Financial Statements

The government-wide financial statements (see pages 17 to 19) 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 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 (see pages 18 & 19) 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 (Stormwater, 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 (see pages 20 to 27) 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. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

While the Total column on the Business-type Fund Financial Statements (see pages 29 & 31) 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 reconciliation's on pages 22 & 25. 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 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.

GOVERNMENT-WIDE STATEMENT

Statement of Net Assets

The City of Sheboygan's net assets exceed liabilities by \$144.9 million. The unrestricted portion of the net assets was \$35.1 million, or 24 percent, 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 \$99.9 million or 69 percent. The restricted net assets reflect reserves and totaled \$9.9 million or 7 percent of the net assets.

CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The following table reflects the condensed Statement of Net Assets:

City of Sheboygan's Net Assets						
(in thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 89,636	\$ 85,808	\$ 15,433	\$ 10,964	\$ 105,069	\$ 96,772
Capital assets	94,322	60,344	72,166	70,869	166,488	131,213
Total Assets	183,958	146,152	87,599	81,833	271,557	227,985
Long-term liabilities outstanding	74,000	79,597	12,923	8,824	86,923	88,421
Other liabilities	35,230	32,784	4,484	2,797	39,714	35,581
Total Liabilities	109,230	112,381	17,407	11,621	126,637	124,002
Net Assets						
Invested in capital assets, net of related debt	36,575	(3,971)	63,367	62,050	99,942	58,079
Restricted	9,398	4,099	541	898	9,939	4,997
Unrestricted	28,755	33,643	6,284	7,264	35,039	40,907
Total Net Assets	\$ 74,728	\$ 33,771	\$ 70,192	\$ 70,212	\$ 144,920	\$ 103,983

CITY OF SHEBOYGAN

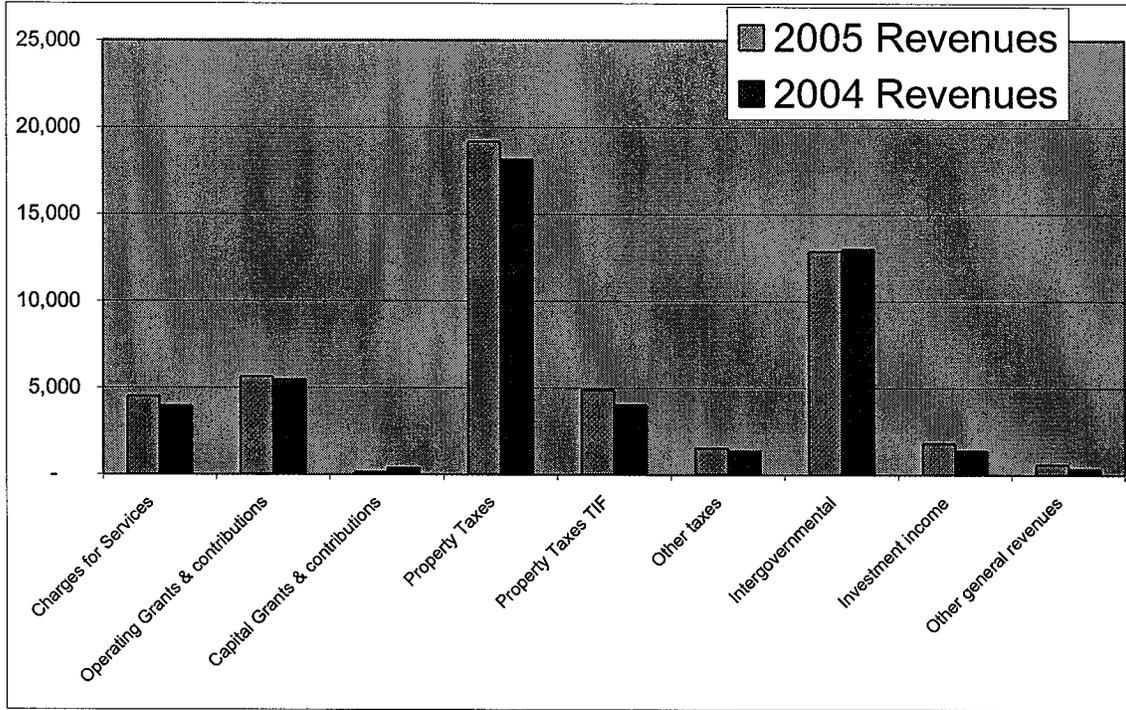
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

City of Sheboygan's Change in Net Assets (In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues						
Program Revenues						
Charges for services	\$ 4,502	\$ 3,952	\$ 13,565	\$ 12,884	\$ 18,067	\$ 16,836
Operating grants and contributions	5,652	5,458	2,038	1,971	7,690	7,429
Capital grants and contributions	120	363	1,336	1,687	1,456	2,050
General Revenues						
Property taxes	19,185	18,152	637	545	19,822	18,697
Property taxes TIF	4,888	4,035	-	-	4,888	4,035
Other taxes	1,521	1,362	-	-	1,521	1,362
Intergovernmental	12,881	12,997	-	-	12,881	12,997
Investment income	1,813	1,392	344	191	2,157	1,583
Miscellaneous	588	320	-	76	588	396
Total Revenues	51,150	48,031	17,920	17,354	69,070	65,385
Expenses						
Governmental Activities						
General government	5,206	5,215	-	-	5,206	5,215
Public protection/safety	18,454	17,395	-	-	18,454	17,395
Public works	10,032	6,839	-	-	10,032	6,839
Health and human services	365	830	-	-	365	830
Culture and recreation	7,144	6,887	-	-	7,144	6,887
Conservation and development	2,847	1,732	-	-	2,847	1,732
Debt expense	2,962	3,300	-	-	2,962	3,300
Business-type Activities						
Storm water fund	-	-	1,514	1,201	1,514	1,201
Wastewater system fund	-	-	7,695	7,172	7,695	7,172
Water utility fund	-	-	3,886	3,434	3,886	3,434
Transit funds	-	-	3,702	3,489	3,702	3,489
Parking funds	-	-	418	379	418	379
Boat facility fund	-	-	61	69	61	69
Total Expenses	47,010	42,198	17,276	15,744	64,286	57,942
Increase in Net Assets Before Transfers	4,140	5,833	644	1,610	4,784	7,443
Transfers	664	632	(664)	(632)	-	-
Change in Net Assets	4,804	6,465	(20)	978	4,784	7,443
Net Assets - January 1 (Restated)	69,924	27,305	70,212	69,234	140,136	96,539
Net Assets - December 31	\$ 74,728	\$ 33,770	\$ 70,192	\$ 70,212	\$ 144,920	\$ 103,982

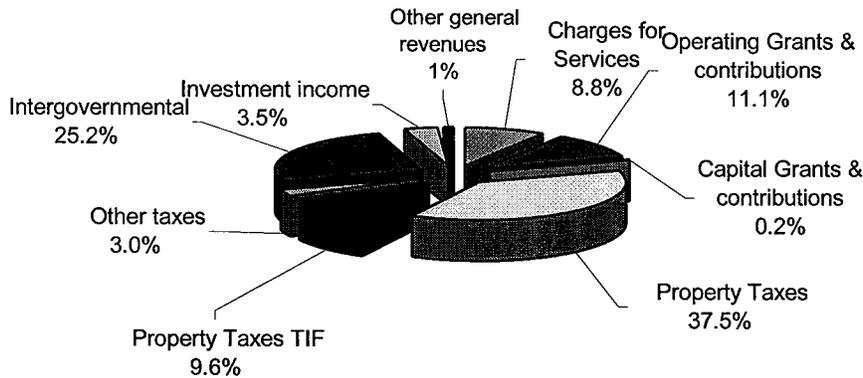
CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Program and General Revenues by Source – Governmental Activities



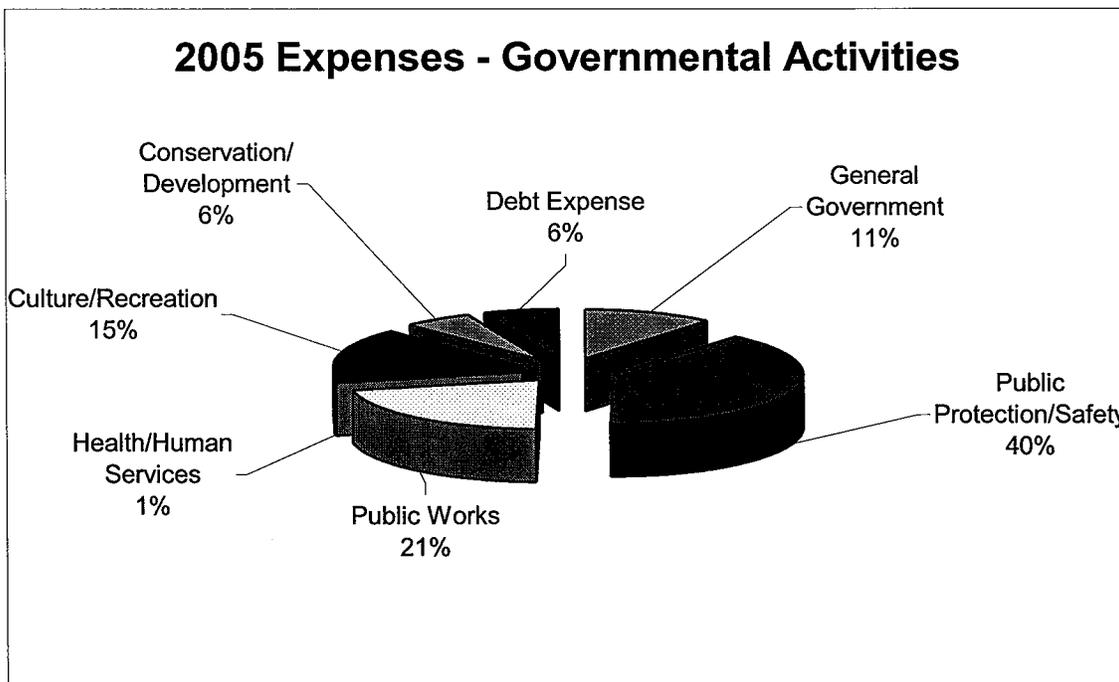
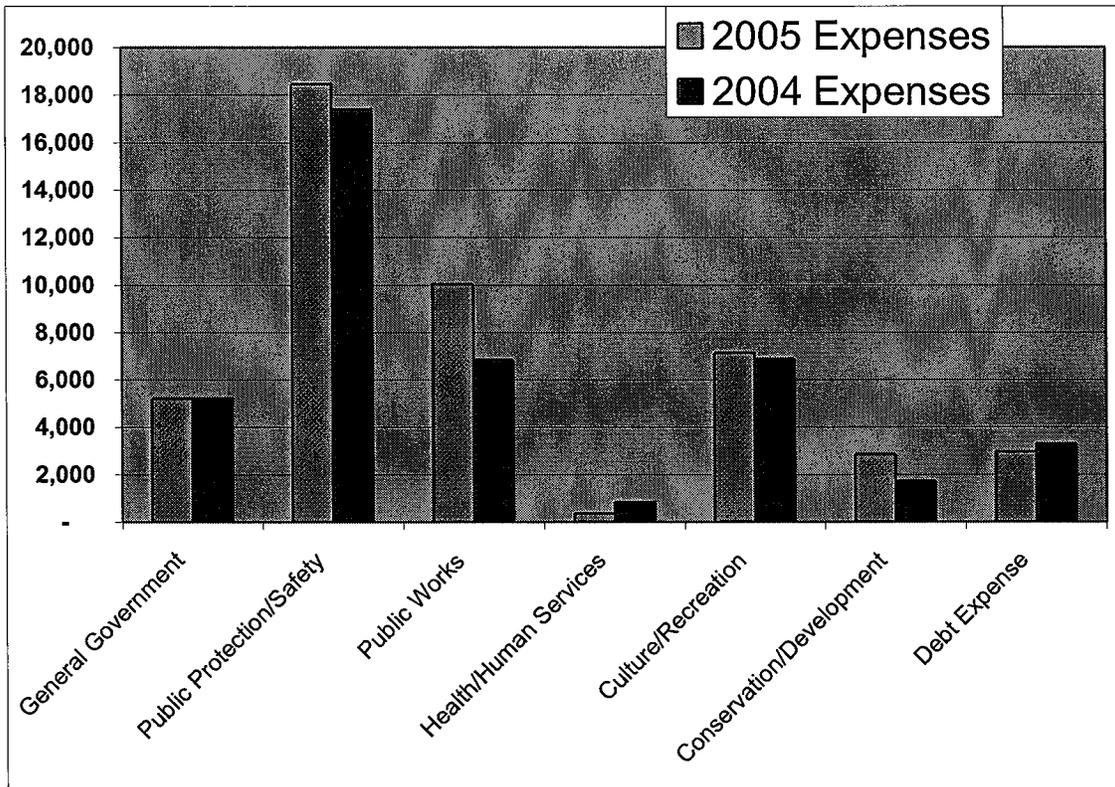
2005 Program and General Revenues by Source - Governmental Activities



CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Expenses – Governmental Activities

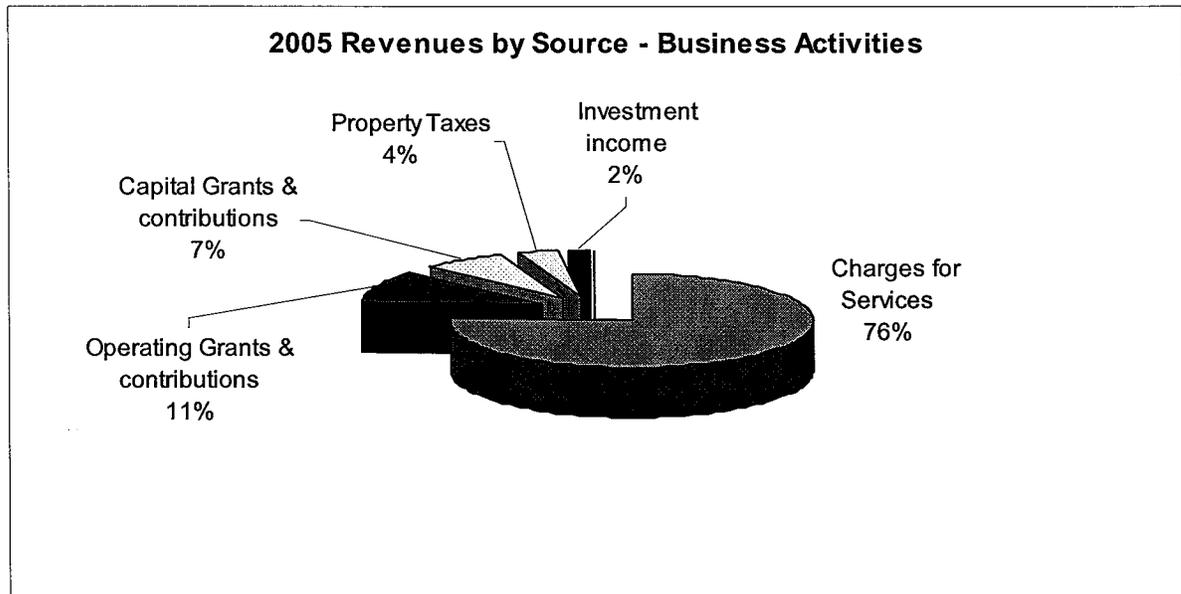
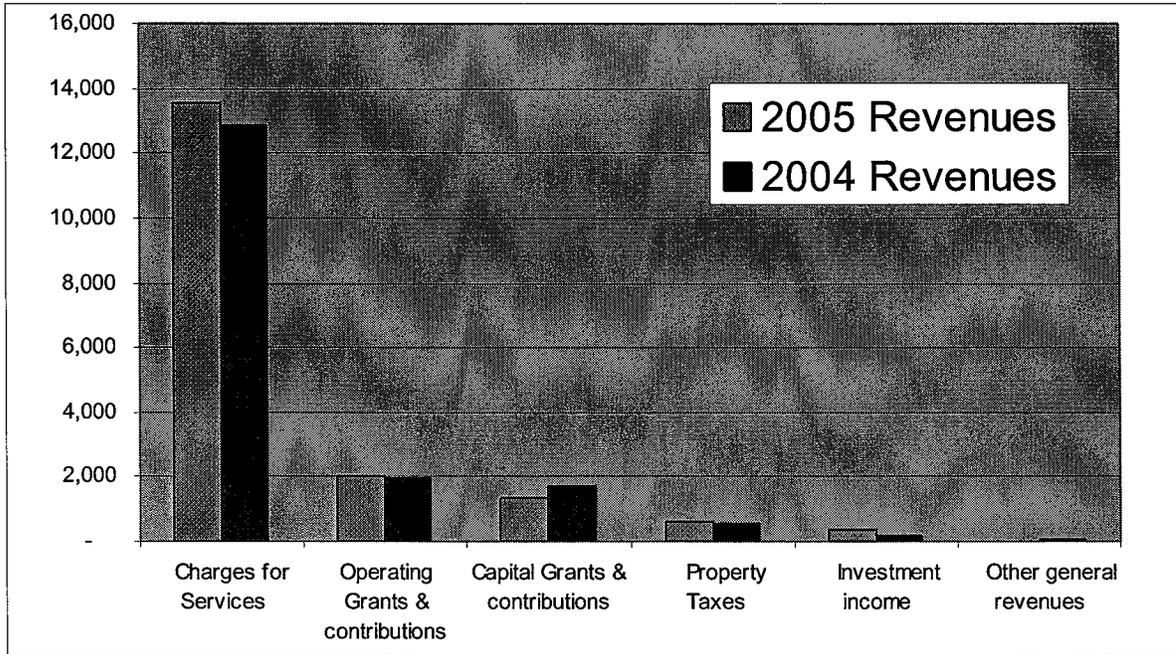


CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Business-type activities. Business-type activities accounted for 48% of the City of Sheboygan's net assets as of 12/31/05. After transfers, the net assets for business-type activities decreased \$20,064 to \$70.2 million.

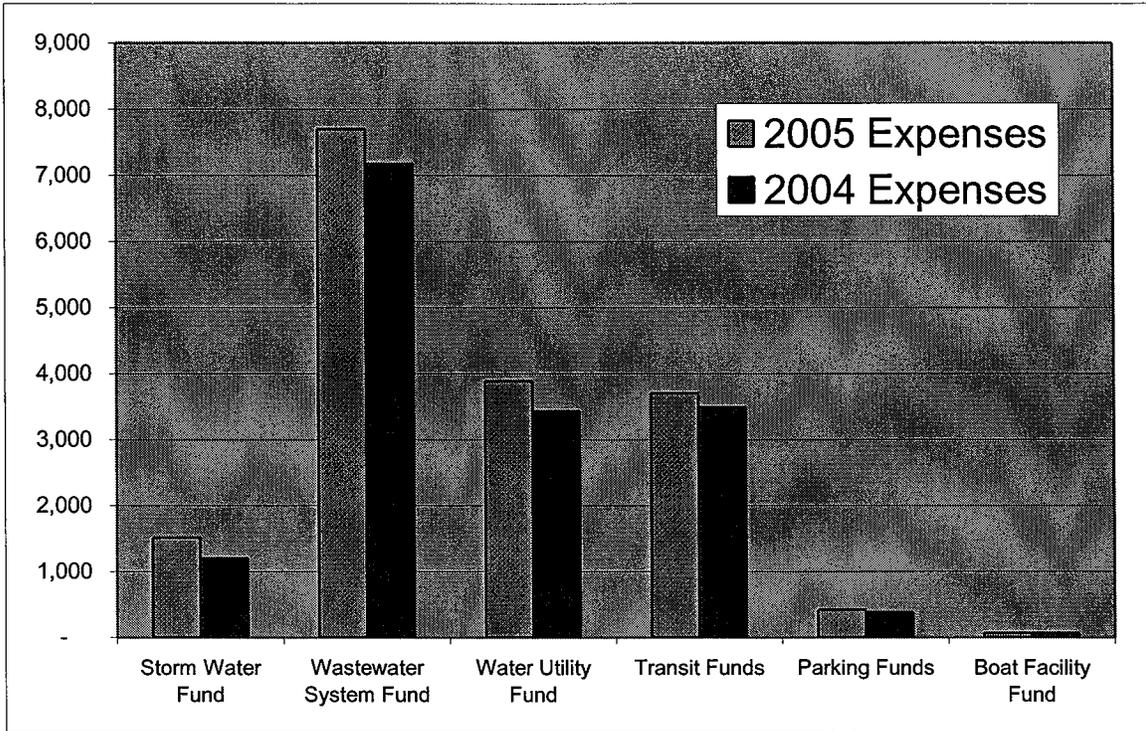
Revenues by Source – Business-type Activities



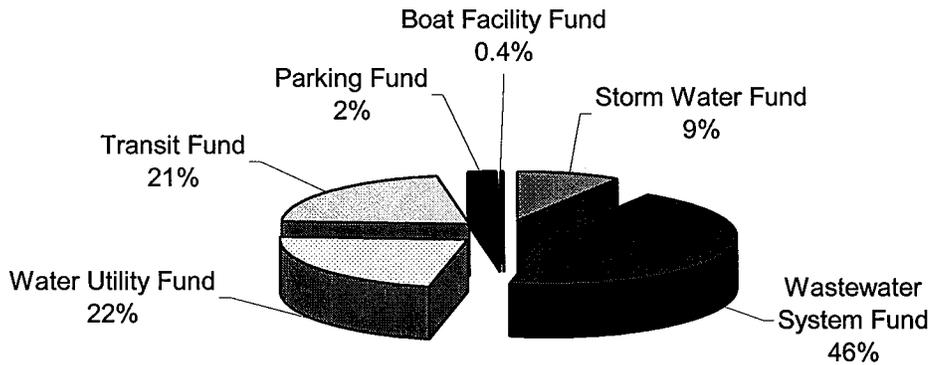
CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Expenses – Business-type Activities:



2005 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 \$28.1 million. Fifty-eight percent of this year-end total, or approximately \$16.2 million, is unreserved with \$4.2 million designated for the subsequent year's expenditures and budget and \$4 million designated for working capital. \$2.8 million of the unreserved and undesignated fund balance is in the Special Revenue funds, Debt Service Funds and Capital Project funds. The reserved fund balances include \$4.7 million committed to debt service, \$1.9 million committed to encumbrances, \$3.8 million for non-current assets and \$1.6 million for assets in trusts. The total ending fund balance of governmental funds shows an increase of \$0.8 million over the prior year.

Proprietary Funds:

Unrestricted net assets at the end of 2005 were \$3.4 million for the Sewerage System, \$354,458 for the Storm Water Utility and \$1.1 million for the Water Utility. The unrestricted net assets of the other enterprise funds, including the Transit Commission, the Parking Utility and the Boat Facility, amounted to \$1.3 million 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 \$100,000 per occurrence and an annual aggregate limit of \$400,000.

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 were increased by approximately 2.2% in 2005. The rates for the workers compensation fund have been stable.

Major Governmental Fund:

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 \$13.4 million. The General Fund revenues exceeded expenditures by \$430,565. With the inclusion of operating transfers, the fund balance of the General Fund increased \$1.4 million.

CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General Fund Budgetary Highlights:

Differences between the original budget and the final amended budget totaled \$914,049. The actual expenditures were \$1.8 million under the final budget and \$903,966 under the original budget.

The total amendments included prior year appropriations for capital outlay and projects and appropriations in 2005 of \$266,454 from a transfer from the Cable Fund for capital outlay in various departments.

The actual General Fund revenues exceeded the final revenue estimates by \$967,308.

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, 2005, amounts to \$166.5 million (net of depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, park facilities, roads, highways, storm and sanitary sewers and sidewalks.

City of Sheboygan's Capital Assets (net of accumulated depreciation) (In thousands of dollars)							
	Governmental Activities		Business-type Activities		Totals		
	2005	2004	2005	2004	2005	2004	
Land and improvements	\$ 18,427	\$ 18,932	\$ 2,365	\$ 2,314	\$ 20,792	\$ 21,246	
Buildings&improvements	12,975	12,783	6,822	7,173	19,797	19,956	
Machinery and equipment	4,830	5,121	10,416	6,267	15,246	11,388	
Infrastructure	58,090	23,509	47,761	48,496	105,851	72,005	
Construction in progress	-	-	4,802	6,620	4,802	6,620	
Total	\$ 94,322	\$ 60,345	\$ 72,166	\$ 70,870	\$ 166,488	\$ 131,215	

CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Long-term debt. At the end of the 2005 fiscal year, the City of Sheboygan's total bonded debt outstanding was \$73.4 million. Of this amount, \$60.8 million 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 Debt						
General Obligation Debt and Revenue Bonds						
(In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General Obligation Debt						
Bonds and notes	\$ 60,752	\$ 66,324	\$ -	\$ -	\$ 60,752	\$ 66,324
Revenue bonds and mortgage notes	-	-	12,679	8,824	12,679	8,824
Total	\$ 60,752	\$ 66,324	\$ 12,679	\$ 8,824	\$ 73,431	\$ 75,148

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, 2005 was \$128 million. The City Council has established a debt limit of 3 percent of equalized valuation, or \$76.8 million as of December 31, 2005.

During 2005, the City of Sheboygan entered into a \$500,000 State Trust Fund loan for the construction of a fire station and issued general obligation bonds in the amount of \$3.1 million for refunding previously outstanding debt at lower rates and the City issued \$3.6 million general obligation bonds to refund Tax Incremental District No. 3 debt. The City also issued \$4.9 million of Water Utility Revenue Bonds.

CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's 2006 adopted budget for the General Fund increased from \$33 million to \$33.8 million, an increase of 2%. The total adopted budget for the governmental funds increased from \$56.3 million to \$62 million, an increase of 6.5%. The majority of the increase was in the Capital Improvements Fund.

The tax levy increased \$816,889, or 4.1%, which included an increase of \$450,569 for the General Fund. \$21,271 for the Transit Fund and \$455,229 for the Debt Service Fund. The tax levy for the Library Fund decreased \$110,180.

The applied fund balance in the General Fund budget decreased from \$1,038,000 in 2005 to \$750,000 in 2006.

In 2006, the seven labor contracts were settled for contract year 2005 and six were settled for contract year 2006.

The Wastewater rates were increased by 2.9% effective January 2006.

Since 2003, the City completed \$11 million of improvements in the South Pier District. In June 2004, the Great Wolf Companies completed construction of a \$54 million project a 183-room resort, an indoor water park, a restaurant and 64 rental condominiums, which is known as the Blue Harbor Resort. As part of the project, the City constructed a conference center utilizing room tax dollars from the Resort.

In 2005 and 2006, the remaining twenty acres on the South Pier District had additional development started and some of the projects have been completed. The development has included the construction of fish shanty style structures for various businesses and a sports recreational building. Other proposed projects in the area include condominiums and a restaurant, which are in the planning stage.

In 2006, the construction of a three-story office building with an estimated value of \$7 million was completed on Kohler Memorial Drive.

The construction of a Wal-Mart super-center began in 2005 and will be completed in 2006.

REQUEST 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, WISCONSIN

Statement of Net Assets

December 31, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District
ASSETS					
Cash and investments	\$ 45,394,601	\$ 6,354,909	\$ 51,749,510	\$ 3,852,051	\$ 46,114
Receivables					
Taxes	25,339,564	683,500	26,023,064	-	-
Accounts	1,338,782	1,953,944	3,292,726	453	-
Special assessments	187,740	223,832	411,572	-	-
Loans	13,100,581	-	13,100,581	-	-
Other	191,141	24,378	215,519	4,607	-
Internal balances	157,959	(157,959)	-	-	-
Due from other governments	1,097,779	1,417,216	2,514,995	-	-
Inventories and prepaid items	513,290	226,616	739,906	28,598	-
Deferred charges	109,249	-	109,249	-	-
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	4,706,436	4,706,436	69,616	-
Capital assets, nondepreciable					
Land	13,344,316	2,364,883	15,709,199	266,510	-
Construction in progress	-	4,801,578	4,801,578	-	-
Capital assets, depreciable					
Buildings and improvements	23,908,387	16,456,234	40,364,621	6,071,458	-
Improvements other than buildings	12,108,475	-	12,108,475	-	-
Machinery and equipment	19,549,027	34,004,776	53,553,803	285,439	-
Infrastructure	89,107,497	85,587,972	174,695,469	-	-
Less: Accumulated depreciation	(63,695,640)	(71,049,539)	(134,745,179)	(4,988,001)	-
TOTAL ASSETS	183,958,413	87,598,776	271,557,189	5,590,731	46,114
LIABILITIES					
Accounts payable	1,394,613	2,150,412	3,545,025	159,692	4,108
Accrued and other current liabilities	6,804,352	1,530,735	8,335,087	27,735	-
Accrued interest payable	572,929	103,173	676,102	-	-
Due to other governments	1,298,708	42,893	1,341,601	56,896	-
Unearned revenues	25,159,410	679,510	25,838,920	-	-
Long-term Obligations					
Due within one year	6,730,591	668,744	7,399,335	-	-
Due in more than one year	67,269,525	12,231,170	79,500,695	-	-
TOTAL LIABILITIES	109,230,128	17,406,637	126,636,765	244,323	4,108
NET ASSETS					
Invested in capital assets, net of related debt	36,574,886	63,367,095	99,941,981	1,635,406	-
Restricted for					
Debt service	1,234,121	540,727	1,774,848	-	-
Community development loans	8,164,451	-	8,164,451	-	-
Unrestricted	28,754,827	6,284,317	35,039,144	3,711,002	42,006
TOTAL NET ASSETS	\$ 74,728,285	\$ 70,192,139	\$ 144,920,424	\$ 5,346,408	\$ 42,006

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

CITY OF SHEBOYGAN, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 5,205,931	\$ 855,322	\$ -	\$ -
Public safety	18,453,605	1,577,220	431,553	-
Public works	10,031,588	1,180,982	2,290,516	120,076
Health and human services	365,187	104,162	100	-
Culture and recreation	7,144,499	758,128	749,993	-
Conservation and development	2,847,170	25,897	2,180,308	-
Interest on debt	2,961,835	-	-	-
Total Governmental Activities	<u>47,009,815</u>	<u>4,501,711</u>	<u>5,652,470</u>	<u>120,076</u>
Business-type Activities				
Sewerage system	7,695,651	6,042,579	-	202,640
Water utility	3,886,683	4,814,231	-	56,484
Storm water utility	1,513,500	1,495,636	-	-
Transit commission	3,701,817	641,579	2,037,850	1,076,832
Parking facility	418,357	422,715	-	-
Boat facility	60,752	148,536	-	-
Total Business-type Activities	<u>17,276,760</u>	<u>13,565,276</u>	<u>2,037,850</u>	<u>1,335,956</u>
Total Primary Government	<u>\$ 64,286,575</u>	<u>\$ 18,066,987</u>	<u>\$ 7,690,320</u>	<u>\$ 1,456,032</u>
Component Units				
Housing Authority of the City of Sheboygan	\$ 1,509,612	\$ 793,719	\$ 582,097	\$ -
Harbor Centre Business Improvement District	142,472	118,552	17,000	-
	<u>\$ 1,652,084</u>	<u>\$ 912,271</u>	<u>\$ 599,097</u>	<u>\$ -</u>

General revenues
Taxes
 General property taxes
 Tax increments
 Other taxes
Federal and state grants and other contributions
 not restricted to specific functions
Interest and investment earnings
Miscellaneous
Transfers
Total general revenues and transfers

Change in net assets

Net assets - January 1 (Restated)

Net assets - December 31

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

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

\$ (4,350,609)	\$ -	\$ (4,350,609)	\$ -	\$ -
(16,444,832)	-	(16,444,832)	-	-
(6,440,014)	-	(6,440,014)	-	-
(260,925)	-	(260,925)	-	-
(5,636,378)	-	(5,636,378)	-	-
(640,965)	-	(640,965)	-	-
(2,961,835)	-	(2,961,835)	-	-
<u>(36,735,558)</u>	<u>-</u>	<u>(36,735,558)</u>	<u>-</u>	<u>-</u>

-	(1,450,432)	(1,450,432)	-	-
-	984,032	984,032	-	-
-	(17,864)	(17,864)	-	-
-	54,444	54,444	-	-
-	4,358	4,358	-	-
-	87,784	87,784	-	-
-	<u>(337,678)</u>	<u>(337,678)</u>	<u>-</u>	<u>-</u>

<u>(36,735,558)</u>	<u>(337,678)</u>	<u>(37,073,236)</u>	<u>-</u>	<u>-</u>
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-	-	-	(133,796)	-
-	-	-	-	(6,920)
-	-	-	<u>(133,796)</u>	<u>(6,920)</u>

19,185,195	637,074	19,822,269	-	-
4,887,865	-	4,887,865	-	-
1,521,247	-	1,521,247	-	-
12,881,273	-	12,881,273	-	-
1,812,567	344,185	2,156,752	61,194	1,719
587,696	-	587,696	13,774	-
663,645	(663,645)	-	-	-
<u>41,539,488</u>	<u>317,614</u>	<u>41,857,102</u>	<u>74,968</u>	<u>1,719</u>

4,803,930	(20,064)	4,783,866	(58,828)	(5,201)
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<u>69,924,355</u>	<u>70,212,203</u>	<u>140,136,558</u>	<u>5,405,236</u>	<u>47,207</u>
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<u>\$ 74,728,285</u>	<u>\$ 70,192,139</u>	<u>\$ 144,920,424</u>	<u>\$ 5,346,408</u>	<u>\$ 42,006</u>
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CITY OF SHEBOYGAN, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2005

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
ASSETS				
Cash and investments	\$ 14,227,113	\$ 1,226,621	\$ 3,519,734	\$ 2,378,324
Receivables				
Taxes	13,979,329	3,495,772	5,160,847	-
Accounts	1,095,866	7,500	19,694	2,542
Special assessments	22,741	-	6,645	-
Loans	10,000	-	-	4,000,000
Due from other funds	958,765	1,249,765	-	-
Advance to other funds	1,479,664	2,196,282	-	-
Due from other governments	-	-	-	85,741
Inventories and prepaid items	375,120	-	-	-
TOTAL ASSETS	\$ 32,148,598	\$ 8,175,940	\$ 8,706,920	\$ 6,466,607
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 309,084	\$ -	\$ -	\$ 36,588
Accrued and other current liabilities	4,440,728	-	-	-
Due to other funds	-	-	50,578	-
Due to other governments	15,582	-	-	-
Deferred revenues	13,967,079	3,495,772	5,169,549	4,000,000
Advance from other funds	-	-	3,568,989	882,169
Total Liabilities	18,732,473	3,495,772	8,789,116	4,918,757
Fund Balances				
Reserved for				
Inventories and prepaid items	375,120	-	-	-
Long-term accounts and interfund receivables	2,500,048	3,446,047	-	-
Encumbrances	35,752	-	-	315,600
Retirement of long-term debt	-	1,234,121	-	-
Cemetery perpetual care	-	-	-	-
Trust activities	-	-	-	-
Unreserved				
Designated for				
Subsequent year's expenditures	567,576	-	-	1,232,250
Subsequent year's budget	750,000	-	-	-
Subsequent year's working capital	4,000,000	-	-	-
Undesignated, reported in				
General fund	5,187,629	-	-	-
Special revenue funds	-	-	-	-
Debt service fund	-	-	(82,196)	-
Capital projects funds	-	-	-	-
Total Fund Balances	13,416,125	4,680,168	(82,196)	1,547,850
TOTAL LIABILITIES AND FUND BALANCES	\$ 32,148,598	\$ 8,175,940	\$ 8,706,920	\$ 6,466,607

(Continued)

Capital Projects Bonded	Other Governmental Funds	Total Governmental Funds
-------------------------------	--------------------------------	--------------------------------

\$ 1,620,654 \$ 8,620,623 \$ 31,593,069

- 2,703,616 25,339,564
6,023 327,921 1,459,546
- 158,354 187,740
- 9,090,581 13,100,581
- 2,208,530
- 826,749 4,502,695
- 1,012,038 1,097,779
- 56,311 431,431

\$ 1,626,677 \$ 22,796,193 \$ 79,920,935

\$ 400,895 \$ 535,129 \$ 1,281,696

- 685,556 5,126,284
- 2,157,952 2,208,530
- 1,278,131 1,293,713
- 10,675,528 37,307,928
- 120,976 4,572,134

400,895 15,453,272 51,790,285

- 56,311 431,431
- 826,749 6,772,844
517,724 1,073,639 1,942,715
- 1,234,121
- 729,981 729,981
- 831,974 831,974

708,058 925,585 3,433,469
- 750,000
- 4,000,000

- 5,187,629
- 1,970,963 1,970,963
- (82,196)
- 927,719 927,719

1,225,782 7,342,921 28,130,650

\$ 1,626,677 \$ 22,796,193 \$ 79,920,935

CITY OF SHEBOYGAN, WISCONSIN
 Balance Sheet (Continued)
 Governmental Funds
 December 31, 2005

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page		\$ 28,130,650
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		92,035,320
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		332,971
Loans receivable		11,815,547
Internal service funds reported in the statement of net assets as governmental activities (see page 29)		16,413,426
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	\$(61,737,319)	
Unfunded pension liability	(11,806,187)	
Deferred charges - bond issues	109,249	
Accrued interest on long-term obligations	(565,372)	(73,999,629)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 17)		<u>\$ 74,728,285</u>

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

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended December 31, 2005

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
Revenues				
Taxes	\$ 13,875,037	\$ 3,040,543	\$ 4,911,301	\$ -
Special assessments	1,301	-	2,874	-
Intergovernmental	15,175,720	-	143,612	50,000
Licenses and permits	766,683	-	-	-
Fines and forfeits	1,200,990	-	-	-
Public charges for services	682,477	-	2,750	-
Intergovernmental charges for services	189,622	-	-	-
Miscellaneous	706,282	255,599	186,981	227,221
Total Revenues	32,598,112	3,296,142	5,247,518	277,221
Expenditures				
Current				
General government	4,643,596	-	5,210	-
Public safety	17,503,442	-	-	-
Public works	6,268,034	-	-	-
Health and human services	369,682	-	-	-
Culture and recreation	3,044,389	-	-	-
Conservation and development	320,779	-	242,933	-
Other	17,625	-	-	-
Debt service				
Principal	-	6,837,372	6,128,548	-
Interest and fiscal charges	-	1,154,854	1,709,977	28,724
Capital outlay	-	-	-	527,321
Total Expenditures	32,167,547	7,992,226	8,086,668	556,045
Excess of Revenues Over (Under)				
Expenditures	430,565	(4,696,084)	(2,839,150)	(278,824)
Other Financing Sources (Uses)				
Long-term debt issued	-	2,907,637	3,853,007	-
Transfers in	1,267,453	1,327,347	1,961,832	670,466
Transfers out	(303,571)	(1,728,613)	(706,031)	(441,207)
Total Other Financing Sources (Uses)	963,882	2,506,371	5,108,808	229,259
Net Change in Fund Balances	1,394,447	(2,189,713)	2,269,658	(49,565)
Fund Balances (Deficit) - January 1	12,021,678	6,869,881	(2,351,854)	1,597,415
Fund Balances (Deficit) - December 31	\$ 13,416,125	\$ 4,680,168	\$ (82,196)	\$ 1,547,850

(Continued)

Capital Projects Bonded	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,767,426	\$ 25,594,307
-	194,588	198,763
-	2,838,220	18,207,552
-	434,496	1,201,179
-	-	1,200,990
-	1,097,600	1,782,827
-	-	189,622
93,186	1,658,904	3,128,173
<u>93,186</u>	<u>9,991,234</u>	<u>51,503,413</u>

-	276,391	4,925,197
-	102,609	17,606,051
-	854,712	7,122,746
-	-	369,682
-	3,813,968	6,858,357
-	2,507,499	3,071,211
-	-	17,625
-	160,000	13,125,920
-	27,170	2,920,725
482,965	1,740,107	2,750,393
<u>482,965</u>	<u>9,482,456</u>	<u>58,767,907</u>

<u>(389,779)</u>	<u>508,778</u>	<u>(7,264,494)</u>
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500,000	-	7,260,644
-	636,713	5,863,811
<u>(56,949)</u>	<u>(1,838,795)</u>	<u>(5,075,166)</u>
<u>443,051</u>	<u>(1,202,082)</u>	<u>8,049,289</u>

53,272	(693,304)	784,795
<u>1,172,510</u>	<u>8,036,225</u>	<u>27,345,855</u>

<u>\$ 1,225,782</u>	<u>\$ 7,342,921</u>	<u>\$ 28,130,650</u>
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CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
Year Ended December 31, 2005

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ 784,795

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

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

Capital assets reported as capital outlay in governmental fund statements	\$ 1,089,839	
Depreciation expense reported in the statement of activities	<u>3,053,751</u>	
Amount by which capital outlays are less than depreciation in current period		(1,963,912)

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

Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$ 200,800	
Gain on disposition reported on the statement of activities	<u>87,890</u>	
Cost of assets disposed of		(112,910)

The City's contribution rate to their pension plan includes a portion for the retirement of their unfunded pension liability. In addition, interest is assessed on the unfunded pension liability at year end. Interest assessed exceeded payment in the current year by:

(470,157)

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

Special assessments levied	\$ 120,076	
Special assessment collections	<u>(198,763)</u>	(78,687)

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

Loans issued	\$ 983,800	
Loan repayments received	<u>(665,408)</u>	318,392

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

(7,235,000)

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

(23,782)

13,125,920

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

(146,814)

Bond issue costs are reported in the governmental funds as an expenditure. In the statement of activities, these costs are capitalized and amortized over the life of the bonds. For 2005, bond issuance costs exceeded amortization by:

9,789

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

Change in internal service fund net assets	\$ 619,162	
Less portion allocated to business-type activities	<u>(22,866)</u>	596,296

Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 18 - 19)

\$ 4,803,930

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

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
General Fund
Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 13,871,577	\$ 13,871,577	\$ 13,875,037	\$ 3,460
Special assessments	-	-	1,301	1,301
Intergovernmental	15,161,656	15,195,708	15,175,720	(19,988)
Licenses and permits	560,253	561,553	766,683	205,130
Fines and forfeits	704,000	831,500	1,200,990	369,490
Public charges for services	450,257	481,572	682,477	200,905
Intergovernmental charges for services	167,400	203,270	189,622	(13,648)
Miscellaneous	365,800	485,624	706,282	220,658
Total Revenues	31,280,943	31,630,804	32,598,112	967,308
Expenditures				
General Government				
Council	122,115	133,220	130,216	3,004
Mayor	255,038	280,775	264,786	15,989
City clerk	283,522	291,865	276,431	15,434
Elections	40,473	49,263	45,610	3,653
Finance	1,500,373	1,508,272	1,504,777	3,495
Assessor	490,703	492,955	472,291	20,664
Personnel	268,836	274,401	273,845	556
City attorney	367,296	389,507	396,217	(6,710)
City insurance	173,476	173,476	146,115	27,361
City buildings	946,885	1,226,944	1,167,541	59,403
Board of review	671	671	120	551
Employee benefits	477,800	223,989	(34,353)	258,342
Total General Government	4,927,188	5,045,338	4,643,596	401,742
Public Safety				
Police	10,413,984	10,768,873	10,298,557	470,316
Fire	6,494,993	6,696,148	6,705,324	(9,176)
Building inspection	492,939	493,739	493,044	695
Emergency operations	1,700	1,700	1,700	-
Civil defense	7,979	7,979	4,817	3,162
Total Public Safety	17,411,595	17,968,439	17,503,442	464,997
Public Works				
Department of public works	324,094	347,872	347,257	615
Engineering	699,562	702,804	702,438	366
Streets department	3,443,499	3,504,990	3,246,247	258,743
Sanitation department	2,216,249	2,216,249	1,950,670	265,579
Incinerator	14,000	14,000	14,000	-
Boat facilities	7,424	7,424	7,422	2
Total Public Works	6,704,828	6,793,339	6,268,034	525,305

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)
General Fund
Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Health and Human Services				
Health	57,524	57,524	57,296	228
Cemetery	299,755	306,555	312,386	(5,831)
Total Health and Human Services	<u>357,279</u>	<u>364,079</u>	<u>369,682</u>	<u>(5,603)</u>
Culture and Recreation				
Park department	2,679,556	2,720,261	2,697,829	22,432
Celebrations	20,574	72,424	99,279	(26,855)
Senior citizen center	231,120	246,544	247,281	(737)
Total Culture and Recreation	<u>2,931,250</u>	<u>3,039,229</u>	<u>3,044,389</u>	<u>(5,160)</u>
Conservation and Development				
City development	<u>317,920</u>	<u>320,820</u>	<u>320,779</u>	<u>41</u>
Other				
Receivable adjustments	6,453	6,453	17,625	(11,172)
Contingency	415,000	447,865	-	447,865
Total Other	<u>421,453</u>	<u>454,318</u>	<u>17,625</u>	<u>436,693</u>
Total Expenditures	<u>33,071,513</u>	<u>33,985,562</u>	<u>32,167,547</u>	<u>1,818,015</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,790,570)</u>	<u>(2,354,758)</u>	<u>430,565</u>	<u>2,785,323</u>
Other Financing Sources (Uses)				
Transfers in	1,073,315	1,269,434	1,267,453	(1,981)
Transfers out	(8,745)	(358,745)	(303,571)	55,174
Total Other Financing Sources (Uses)	<u>1,064,570</u>	<u>910,689</u>	<u>963,882</u>	<u>53,193</u>
Net Change in Fund Balance	(726,000)	(1,444,069)	1,394,447	2,838,516
Fund Balance - January 1	<u>12,021,678</u>	<u>12,021,678</u>	<u>12,021,678</u>	-
Fund Balance - December 31	<u>\$ 11,295,678</u>	<u>\$ 10,577,609</u>	<u>\$ 13,416,125</u>	<u>\$ 2,838,516</u>

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

CITY OF SHEBOYGAN, WISCONSIN

Statement of Net Assets

Proprietary Funds

December 31, 2005

	Business-type Activities - Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
ASSETS			
Cash and investments	\$ 3,226,657	\$ 1,261,261	\$ 227,841
Receivables			
Taxes	17,564	-	4,198
Accounts	943,489	779,101	143,385
Special assessments	2,540	125,447	-
Other	1,789	15,127	1,184
Due from other governments	-	-	-
Inventories and prepaid expenses	42	221,493	-
Restricted assets			
Cash and investments	-	4,706,436	-
Advance to other funds	-	-	-
Deposit with CVMIC	-	-	-
Capital assets, nondepreciable			
Land	2,000	98,858	1,395,109
Construction in progress	4,545,448	256,130	-
Capital assets, depreciable			
Buildings	12,371,095	3,332,725	-
Machinery and equipment	14,181,264	9,785,179	-
Infrastructure	38,975,079	23,612,458	20,581,175
Less: Accumulated depreciation	(45,849,225)	(9,246,729)	(6,720,584)
TOTAL ASSETS	28,417,742	34,947,486	15,632,308
LIABILITIES			
Accounts payable	461,082	178,220	14,604
Accrued and other current liabilities	258,015	1,121,046	7,546
Accrued interest payable	24,999	78,174	-
Due to other governments	-	-	-
Deferred revenue	10,203	-	-
Advance from other funds	-	-	-
Long-term Obligations			
Due within one year	436,565	232,179	-
Due in more than one year	4,535,392	7,695,778	-
TOTAL LIABILITIES	5,726,256	9,305,397	22,150
NET ASSETS			
Invested in capital assets, net of related debt	19,253,704	24,011,769	15,255,700
Restricted for			
Debt service	-	540,727	-
Unrestricted	3,437,782	1,089,593	354,458
TOTAL NET ASSETS	\$ 22,691,486	\$ 25,642,089	\$ 15,610,158

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

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

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

Total Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 1,639,150	\$ 6,354,909	\$ 13,801,532
661,738	683,500	-
87,969	1,953,944	11,757
95,845	223,832	-
6,278	24,378	58,620
1,417,216	1,417,216	-
5,081	226,616	81,859
-	4,706,436	-
69,439	69,439	281,000
-	-	2,205,665
868,916	2,364,883	-
-	4,801,578	-
752,414	16,456,234	-
10,038,333	34,004,776	9,410,065
2,419,260	85,587,972	-
<u>(9,233,001)</u>	<u>(71,049,539)</u>	<u>(7,123,323)</u>
<u>8,828,638</u>	<u>87,826,174</u>	<u>18,727,175</u>
1,496,506	2,150,412	112,917
144,128	1,530,735	1,678,068
-	103,173	7,557
42,893	42,893	4,995
669,307	679,510	-
281,000	281,000	-
-	668,744	218,295
-	12,231,170	238,315
<u>2,633,834</u>	<u>17,687,637</u>	<u>2,260,147</u>
4,845,922	63,367,095	2,286,742
-	540,727	-
<u>1,348,882</u>	<u>6,230,715</u>	<u>14,180,286</u>
<u>\$ 6,194,804</u>	70,138,537	16,467,028
	<u>53,602</u>	<u>(53,602)</u>
	<u>\$ 70,192,139</u>	<u>\$ 16,413,426</u>

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2005

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
Operating Revenues			
Charges for services	\$ 5,975,868	\$ 4,814,231	\$ 1,493,616
Other	66,711	-	2,020
Total Operating Revenues	<u>6,042,579</u>	<u>4,814,231</u>	<u>1,495,636</u>
Operating Expenses			
Personal services	1,815,846	1,250,484	474,709
Contractual services	1,460,151	-	230,953
Supplies and materials	436,884	1,776,352	279,516
Insurance	34,745	-	-
Other	1,548,204	-	154,900
Depreciation	2,262,478	642,491	383,653
Total Operating Expenses	<u>7,558,308</u>	<u>3,669,327</u>	<u>1,523,731</u>
Operating Income (Loss)	<u>(1,515,729)</u>	<u>1,144,904</u>	<u>(28,095)</u>
Nonoperating Revenues (Expenses)			
Property taxes	-	-	-
Intergovernmental	-	-	-
Investment income	151,755	121,727	20,212
Miscellaneous revenues (expense)	-	(3,240)	-
Interest expense	(145,379)	(213,548)	-
Amortization of debt discount	-	(568)	-
Total Nonoperating Revenues (Expenses)	<u>6,376</u>	<u>(95,629)</u>	<u>20,212</u>
Income (Loss) Before Contributions and Transfers	<u>(1,509,353)</u>	<u>1,049,275</u>	<u>(7,883)</u>
Capital contributions	202,640	56,484	-
Transfers in	-	-	-
Transfers out	<u>(17,930)</u>	<u>(658,159)</u>	<u>-</u>
Change in Net Assets	<u>(1,324,643)</u>	<u>447,600</u>	<u>(7,883)</u>
Net Assets - January 1 (Restated)	<u>24,016,129</u>	<u>25,194,489</u>	<u>15,618,041</u>
Net Assets - December 31	<u>\$ 22,691,486</u>	<u>\$ 25,642,089</u>	<u>\$ 15,610,158</u>

Change in net assets, as reported above

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

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

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

Total Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 1,033,246	\$ 13,316,961	\$ 9,805,358
179,584	248,315	7,201
<u>1,212,830</u>	<u>13,565,276</u>	<u>9,812,559</u>
2,457,023	5,998,062	643,990
943,926	2,635,030	1,131,232
123,650	2,616,402	23,012
82,509	117,254	7,220,896
18,701	1,721,805	26,157
559,554	3,848,176	620,855
<u>4,185,363</u>	<u>16,936,729</u>	<u>9,666,142</u>
<u>(2,972,533)</u>	<u>(3,371,453)</u>	<u>146,417</u>
637,074	637,074	-
3,114,682	3,114,682	-
50,491	344,185	641,627
-	(3,240)	-
(162)	(359,089)	(43,882)
-	(568)	-
<u>3,802,085</u>	<u>3,733,044</u>	<u>597,745</u>
829,552	361,591	744,162
-	259,124	-
12,444	12,444	-
-	(676,089)	(125,000)
841,996	(42,930)	619,162
<u>5,352,808</u>	<u>70,181,467</u>	<u>15,847,866</u>
<u>\$ 6,194,804</u>	<u>\$ 70,138,537</u>	<u>\$ 16,467,028</u>
	\$ (42,930)	\$ 619,162
	<u>22,866</u>	<u>(22,866)</u>
	<u>\$ (20,064)</u>	<u>\$ 596,296</u>

CITY OF SHEBOYGAN, WISCONSIN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2005

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,136,022	\$ 4,881,824	\$ 1,529,343
Payments to suppliers	(1,794,402)	(1,663,102)	(475,710)
Payments to employees	(3,473,976)	(1,276,195)	(813,226)
Net Cash Provided (Used) by Operating Activities	867,644	1,942,527	240,407
Cash Flows from Noncapital and Related Financing Activities			
Property taxes	-	-	-
Intergovernmental grants	-	-	-
Principal payments on noncapital debt	-	-	-
Interest payments on noncapital debt	-	-	-
Dividend from CVMIC	-	-	-
Transfers	(17,930)	(627,548)	-
Advances to (from) other funds	-	-	-
Interest on advance from other funds	-	-	-
Net Cash Used by Noncapital and Related Financing Activities	(17,930)	(627,548)	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(1,921,239)	(2,313,803)	(31,884)
Proceeds of capital debt	-	5,388,244	-
Advance from other funds	-	-	-
Principal payments on capital debt	(161,130)	(1,153,532)	-
Interest payments on capital debt	(147,377)	(158,809)	-
Special assessment collections	213,018	16,584	-
Net Cash Used by Capital and Related Financing Activities	(2,016,728)	1,778,684	(31,884)
Cash Flows from Investing Activities			
Interest received	155,039	119,230	19,208
Change in Cash and Cash Equivalents	(1,011,975)	3,212,893	227,731
Cash and Cash Equivalents - January 1	4,238,632	2,344,804	110
Cash and Cash Equivalents - December 31	\$ 3,226,657	\$ 5,557,697	\$ 227,841
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,515,729)	\$ 1,144,904	\$ (28,095)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,262,478	642,491	383,653
Depreciation charged to clearing and other funds	-	100,411	-
Miscellaneous revenues (expenses)	-	(3,240)	-
Changes in assets and liabilities			
Receivables	98,400	6,792	33,707
Due from other governments	-	-	-
Inventories and prepaid items	178	(47,052)	-
Accounts payable	5,830	72,510	(113,752)
Accrued and other liabilities	21,444	25,711	(1,002)
Due from other funds	-	-	(34,104)
Due to other governments	-	-	-
Deferred revenue	(4,957)	-	-
Net Cash Provided (Used) by Operating Activities	\$ 867,644	\$ 1,942,527	\$ 240,407
Noncash Investing, Capital and Financing Activities			
Capital asset acquisition in accounts payable at year end	\$ -	\$ -	\$ -

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

Total Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 870,149	\$ 13,417,338	\$ 9,804,920
(2,488,079)	(6,421,293)	(8,451,010)
(1,103,814)	(6,667,211)	(645,182)
<u>(2,721,744)</u>	<u>328,834</u>	<u>708,728</u>
637,074	637,074	-
2,037,850	2,037,850	-
-	-	(200,200)
-	-	(48,434)
-	-	248,634
12,444	(633,034)	(125,000)
(5,237)	(5,237)	(281,000)
(162)	(162)	-
<u>2,681,969</u>	<u>2,036,491</u>	<u>(406,000)</u>
(70,285)	(4,337,211)	(378,803)
-	5,388,244	-
281,000	281,000	-
-	(1,314,662)	-
-	(306,186)	-
-	229,602	-
<u>210,715</u>	<u>(59,213)</u>	<u>(378,803)</u>
47,803	341,280	382,908
218,743	2,647,392	306,833
1,420,407	8,003,953	13,494,699
<u>\$ 1,639,150</u>	<u>\$ 10,651,345</u>	<u>\$ 13,801,532</u>
\$ (2,972,533)	\$ (3,371,453)	\$ 146,417
559,554	3,848,176	620,855
-	100,411	-
-	(3,240)	-
(81,464)	57,435	(7,639)
(262,654)	(262,654)	-
(8,373)	(55,247)	(28,698)
31,712	(3,700)	(17,037)
(31,057)	15,096	(5,170)
-	(34,104)	-
41,634	41,634	-
1,437	(3,520)	-
<u>\$ (2,721,744)</u>	<u>\$ 328,834</u>	<u>\$ 708,728</u>
<u>\$ 1,346,040</u>	<u>\$ 1,346,040</u>	<u>\$ -</u>

CITY OF SHEBOYGAN, WISCONSIN

Statement of Fiduciary Net Assets

Agency Funds

December 31, 2005

	Property Tax Collection	Business Improvement District	Totals
ASSETS			
Cash and investments	\$ 7,113,133	\$ 4,098	\$ 7,117,231
Receivables			
Taxes	34,796,957	94,764	34,891,721
Special assessments	-	2,964	2,964
Loans	-	22	22
TOTAL ASSETS	<u>\$ 41,910,090</u>	<u>\$ 101,848</u>	<u>\$ 42,011,938</u>
LIABILITIES			
Liabilities			
Due to other governments	<u>\$ 41,910,090</u>	<u>\$ 101,848</u>	<u>\$ 42,011,938</u>

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

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Financial Reporting Entity

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

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

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

2. Individual Component Unit Disclosures

Discretely Presented Component Units

The component unit columns in the government-wide financial statements represent the financial data of the Housing Authority of the City of Sheboygan ("Housing Authority") and the Harbor Centre Business Improvement District ("the District"). They are reported in separate columns to emphasize that they are legally separate from the City. The governing bodies of both organizations are appointed by the City's Common Council. Wisconsin Statutes also provide for circumstances where the City can impose their will on both organizations and also create a potential burden on the City. The financial information presented is for the fiscal year ended March 31, 2005 for the Housing Authority and December 31, 2005 for the District. Complete financial statements for the Housing Authority can be obtained from their office at 611 North Water Street, P.O. Box 1052, Sheboygan, WI 53082-1052. Complete financial statements for the District can be obtained from their office at P.O. Box 791, Sheboygan, WI 53082-0791.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Government-Wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

GENERAL FUND

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

DEBT SERVICE GENERAL OBLIGATION DEBT FUND

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

DEBT SERVICE TAX INCREMENTAL FINANCING DISTRICTS FUND

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

CAPITAL PROJECTS TAX INCREMENTAL FINANCING DISTRICT FUND

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

CAPITAL PROJECTS BONDED FUND

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

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major enterprise funds:

SEWERAGE SYSTEM

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

WATER UTILITY

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

STORM WATER UTILITY

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

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

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

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

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

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

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

Transit Commission	Boat Facility
Parking Facility	

Additionally, the government reports the following fund types:

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

Motor Vehicle	Workers Compensation Self Insurance
Data Processing	General Liability Self Insurance
Health Self Insurance	

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

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following certain subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

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

b. Receivables

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

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

c. Interfund Receivables and Payables

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

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

d. Inventories

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

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

e. Prepaid Items

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

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Capital Assets

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

For the year ended December 31, 2005, the City retroactively reported streets existing prior to the City's implementation of GASB Statement No. 34. The City has until January 1, 2007 to retroactively report the remaining infrastructure assets acquired since January 1, 1980.

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

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

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

g. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave and other benefits at various rates depending on classification and length of service. Terminated employees are paid for their unused balances based on their current salary rates. The City's accrued liability for compensated absences include salary and all related payments. All vacation and sick leave is accrued and recognized as an expenditure or expense as the benefit accrues to the employees and are funded currently.

h. Deferred Revenue

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

i. Long-term Obligations

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

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Claims and Judgments

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

k. Fund Equity

FUND FINANCIAL STATEMENTS

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GOVERNMENT-WIDE STATEMENTS

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

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

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

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

- a. During October, City management submits to the Common Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Common Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, special revenue and debt service funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund, special revenue funds and debt service funds. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each department of the City. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Common Council. The City's finance committee or the City's director of finance can approve transfers within departments while transfers between departments and changes in the overall budget require approval by two-thirds of the Common Council.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2005.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2005:

Funds	Deficit Fund Equity
Harbor Center Marina	\$1,264,845
Municipal Court	13,460
Debt Service TIF Districts	82,196

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

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

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

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

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

The carrying amount of the City's cash and investments totaled \$63,573,177 on December 31, 2005 as summarized below:

Petty cash funds	\$ 6,111
Deposits with financial institutions	488,990
Investments	
Repurchase agreements	590,480
US treasury notes	4,359,060
Federal agency securities	16,608,920
Wisconsin local government investment pool	41,519,616
	<u>\$ 63,573,177</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 51,749,510
Restricted cash and investments	4,706,436
Fiduciary funds	
Agency funds	7,117,231
	<u>\$ 63,573,177</u>

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

Custodial Credit Risk

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

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2005, \$621,122 of the City's deposits with financial institutions was in excess of federal depository insurance limits and uncollateralized (or collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name).

On December 31, 2005, the City held repurchase agreement investments of \$590,480 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

Credit Risk

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

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
U.S. Treasury notes	\$ 4,359,060	\$ 4,359,060	\$ -	\$ -	\$ -
Federal agency securities	16,608,920	-	16,608,920	-	-
Wisconsin local government investment pool	41,519,616	-	-	-	41,519,616
Totals	\$ 62,487,596	\$ 4,359,060	\$ 16,608,920	\$ -	\$ 41,519,616

Concentration of Credit Risk

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

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

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$ 7,803,250
Federal Home Loan Bank	Federal Agency Securities	8,805,670

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Repurchase agreements	\$ 590,480	\$ 590,480	\$ -	\$ -	\$ -
U.S. Treasury notes	4,359,060	2,383,440	1,975,620	-	-
Federal agency securities	16,608,920	-	-	13,687,970	2,920,950
Wisconsin local government investment pool	41,519,616	41,519,616	-	-	-
Totals	\$ 63,078,076	\$ 44,493,536	\$ 1,975,620	\$ 13,687,970	\$ 2,920,950

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Highly Sensitive Investments	Fair Value at Year End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	<u>\$16,608,920</u>

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$41,519,616 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2005, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

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. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance, and income on the investment during the calendar quarter a loss occurs.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Property Taxes

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

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

3. Restricted Assets

The following represents the balances of the restricted assets:

Enterprise Fund	
Water Utility	
Special Redemption Funds	
Interest and principal account	\$ 256,448
Reserve account	348,883
Construction Fund	4,101,105
Total Restricted Assets	<u>\$ 4,706,436</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 13,457,226	\$ -	\$ 112,910	\$ 13,344,316
Capital assets, being depreciated:				
Buildings and improvements	23,231,843	676,544	-	23,908,387
Improvements other than buildings	12,108,475	-	-	12,108,475
Machinery and equipment	18,968,518	765,548	185,039	19,549,027
Infrastructure	89,024,606	82,891	-	89,107,497
Subtotals	143,333,442	1,524,983	185,039	144,673,386
Less accumulated depreciation for:				
Buildings and improvements	10,449,298	483,799	-	10,933,097
Improvements other than buildings	6,634,123	391,928	-	7,026,051
Machinery and equipment	13,847,669	1,056,064	185,039	14,718,694
Infrastructure	29,218,643	1,799,155	-	31,017,798
Subtotals	60,149,733	3,730,946	185,039	63,695,640
Total capital assets, being depreciated, net	83,183,709	(2,205,963)	-	80,977,746
Governmental activities capital assets, net	<u>\$ 96,640,935</u>	<u>\$ (2,205,963)</u>	<u>\$ 112,910</u>	94,322,062
Less: General obligation debt outstanding, net of \$456,610 of noncapital debt				40,985,808
Less: Bond anticipation notes				19,310,000
Less: Mortgage notes				225,000
Plus: Unspent capital related debt proceeds				<u>(2,773,632)</u>
Investment in capital assets, net of related debt				<u>\$ 36,574,886</u>

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,314,005	\$ 50,878	\$ -	\$ 2,364,883
Construction in progress	6,619,769	1,348,101	3,166,292	4,801,578
Total capital assets, not being depreciated	<u>8,933,774</u>	<u>1,398,979</u>	<u>3,166,292</u>	<u>7,166,461</u>
Capital assets, being depreciated:				
Buildings and improvements	16,477,053	39,435	60,254	16,456,234
Machinery and equipment	28,843,797	5,305,092	144,113	34,004,776
Infrastructure	84,026,745	1,664,147	102,920	85,587,972
Subtotals	<u>129,347,595</u>	<u>7,008,674</u>	<u>307,287</u>	<u>136,048,982</u>
Less accumulated depreciation for:				
Buildings and improvements	9,304,104	389,944	60,254	9,633,794
Machinery and equipment	22,585,340	1,141,314	138,083	23,588,571
Infrastructure	35,522,478	2,416,708	112,012	37,827,174
Subtotals	<u>67,411,922</u>	<u>3,947,966</u>	<u>310,349</u>	<u>71,049,539</u>
Total capital assets, being depreciated, net	<u>61,935,673</u>	<u>3,060,708</u>	<u>(3,062)</u>	<u>64,999,443</u>
Business-type activities capital assets, net	<u>\$ 70,869,447</u>	<u>\$ 4,459,687</u>	<u>\$ 3,163,230</u>	72,165,904
Less: Related long-term debt outstanding				12,899,914
Plus: Unspent capital related debt proceeds				<u>(4,101,105)</u>
Investment in capital assets, net of related debt				<u>\$ 63,367,095</u>

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

Governmental activities	
General government	\$ 90,911
Public safety	533,701
Public works	1,574,123
Health and human services	3,007
Culture, education and recreation	520,238
Conservation and development	331,771
Internal service funds allocated to other activities	677,195
Total depreciation expense - governmental activities	<u>\$ 3,730,946</u>
Business-type activities	
Sewerage system	\$ 2,262,478
Water utility	742,281
Storm water utility	383,653
Transit commission	485,021
Parking facility	64,189
Boat facility	10,344
Total depreciation expense - business-type activities	<u>\$ 3,947,966</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2005 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 782,713	\$ -
	Special revenue fund - Lead based abatement program	82,320	-
	Special revenue fund - Tourism Promotion	43,154	-
	Debt service fund - TIF districts	50,578	-
Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	1,249,765	1,249,765
Subtotal - Fund Financial Statements		2,208,530	1,249,765
Less: Fund eliminations		(2,208,530)	(1,249,765)
Total Internal Balances - Government-wide Statement of Net Assets		\$ -	\$ -

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, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Municipal court	\$ 51,537	\$ 51,537
	Debt service fund - TIF districts	596,558	596,558
	Capital projects fund - TIF districts	831,569	831,569
Debt service fund - GO debt	Debt service fund - TIF districts	2,196,282	2,196,282
Capital projects fund - Tax levy	Debt service fund - TIF districts	776,149	776,149
	Capital projects fund - TIF districts	50,600	50,600
		<u>4,502,695</u>	<u>4,502,695</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	69,439	69,439
Internal service fund - Motor vehicle	Enterprise fund - Transit	281,000	281,000
		<u>350,439</u>	<u>350,439</u>
Subtotal - Fund Financial Statements		4,853,134	4,853,134
Less: Fund eliminations		(4,502,695)	(4,502,695)
Less: Enterprise portion of advance		(138,878)	(138,878)
Internal service fund allocation to business-type activities		(53,602)	(53,602)
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ 157,959</u>	<u>\$ 157,959</u>

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

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended December 31, 2005 were as follows:

Fund Transferred To	Fund Transferred From	Amount	
General fund	Enterprise fund - Sewerage system	\$ 17,930	
	Enterprise fund - Water utility	658,159	
	Internal service fund - Motor division	125,000	
	Debt service fund - TIF districts	87,465	
	Permanent fund - Cemetery perpetual care	22,604	
	Special revenue fund - Cable TV	266,454	
	Special revenue fund - Tourism promotion	37,579	
	Special revenue fund - Special assessment	52,262	
	Debt service fund - GO debt	Special revenue fund - Special assessment	150,000
		Special revenue fund - Tourism promotion	668,318
		Special revenue fund - Harbor Center marina	302,080
		Special revenue fund - Cable TV	150,000
	Debt service fund - TIF districts	Capital projects fund - Bonds	56,949
Special revenue fund - Harbor Center marina		30,625	
Capital projects fund - TIF districts	Debt service fund - GO debt	1,490,000	
	Capital projects fund - TIF districts	441,207	
	Debt service fund - TIF districts	431,853	
Capital projects fund - Tax levy	Debt service fund - GO debt	238,613	
	Debt service fund - TIF districts	431,853	
	General fund	300,000	
Enterprise fund - Parking facility	Special revenue fund - Special assessment	150,000	
	Debt service fund - TIF districts	186,713	
		<u>5,863,811</u>	
	General fund	3,571	
	Capital projects fund - Tax levy	8,873	
		<u>12,444</u>	
Subtotal - Fund Financial Statements		<u>\$ 5,876,255</u>	
Government fund transfers in		\$ 5,863,811	
Less: Fund eliminations		(5,200,166)	
Total Transfers - Government-wide Statement of Activities		<u>\$ 663,645</u>	

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

6. Leases

The City has no material leases as lessee or lessor.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for resources 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 recognizable. 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
Governmental Funds		
Subsequent year tax levy receivable		
Major governmental funds		
General fund	\$ -	\$ 13,877,876
Debt service general obligation debt	-	3,495,772
Debt service tax increment financing districts	-	5,160,847
Nonmajor governmental funds		
Mead library	-	2,608,335
Special assessments		
Major governmental funds		
General fund	79,280	-
Debt service tax increment financing districts	6,645	-
Nonmajor governmental funds		
Special assessments	214,993	-
Redevelopment authority	32,053	-
Loans receivable		
Major governmental fund		
Capital projects tax increment financing districts	4,000,000	-
Nonmajor governmental funds		
Community development block grant	3,354,204	-
Revolving loan funds	3,121,339	-
Redevelopment authority	1,340,004	-
Revenue received prior to meeting all eligibility requirements		
Major governmental funds		
General fund	-	9,923
Debt service tax increment financing districts	-	2,057
Nonmajor governmental funds		
Redevelopment authority	-	4,100
Capital projects tax levy	-	500
Total Governmental Funds	12,148,518	25,159,410
Proprietary Funds		
Subsequent year tax levy receivable		
Nonmajor proprietary fund		
Transit commission	-	658,345
Revenue received prior to meeting all eligibility requirements		
Major proprietary fund		
Sewerage system	-	10,203
Nonmajor proprietary funds		
Transit commission	-	10,085
Parking facility	-	877
Total Proprietary Funds	-	679,510
Totals	\$ 12,148,518	\$ 25,838,920

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

8. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2005:

	Outstanding 1/1/05	Issued	Retired	Outstanding 12/31/05	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 17,966,810	\$ 6,735,000	\$ 7,770,200	\$ 16,931,610	\$ 3,968,295
Notes	29,047,688	500,000	5,036,880	24,510,808	2,569,566
Total General Obligation Debt	47,014,498	7,235,000	12,807,080	41,442,418	6,537,861
Bond premium	-	25,644	1,862	23,782	-
Bond anticipation notes	19,310,000	-	-	19,310,000	-
Mortgage notes	516,667	-	291,667	225,000	-
Section 108 loan	330,000	-	160,000	170,000	170,000
Wisconsin Power and Light	90,103	-	67,373	22,730	22,730
Sheboygan County	1,000,000	-	-	1,000,000	-
Unfunded pension liability	11,336,029	854,251	384,094	11,806,186	-
Governmental activities					
Long-term obligations	<u>\$ 79,597,297</u>	<u>\$ 8,114,895</u>	<u>\$ 13,712,076</u>	<u>\$ 74,000,116</u>	<u>\$ 6,730,591</u>
Business-type activities:					
Revenue bonds	\$ 8,824,415	\$ 5,388,244	\$ 1,533,700	\$ 12,678,959	\$ 624,335
Unamortized bond premium	-	1,953	34	1,919	-
Alliant Energy note	-	230,000	10,964	219,036	44,409
Business-type activities					
Long-term obligations	<u>\$ 8,824,415</u>	<u>\$ 5,620,197</u>	<u>\$ 1,544,698</u>	<u>\$ 12,899,914</u>	<u>\$ 668,744</u>

Total interest paid during the year on long-term debt totaled \$2,897,487.

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt is backed by the full faith and credit of the City. The City finances general obligation debt of its governmental funds with general property taxes or tax increments. The City finances debt of proprietary funds with user fees of the respective fund and, if sufficient user fees are not available, from future general property taxes. General obligation debt currently outstanding on December 31, 2005 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/05
General Obligation Debt					
General Obligation Bonds					
Refunding Bonds	11/01/87	8.70%	04/01/07	\$ 2,205,665	\$ 456,610
Taxable Bonds	03/15/92	8.30-8.75%	03/15/12	840,000	465,000
Taxable Bonds	07/15/94	8.00-8.25%	10/01/13	2,010,000	1,060,000
Bonds	10/01/94	5.50%	10/01/14	2,555,000	1,320,000
Refunding Bonds	03/01/95	5.75-5.80%	09/01/14	3,580,000	2,500,000
Taxable Marina Refunding Bonds	08/15/97	6.8-6.875%	09/01/12	2,210,000	1,685,000
Development Bonds	03/15/01	4.40-5.00%	10/01/19	1,900,000	1,600,000
Refunding Bonds	06/15/04	2.00-2.20%	09/01/06	1,910,000	1,110,000
Refunding Bonds	09/01/05	3.25-3.50%	10/01/10	3,595,000	3,595,000
Refunding Bonds	09/01/05	3.00-3.50%	10/01/09	3,140,000	3,140,000
Total General Obligation Bonds					16,931,610
General Obligation Notes					
State Trust Fund Notes	07/23/97	5.75%	03/15/07	132,000	31,981
Promissory Notes	02/15/99	3.750%	10/01/08	3,000,000	2,000,000
Promissory Notes	03/15/00	4.90-5.25%	10/01/09	4,200,000	3,065,000
State Trust Fund Notes	04/17/00	6.00%	03/15/17	350,000	298,426
State Trust Fund Notes	05/17/00	6.00%	03/15/17	254,000	216,574
Promissory Notes	03/15/01	4.25-4.375%	10/01/10	2,915,000	2,365,000
State Trust Fund Notes	10/17/01	5.75%	10/17/01	430,000	384,065
State Trust Fund Notes	06/19/02	4.50%	06/19/02	300,000	220,932
State Trust Fund Notes	07/03/02	4.50%	03/15/12	2,700,000	220,650
Promissory Notes	10/15/02	1.85-3.35%	10/01/12	1,685,000	1,325,000
Promissory Notes	10/15/02	3.50-4.50%	10/01/12	3,940,000	3,270,000
State Trust Fund Notes	11/20/02	5.00%	03/15/18	1,088,480	1,088,480
Land Recycling Loan	12/23/02	0%	05/01/22	2,700,000	1,362,196
Promissory Notes	07/01/03	2.00-2.80%	12/01/12	7,010,000	4,490,000
State Trust Fund Notes	07/30/03	5.00%	03/15/18	163,584	163,584
State Trust Fund Notes	01/13/04	5.00%	03/15/18	302,117	302,117
Promissory Notes	03/15/04	2.50-3.10%	12/01/13	1,500,000	1,400,000
Promissory Notes	03/15/04	1.75-3.25%	12/01/13	1,065,000	1,065,000
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	716,803
State Trust Fund Notes	09/29/04	5.00%	03/15/20	25,000	25,000
State Trust Fund Notes	11/21/05	4.00%	03/15/15	500,000	500,000
Total General Obligation Notes					24,510,808
Total					\$ 41,442,418

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$41,442,418 on December 31, 2005 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2006	\$ 6,537,861	\$ 1,737,649	\$ 8,275,510
2007	6,409,385	1,488,014	7,897,399
2008	6,001,786	1,212,817	7,214,603
2009	5,543,090	919,129	6,462,219
2010	4,264,598	698,873	4,963,471
2011-2015	10,570,645	1,286,103	11,856,748
2016-2020	1,835,327	138,624	1,973,951
2021-2023	279,726	-	279,726
	<u>\$ 41,442,418</u>	<u>\$ 7,481,209</u>	<u>\$ 48,923,627</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2005 was \$87,711,657 as follows:

Equalized valuation of the City		\$ 2,560,043,000
Statutory limitation percentage		<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		128,002,150
Total outstanding general obligation debt applicable to debt limitation	\$ 41,442,418	
Less: Amounts available for financing general obligation debt		
Debt service funds	<u>1,151,925</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>40,290,493</u>
Legal Margin for New Debt		<u>\$ 87,711,657</u>

Bond Anticipation Notes

The City has issued four series of bond anticipation notes to finance the project plans for the City's Tax Incremental Districts. Bond anticipation notes currently outstanding on December 31, 2005 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/05
Bond Anticipation Notes					
Tax-Exempt; Series 2003A	07/01/03	2.30%	06/01/08	\$ 2,350,000	\$ 2,350,000
Tax-Exempt; Series 2003B	08/01/03	3.00%	06/01/08	1,740,000	1,740,000
Taxable, Series 2003C	08/01/03	3.95%	06/01/08	12,020,000	12,020,000
Taxable, Series 2004C	03/15/04	3.13%	06/01/08	3,200,000	3,200,000
Total Bond Anticipation Notes					<u>\$ 19,310,000</u>

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

While bond anticipation notes are not considered general obligation debt, the City has covenanted in the note resolution to maintain a debt limit margin greater than the outstanding bond anticipation notes. Annual principal and interest maturities of the outstanding bond anticipation notes of \$19,310,000 on December 31, 2005 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2006	\$ -	\$ 681,040	\$ 681,040
2007	-	681,040	681,040
2008	19,310,000	340,520	19,650,520
	<u>\$ 19,310,000</u>	<u>\$ 1,702,600</u>	<u>\$ 21,012,600</u>

Mortgage Notes

Mortgage notes currently outstanding consist of a note with the Sheboygan Development Corporation. A repayment schedule does not exist as of December 31, 2005.

Section 108 Loan

The U.S. Department of Housing and Urban Development provided the City with a loan under the Section 108 Loan Guarantee Program to accelerate the acquisition, relocation of businesses and residents, and demolition of a blighted structure in the City. The City is using current and future Community Development Block Grant entitlement grant funds and program income to retire the obligation. A final payment of \$170,000 in principal and \$12,121 in interest is due in 2006.

Amount due to Sheboygan County, Wisconsin

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

Revenue Bonds

Revenue bond debt service requirements are financed by income derived from the acquired or constructed assets of the enterprise funds. Enterprise fund revenue bonds currently outstanding on December 31, 2005 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/05
Sewerage System					
Clean Water Fund Loan	11/30/95	3.124%	05/01/15	\$ 4,375,561	\$ 2,624,569
Clean Water Fund Loan	11/26/96	3.195%	05/01/16	3,250,000	2,128,352
Total Sewerage System					<u>4,752,921</u>
Water Utility					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	3,026,038
Refunding Revenue Bonds	09/01/95	3.75 -4.25%	05/01/16	4,900,000	4,900,000
Total Water Utility					<u>7,926,038</u>
Total Revenue Bonds					<u>\$ 12,678,959</u>

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$12,678,959 on December 31, 2005 are shown below:

Year Ended December 31	Business-Type Activities		
	Principal	Interest	Total
2006	\$ 624,335	\$ 449,346	\$ 1,073,681
2007	865,337	392,272	1,257,609
2008	891,830	362,746	1,254,576
2009	923,828	332,644	1,256,472
2010	956,347	301,450	1,257,797
2011-2015	4,303,880	1,087,064	5,390,944
2016-2020	2,266,192	517,954	2,784,146
2021-2023	1,847,210	153,446	2,000,656
	<u>\$ 12,678,959</u>	<u>\$ 3,596,922</u>	<u>\$ 16,275,881</u>

Alliant Energy Note

Debt service requirements of the Alliant Energy Note are financed by the City's sewerage system. Payments of \$4,032, which includes interest, are paid monthly. The note bears interest at 5% and matures in 2010. Annual principal and interest maturities of the outstanding enterprise fund debt of \$219,036 on December 31, 2005 are shown below:

Year Ended December 31	Business-Type Activities		
	Principal	Interest	Total
2006	\$ 44,409	\$ 3,975	\$ 48,384
2007	45,305	3,079	48,384
2008	46,220	2,164	48,384
2009	47,153	1,231	48,384
2010	35,949	339	36,288
	<u>\$ 219,036</u>	<u>\$ 10,788</u>	<u>\$ 229,824</u>

Other Debt Information

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

Advance Refunding

On August 15, 2005, the water utility issued \$4.9 million in revenue bonds with an average interest rate of 4 percent, a portion of which was used to advance refund \$550,000 of outstanding revenue bonds with an average interest rate of 6.6 percent. The net proceeds of \$582,912 (after payment of \$4,000 in underwriting fees, insurance and other issuance costs) purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the revenue bonds. As a result, the revenue bonds are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds and notes prior to the advance refunding was \$657,350 from 2006 through 2010. The cash flow requirements on the 2006 refunding bonds are \$602,800 from 2006 through 2010. The advance refunding resulted in an economic gain (loss) (difference between the present values of the debt service payments on the old and new debt) of \$54,550.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Current Refunding

On August 15, 2005, the water utility issued \$4.9 million in revenue bonds with an average interest rate of 4 percent, a portion of which was used to current refund \$400,000 of outstanding revenue bonds with an average interest rate of 7.4 percent. The net proceeds of \$272,230 (after payment of \$2,770 in underwriting fees, insurance and other issuance costs) plus an additional \$124,000 of sinking fund monies were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded bonds and notes prior to the current refunding was \$350,000 from 2006 through 2009. The cash flow requirements on the 2005 refunding bonds are \$302,645 from 2007 through 2009. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$47,355.

Unfunded Pension Liability

The City's unfunded pension liability of \$11,806,186 on December 31, 2005 is an actuarially computed liability by the Wisconsin Retirement System (System) resulting from increases in employee pension benefits that exceeded actual prior years' contributions by the City to the System. The liability was originally calculated by the System as of January 1, 1990. Since that time, the City has been making additional monthly payments to the System in order to amortize the liability over a 40 year period. In addition, the City is charged 7.8% interest per year on the unpaid balance. As a result, the outstanding balance of the liability may increase annually if payments made by the City to the System are less than the interest charged. The System's 40 year amortization schedule from 1990 anticipates that the unfunded pension liability will not be reduced annually for approximately the first 20 years of the schedule. Additional information on the Wisconsin Retirement System is provided in Note D.1.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible City employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer public employee retirement system. All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.8% of their salary (2.8% for Executives and Elected Officials, 4.9% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the System for the year ended December 31, 2005 was \$24,622,754; the employer's total payroll was \$25,462,031. The total required contribution for the year ended December 31, 2005 was \$3,182,952, which consisted of \$1,905,511, or 7.7% of covered payroll from the employer and \$1,277,441, or 5.2% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2005 was financed by the City. Total contributions for the years ending December 31, 2004 and 2003 were \$3,126,999 and \$2,811,816 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 a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of 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.

2. Other Postemployment 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 2005, these costs totaled approximately \$97,267 for 15 retired employees.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE D - OTHER INFORMATION (Continued)

3. Risk Management

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

a. Self Insurance

For health insurance claims, the uninsured risk of loss is \$100,000 per person and a minimum annual aggregate deductible of \$7,748,511 for the 2005 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. \$1,867,265 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 health insurance and workers compensation claims that have been incurred but not reported.

Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Balance End of Year
Health Insurance				
2005	\$980,000	\$6,701,782	\$6,631,782	\$1,050,000
2004	880,000	6,233,348	6,133,348	980,000
Workers Compensation				
2005	100,000	283,562	333,562	50,000
2004	50,000	282,721	232,721	100,000

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE D - OTHER INFORMATION (Continued)

b. 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 percent.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board. Financial statements of WMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, Wisconsin 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 \$456,610. 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.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2005

NOTE D - OTHER INFORMATION (Continued)

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

Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Balance End of Year
2005	\$143,641	\$70,881	\$28,819	\$185,703
2004	143,641	33,945	33,945	143,641

4. Contingencies

a. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. An audit under OMB Circular A-133 has been conducted but final acceptance is still pending. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

NOTE E - RESTATEMENT OF NET ASSETS

The City has restated its December 31, 2004 net assets as follows to reflect certain adjustments as noted. The effect of these adjustments is as follows:

	Governmental Activities	General Liability Internal Service Fund
Net Assets, December 31, 2004 (as previously reported)	\$ 33,770,617	\$ 1,868,089
Add/Deduct		
Retroactively report street infrastructure	58,818,188	-
Retroactively report accumulated depreciation on street infrastructure	(22,520,809)	-
Record accrued liability for insurance claims	(143,641)	(143,641)
Net Assets, December 31, 2004 (as restated)	<u>\$ 69,924,355</u>	<u>\$ 1,724,448</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE F - COMPONENT UNITS

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

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

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

1. Significant Accounting Policies

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

2. Deposits and Investments

The 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 counterparty'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	\$ 200,000	\$ -	\$ -	\$ 200,000	\$ 200,000
Securities	3,725,739	-	-	3,725,739	3,721,667
Total	\$ 3,925,739	\$ -	\$ -	\$ 3,925,739	\$ 3,921,667

Per statement of net assets

Unrestricted	\$ 3,852,051
Restricted	69,616
Total	\$ 3,921,667

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

NOTE F - COMPONENT UNITS (Continued)

3. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 266,510	\$ -	\$ -	\$ 266,510
Capital assets being depreciated				
Buildings and improvements	6,071,458	-	-	6,071,458
Machinery and equipment	283,362	8,844	6,767	285,439
Total Capital Assets Being Depreciated	6,354,820	8,844	6,767	6,356,897
Less: Accumulated Depreciation	4,805,046	189,722	6,767	4,988,001
Net Capital Assets being Depreciated	1,549,774	(180,878)	-	1,368,896
Total Capital Assets, Net of Accumulated Depreciation	\$ 1,816,284	\$ (180,878)	\$ -	\$ 1,635,406

Accumulated depreciation is not available by class or function.

4. Restatement of Net Assets and Cash Withdrawals From Operating Reserve

Net Assets - March 31, 2004	\$ 5,407,908
HUD adjustment of Form 52681 for March 31, 2004	<u>(2,672)</u>
Net Assets - March 31, 2005 (Restated)	<u>\$ 5,405,236</u>

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 \$46,114, and the bank balance was \$46,857. The entire bank balance was covered by Federal depository insurance.

SUPPLEMENTAL INFORMATION

CITY OF SHEBOYGAN, WISCONSIN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2005

	Special Revenue Funds				
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV
ASSETS					
Cash and investments	\$ 1,351,982	\$ 524,915	\$ -	\$ 1,394,059	\$ 364,643
Receivables					
Taxes	-	-	-	2,608,335	-
Accounts	-	2,331	-	12,605	110,392
Special assessments	-	-	-	-	-
Loans	3,354,204	3,121,339	1,275,034	-	-
Advance to other funds	-	-	-	-	-
Due from other governments	817,251	-	165,770	-	-
Inventories and prepaid items	2,900	-	-	-	27
TOTAL ASSETS	\$ 5,526,337	\$ 3,648,585	\$ 1,440,804	\$ 4,014,999	\$ 475,062
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 227,758	\$ -	\$ 36,388	\$ 45,065	\$ 966
Accrued and other current liabilities	-	-	-	619,474	11,676
Due to other funds	782,713	-	82,320	-	-
Due to other governments	-	-	1,275,034	-	-
Deferred revenues	3,354,204	3,121,339	-	2,608,335	-
Advance from other funds	-	-	-	-	-
Total Liabilities	4,364,675	3,121,339	1,393,742	3,272,874	12,642
Fund Balances					
Reserved for					
Inventories and prepaid items	2,900	-	-	-	27
Long-term interfund receivables	-	-	-	-	-
Encumbrances	352,374	-	-	-	-
Cemetery perpetual care	-	-	-	-	-
Trust activities	-	-	-	-	-
Unreserved					
Designated for					
Subsequent year's expenditures	-	-	-	25,000	106,230
Undesignated, reported in					
Special revenue funds	806,388	527,246	47,062	717,125	356,163
Capital projects funds	-	-	-	-	-
Total Fund Balances	1,161,662	527,246	47,062	742,125	462,420
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,526,337	\$ 3,648,585	\$ 1,440,804	\$ 4,014,999	\$ 475,062

(Continued)

Special Revenue Funds (Continued)

Tourism Promotion	Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Total
\$ 342	\$ 109,920	\$ 12,984	\$ 617,320	\$ 102,352	\$ 51,150	\$ 37,916	\$ 4,567,583
-	-	-	95,281	-	-	-	2,703,616
140,181	899	85	46,473	2,144	216	161	315,487
-	-	-	126,301	32,053	-	-	158,354
-	-	-	-	1,340,004	-	-	9,090,581
-	-	-	-	-	-	-	-
-	-	29,017	-	-	-	-	1,012,038
-	51,869	1,515	-	-	-	-	56,311
\$ 140,523	\$ 162,688	\$ 43,601	\$ 885,375	\$ 1,476,553	\$ 51,366	\$ 38,077	\$ 17,903,970
\$ 41,479	\$ 51,309	\$ 18,339	\$ -	\$ 1,711	\$ 257	\$ -	423,272
83	53,923	400	-	-	-	-	685,556
43,154	1,249,765	-	-	-	-	-	2,157,952
-	3,097	-	-	-	-	-	1,278,131
-	-	-	214,993	1,376,157	-	-	10,675,028
-	69,439	-	-	-	-	51,537	120,976
84,716	1,427,533	18,739	214,993	1,377,868	257	51,537	15,340,915
-	51,869	1,515	-	-	-	-	56,311
-	-	-	-	-	-	-	-
760	-	308	-	-	-	-	353,442
-	-	-	-	-	-	-	-
-	-	-	-	-	51,109	-	51,109
-	-	-	-	-	-	-	131,230
-	-	-	-	-	-	-	-
55,047	(1,316,714)	23,039	670,382	98,685	-	(13,460)	1,970,963
-	-	-	-	-	-	-	-
55,807	(1,264,845)	24,862	670,382	98,685	51,109	(13,460)	2,563,055
\$ 140,523	\$ 162,688	\$ 43,601	\$ 885,375	\$ 1,476,553	\$ 51,366	\$ 38,077	\$ 17,903,970

CITY OF SHEBOYGAN, WISCONSIN
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2005

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
ASSETS					
Cash and investments	\$ 2,543,956	\$ 728,161	\$ 780,923	\$ 1,509,084	\$ 8,620,623
Receivables					
Taxes	-	-	-	-	2,703,616
Accounts	10,497	1,820	117	1,937	327,921
Special assessments	-	-	-	-	158,354
Loans	-	-	-	-	9,090,581
Advance to other funds	826,749	-	-	-	826,749
Due from other governments	-	-	-	-	1,012,038
Inventories and prepaid items	-	-	-	-	56,311
TOTAL ASSETS	\$ 3,381,202	\$ 729,981	\$ 781,040	\$ 1,511,021	\$ 22,796,193
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 111,682	\$ -	\$ 175	\$ 175	\$ 535,129
Accrued and other current liabilities	-	-	-	-	685,556
Due to other funds	-	-	-	-	2,157,952
Due to other governments	-	-	-	-	1,278,131
Deferred revenues	500	-	-	-	10,675,528
Advance from other funds	-	-	-	-	120,976
Total Liabilities	112,182	-	175	175	15,453,272
Fund Balances					
Reserved for					
Inventories and prepaid items	-	-	-	-	56,311
Noncurrent assets	826,749	-	-	-	826,749
Encumbrances	720,197	-	-	-	1,073,639
Cemetery perpetual care	-	729,981	-	729,981	729,981
Trust activities	-	-	780,865	780,865	831,974
Unreserved					
Designated for					
Subsequent year's expenditures	794,355	-	-	-	925,585
Undesignated, reported in					
Special revenue funds	-	-	-	-	1,970,963
Capital projects funds	927,719	-	-	-	927,719
Total Fund Balances	3,269,020	729,981	780,865	1,510,846	7,342,921
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,381,202	\$ 729,981	\$ 781,040	\$ 1,511,021	\$ 22,796,193

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2005

	Special Revenue Funds				
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 2,718,515	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	923,792	-	1,077,180	581,633	-
Licenses and permits	-	-	-	-	434,496
Public charges for services	-	-	-	89,459	13,745
Miscellaneous	358,275	453,630	11,172	179,206	10,290
Total Revenues	1,282,067	453,630	1,088,352	3,568,813	458,531
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	17,016	-	-	3,506,583	122,762
Conservation and development	968,185	436,000	1,077,180	-	-
Debt service					
Principal	160,000	-	-	-	-
Interest and fiscal charges	23,545	-	-	-	-
Capital outlay	42,000	-	-	-	-
Total Expenditures	1,210,746	436,000	1,077,180	3,506,583	122,762
Excess of Revenues Over (Under)					
Expenditures	71,321	17,630	11,172	62,230	335,769
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(416,454)
Total Other Financing Sources (Uses)	-	-	-	-	(416,454)
Net Change in Fund Balances	71,321	17,630	11,172	62,230	(80,685)
Fund Balances (Deficits) - January 1	1,090,341	509,616	35,890	679,895	543,105
Fund Balances (Deficits) - December 31	\$ 1,161,662	\$ 527,246	\$ 47,062	\$ 742,125	\$ 462,420

(Continued)

Special Revenue Funds (Continued)

Tourism Promotion	Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Total
\$ 1,044,107	\$ 181	\$ -	\$ -	\$ 4,623	\$ -	\$ -	\$ 3,767,426
-	-	-	194,588	-	-	-	194,588
-	-	73,017	-	-	-	-	2,655,622
-	-	-	-	-	-	-	434,496
439	946,623	-	-	13,263	21,658	-	1,085,187
1,791	6,694	503	221,738	24,846	5,361	1,246	1,274,752
1,046,337	953,498	73,520	416,326	42,732	27,019	1,246	9,412,071
263,222	-	-	-	-	-	13,169	276,391
26,111	-	76,498	-	-	-	-	102,609
-	836,898	-	17,814	-	-	-	854,712
40,427	-	-	-	-	40,875	-	3,727,663
-	-	-	-	26,134	-	-	2,507,499
-	-	-	-	-	-	-	160,000
-	2,088	-	-	-	-	1,537	27,170
-	-	-	-	-	-	-	42,000
329,760	838,986	76,498	17,814	26,134	40,875	14,706	7,698,044
716,577	114,512	(2,978)	398,512	16,598	(13,856)	(13,460)	1,714,027
-	-	-	-	-	-	-	-
(705,897)	(332,705)	-	(352,262)	-	-	-	(1,807,318)
(705,897)	(332,705)	-	(352,262)	-	-	-	(1,807,318)
10,680	(218,193)	(2,978)	46,250	16,598	(13,856)	(13,460)	(93,291)
45,127	(1,046,652)	27,840	624,132	82,087	64,965	-	2,656,346
\$ 55,807	\$ (1,264,845)	\$ 24,862	\$ 670,382	\$ 98,685	\$ 51,109	\$ (13,460)	\$ 2,563,055

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended December 31, 2005

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,767,426
Special assessments	-	-	-	-	194,588
Intergovernmental	182,598	-	-	-	2,838,220
Licenses and permits	-	-	-	-	434,496
Public charges for services	-	12,413	-	12,413	1,097,600
Miscellaneous	336,088	22,673	25,391	48,064	1,658,904
Total Revenues	518,686	35,086	25,391	60,477	9,991,234
Expenditures					
Current					
General government	-	-	-	-	276,391
Public safety	-	-	-	-	102,609
Public works	-	-	-	-	854,712
Culture and recreation	-	-	86,305	86,305	3,813,968
Conservation and development	-	-	-	-	2,507,499
Debt service					
Principal	-	-	-	-	160,000
Interest and fiscal charges	-	-	-	-	27,170
Capital outlay	1,698,107	-	-	-	1,740,107
Total Expenditures	1,698,107	-	86,305	86,305	9,482,456
Excess of Revenues Over (Under) Expenditures	(1,179,421)	35,086	(60,914)	(25,828)	508,778
Other Financing Sources (Uses)					
Transfers in	636,713	-	-	-	636,713
Transfers out	(8,873)	(22,604)	-	(22,604)	(1,838,795)
Total Other Financing Sources (Uses)	627,840	(22,604)	-	(22,604)	(1,202,082)
Net Change in Fund Balances	(551,581)	12,482	(60,914)	(48,432)	(693,304)
Fund Balances (Deficits) - January 1	3,820,601	717,499	841,779	1,559,278	8,036,225
Fund Balances (Deficits) - December 31	\$ 3,269,020	\$ 729,981	\$ 780,865	\$ 1,510,846	\$ 7,342,921

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2005

	Transit Commission	Parking Facility	Boat Facility	Totals
ASSETS				
Cash and investments	\$ 715,919	\$ 477,494	\$ 445,737	\$ 1,639,150
Receivables				
Taxes	658,345	3,393	-	661,738
Accounts	84,027	445	3,497	87,969
Special assessments	-	95,845	-	95,845
Other	2,139	2,243	1,896	6,278
Due from other governments	1,417,216	-	-	1,417,216
Inventories and prepaid expenses	5,067	14	-	5,081
Advance to other funds	-	-	69,439	69,439
Capital assets, nondepreciable				
Land	35,754	833,162	-	868,916
Capital assets, depreciable				
Buildings	738,173	14,241	-	752,414
Machinery and equipment	9,782,534	255,799	-	10,038,333
Infrastructure	872,007	1,321,291	225,962	2,419,260
Less: Accumulated depreciation	(7,643,367)	(1,363,672)	(225,962)	(9,233,001)
TOTAL ASSETS	6,667,814	1,640,255	520,569	8,828,638
LIABILITIES				
Accounts payable	1,445,571	46,122	4,813	1,496,506
Accrued and other current liabilities	117,140	26,984	4	144,128
Due to other governments	41,294	1,599	-	42,893
Deferred revenue	668,430	877	-	669,307
Advance from other funds	281,000	-	-	281,000
TOTAL LIABILITIES	2,553,435	75,582	4,817	2,633,834
NET ASSETS				
Invested in capital assets, net of related debt	3,785,101	1,060,821	-	4,845,922
Unrestricted	329,278	503,852	515,752	1,348,882
TOTAL NET ASSETS	\$ 4,114,379	\$ 1,564,673	\$ 515,752	\$ 6,194,804

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
Year Ended December 31, 2005

	Transit Commission	Parking Facility	Boat Facility	Totals
Operating Revenues				
Charges for services	\$ 490,032	\$ 419,198	\$ 124,016	\$ 1,033,246
Other	151,547	3,517	24,520	179,584
Total Operating Revenues	<u>641,579</u>	<u>422,715</u>	<u>148,536</u>	<u>1,212,830</u>
Operating Expenses				
Personal services	2,309,779	146,664	580	2,457,023
Contractual services	744,417	151,752	47,757	943,926
Supplies and materials	79,632	44,018	-	123,650
Insurance	81,675	834	-	82,509
Other	7,266	9,364	2,071	18,701
Depreciation	485,021	64,189	10,344	559,554
Total Operating Expenses	<u>3,707,790</u>	<u>416,821</u>	<u>60,752</u>	<u>4,185,363</u>
Operating Income (Loss)	<u>(3,066,211)</u>	<u>5,894</u>	<u>87,784</u>	<u>(2,972,533)</u>
Nonoperating Revenues (Expenses)				
Property taxes	637,074	-	-	637,074
Intergovernmental	3,114,682	-	-	3,114,682
Investment income	18,940	16,387	15,164	50,491
Interest expense	-	(162)	-	(162)
Total Nonoperating Revenues (Expenses)	<u>3,770,696</u>	<u>16,225</u>	<u>15,164</u>	<u>3,802,085</u>
Income Before Transfers	704,485	22,119	102,948	829,552
Transfers in	-	12,444	-	12,444
Change in Net Assets	704,485	34,563	102,948	841,996
Net Assets - January 1	<u>3,409,894</u>	<u>1,530,110</u>	<u>412,804</u>	<u>5,352,808</u>
Net Assets - December 31	<u>\$ 4,114,379</u>	<u>\$ 1,564,673</u>	<u>\$ 515,752</u>	<u>\$ 6,194,804</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended December 31, 2005

	Transit Commission	Parking Facility	Boat Facility	Totals
Cash Flows from Operating Activities				
Receipts from customers	\$ 316,871	\$ 408,236	\$ 145,042	\$ 870,149
Payments to suppliers	(2,340,656)	(146,847)	(576)	(2,488,079)
Payments to employees	(874,685)	(178,838)	(50,291)	(1,103,814)
Net Cash Provided (Used) by Operating Activities	(2,898,470)	82,551	94,175	(2,721,744)
Cash Flows from Noncapital and Related Financing Activities				
Property taxes	637,074	-	-	637,074
Intergovernmental grants	2,037,850	-	-	2,037,850
Transfers	-	12,444	-	12,444
Advances to (from) other funds	-	(5,237)	-	(5,237)
Interest on advance from other funds	-	(162)	-	(162)
Net Cash Provided by Noncapital and Related Financing Activities	2,674,924	7,045	-	2,681,969
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(40,124)	(30,161)	-	(70,285)
Advance from other funds	281,000	-	-	281,000
Net Cash Provided (Used) by Capital and Related Financing Activities	240,876	(30,161)	-	210,715
Cash Flows from Investing Activities				
Interest received	19,474	15,897	12,432	47,803
Change in Cash and Cash Equivalents	36,804	75,332	106,607	218,743
Cash and Cash Equivalents - January 1	679,115	402,162	339,130	1,420,407
Cash and Cash Equivalents - December 31	\$ 715,919	\$ 477,494	\$ 445,737	\$ 1,639,150
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (3,066,211)	\$ 5,894	\$ 87,784	\$ (2,972,533)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	485,021	64,189	10,344	559,554
Changes in assets and liabilities				
Receivables	(62,614)	(15,356)	(3,494)	(81,464)
Due from other governments	(262,654)	-	-	(262,654)
Inventories and prepaid items	(8,359)	(14)	-	(8,373)
Accounts payable	5,371	26,804	(463)	31,712
Accrued and other liabilities	(30,878)	(183)	4	(31,057)
Due to other governments	41,294	340	-	41,634
Deferred revenue	560	877	-	1,437
Net Cash Provided (Used) by Operating Activities	\$ (2,898,470)	\$ 82,551	\$ 94,175	\$ (2,721,744)
Noncash Investing, Capital and Financing Activities				
Capital asset acquisition in accounts payable at year end	\$ 1,346,040	\$ -	\$ -	\$ 1,346,040

CITY OF SHEBOYGAN, WISCONSIN

Combining Statement of Net Assets

Internal Service Funds

December 31, 2005

	Motor Vehicle	Data Processing	Health Self Insurance
ASSETS			
Cash and investments	\$ 8,826,126	\$ 572,835	\$ 2,685,485
Receivables			
Accounts	450	3,916	7,391
Other	39,353	2,387	9,761
Inventories and prepaid expenses	14	6,590	30,000
Advance to other funds	281,000	-	-
Deposit with CVMIC	-	-	-
Capital assets, depreciable			
Machinery and equipment	8,764,072	645,993	-
Less: Accumulated depreciation	<u>(6,584,085)</u>	<u>(539,238)</u>	<u>-</u>
TOTAL ASSETS	<u>11,326,930</u>	<u>692,483</u>	<u>2,732,637</u>
LIABILITIES			
Accounts payable	37,663	4,459	66,301
Accrued and other current liabilities	109,242	-	1,333,123
Accrued interest payable	-	-	-
Due to other governments	-	-	4,995
Long-term Obligations			
Due within one year	-	-	-
Due in more than one year	-	-	-
TOTAL LIABILITIES	<u>146,905</u>	<u>4,459</u>	<u>1,404,419</u>
NET ASSETS			
Invested in capital assets	2,179,987	106,755	-
Unrestricted	<u>9,000,038</u>	<u>581,269</u>	<u>1,328,218</u>
TOTAL NET ASSETS	<u>\$ 11,180,025</u>	<u>\$ 688,024</u>	<u>\$ 1,328,218</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 1,442,812	\$ 274,274	\$ 13,801,532
-	-	11,757
6,186	933	58,620
6,854	38,401	81,859
-	-	281,000
-	2,205,665	2,205,665
-	-	9,410,065
-	-	(7,123,323)
<u>1,455,852</u>	<u>2,519,273</u>	<u>18,727,175</u>
2,356	2,138	112,917
50,000	185,703	1,678,068
-	7,557	7,557
-	-	4,995
-	218,295	218,295
-	238,315	238,315
<u>52,356</u>	<u>652,008</u>	<u>2,260,147</u>
-	-	2,286,742
<u>1,403,496</u>	<u>1,867,265</u>	<u>14,180,286</u>
<u>\$ 1,403,496</u>	<u>\$ 1,867,265</u>	<u>\$ 16,467,028</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
Year Ended December 31, 2005

	Motor Vehicle	Data Processing	Health Self Insurance
Operating Revenues			
Charges for services	\$ 2,221,855	\$ 137,964	\$ 7,268,358
Other	3,594	-	3,604
Total Operating Revenues	<u>2,225,449</u>	<u>137,964</u>	<u>7,271,962</u>
Operating Expenses			
Personal services	578,596	-	-
Contractual services	924,771	31,458	131,262
Supplies and materials	6,504	7,790	857
Insurance	49,933	-	6,701,782
Other	11,702	10,548	3,907
Depreciation	536,721	84,134	-
Total Operating Expenses	<u>2,108,227</u>	<u>133,930</u>	<u>6,837,808</u>
Operating Income (Loss)	<u>117,222</u>	<u>4,034</u>	<u>434,154</u>
Nonoperating Revenues (Expenses)			
Investment income	253,239	17,474	66,704
Interest expense	-	-	-
Total Nonoperating Revenues (Expenses)	<u>253,239</u>	<u>17,474</u>	<u>66,704</u>
Income (Loss) Before Transfers	370,461	21,508	500,858
Transfers out	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	245,461	21,508	500,858
Net Assets - January 1 (Restated)	<u>10,934,564</u>	<u>666,516</u>	<u>827,360</u>
Net Assets - December 31	<u>\$ 11,180,025</u>	<u>\$ 688,024</u>	<u>\$ 1,328,218</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 34,774	\$ 142,407	\$ 9,805,358
-	3	7,201
<u>34,774</u>	<u>142,410</u>	<u>9,812,559</u>
65,394	-	643,990
17,421	26,320	1,131,232
7,861	-	23,012
283,562	185,619	7,220,896
-	-	26,157
-	-	620,855
<u>374,238</u>	<u>211,939</u>	<u>9,666,142</u>
<u>(339,464)</u>	<u>(69,529)</u>	<u>146,417</u>
47,982	256,228	641,627
-	(43,882)	(43,882)
<u>47,982</u>	<u>212,346</u>	<u>597,745</u>
(291,482)	142,817	744,162
-	-	(125,000)
<u>(291,482)</u>	<u>142,817</u>	<u>619,162</u>
<u>1,694,978</u>	<u>1,724,448</u>	<u>15,847,866</u>
<u>\$ 1,403,496</u>	<u>\$ 1,867,265</u>	<u>\$ 16,467,028</u>

CITY OF SHEBOYGAN, WISCONSIN

Combining Statement of Cash Flows

Internal Service Funds

Year Ended December 31, 2005

	Motor Vehicle	Data Processing	Health Self Insurance
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,225,257	\$ 134,775	\$ 7,267,704
Payments to suppliers	(977,345)	(84,046)	(6,854,486)
Payments to employees	(579,788)	-	-
Net Cash Provided (Used) by Operating Activities	668,124	50,729	413,218
Cash Flows from Noncapital and Related Financing Activities			
Principal payments on noncapital debt	-	-	-
Interest payments on noncapital debt	-	-	-
Dividend from CVMIC	-	-	-
Transfer out	(125,000)	-	-
Advances to other funds	(281,000)	-	-
Net Cash Used by Noncapital and Related Financing Activities	(406,000)	-	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(303,249)	(75,554)	-
Cash Flows from Investing Activities			
Interest received	245,866	17,205	63,856
Change in Cash and Cash Equivalents	204,741	(7,620)	477,074
Cash and Cash Equivalents - January 1	8,621,385	580,455	2,208,411
Cash and Cash Equivalents - December 31	\$ 8,826,126	\$ 572,835	\$ 2,685,485
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 117,222	\$ 4,034	\$ 434,154
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	536,721	84,134	-
Changes in assets and liabilities			
Receivables	(192)	(3,189)	(4,258)
Inventories and prepaid items	(14)	8,462	(30,000)
Accounts payable	15,579	(42,712)	9,362
Accrued and other liabilities	(1,192)	-	3,960
Net Cash Provided (Used) by Operating Activities	668,124	50,729	413,218
Noncash Investing, Capital and Financing Activities			
None	\$ -	\$ -	\$ -

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 34,774	\$ 142,410	\$ 9,804,920
(356,489)	(178,644)	(8,451,010)
(65,394)	-	(645,182)
<u>(387,109)</u>	<u>(36,234)</u>	<u>708,728</u>
-	(200,200)	(200,200)
-	(48,434)	(48,434)
-	248,634	248,634
-	-	(125,000)
-	-	<u>(281,000)</u>
-	-	<u>(406,000)</u>
-	-	<u>(378,803)</u>
48,398	7,583	382,908
(338,711)	(28,651)	306,833
<u>1,781,523</u>	<u>302,925</u>	<u>13,494,699</u>
<u>\$ 1,442,812</u>	<u>\$ 274,274</u>	<u>\$ 13,801,532</u>
\$ (339,464)	\$ (69,529)	\$ 146,417
-	-	620,855
-	-	(7,639)
(1)	(7,145)	(28,698)
2,356	(1,622)	(17,037)
(50,000)	42,062	(5,170)
<u>(387,109)</u>	<u>(36,234)</u>	<u>708,728</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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



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

To the Honorable Mayor Perez and Common Council
City of Sheboygan
Sheboygan, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the name of City of Sheboygan, Wisconsin, as of and for the year ended December 31, 2005, which collectively comprise the City of Sheboygan's basic financial statements and have issued our report thereon dated March 3, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Sheboygan, Wisconsin'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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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

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

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
March 6, 2006



FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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

To the Honorable Mayor Perez and Common Council
City of Sheboygan
Sheboygan, Wisconsin

Compliance

We have audited the compliance of the City of Sheboygan, Wisconsin, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that are applicable to its major federal and state programs for the year ended December 31, 2005. The City of Sheboygan, Wisconsin's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal and state programs is the responsibility of the City of Sheboygan, Wisconsin's management. Our responsibility is to express an opinion on the City of Sheboygan, Wisconsin's compliance based on our audit.

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

In our opinion, the City of Sheboygan, Wisconsin, complied, in all material respects, with the requirements referred to above that are applicable to its major federal and state programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City of Sheboygan, Wisconsin, 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, Wisconsin's internal control over compliance with requirements that could have a direct and material effect on a major federal or 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 the *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 reportable 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 grant agreements caused by error or fraud that would be material in relation to a major federal or 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 Mayor and Common Council, management, and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Schenck SC".

Certified Public Accountants
Green Bay, Wisconsin
March 6, 2006

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2005

Grantor Agency/Passthrough Agency/ Grant Title, Award or Project Number	Federal CFDA Number	(Accrued) Deferred Revenue 1/1/05	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/05	Total Revenues	Total Expenditures
FEDERAL PROGRAMS						
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Direct Programs						
Community Development Block Grant						
1999	14.218	\$ (1,820)	\$ 1,820	\$ -	\$ -	\$ -
2000	14.218	(10,554)	10,554	9,062	9,062	9,062
2001	14.218	(139,454)	140,454	1,186	2,186	2,186
2002	14.218	(7,449)	8,604	9,900	11,055	11,055
2003	14.218	(485,159)	523,273	42,026	80,140	80,140
2004	14.218	(414,390)	480,661	378,973	445,244	445,244
2005	14.218	-	-	376,105	376,105	376,105
Lead Hazard Control Grant Program	14.900	(470,937)	1,382,347	165,770	1,077,180	1,077,180
Total U.S. Department of Housing and Urban Development		(1,529,763)	2,547,713	983,022	2,000,972	2,000,972
<u>U.S. DEPARTMENT OF JUSTICE</u>						
Passed through Wisconsin Department of Administration						
Bryne Formula Grant - Task Force	16.579	(20,690)	44,000	16,848	40,158	40,158
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Direct Program						
Urban Mass Transportation Operating Assistance	20.507	-	682,514	317,559	1,000,073	1,000,073
Passed through Wisconsin Department of Transportation						
2001 Section 5309 Capital Assistance	20.500	-	-	1,076,832	1,076,832	1,076,832
Recreational Trails Program	20.219	(35,741)	-	85,741	50,000	50,000
Total U.S. Department of Transportation		(35,741)	682,514	1,480,132	2,126,905	2,126,905
<u>U.S. Environmental Protection Agency</u>						
Passed through Wisconsin Department of Natural Resources						
Environmental Improvement Fund	66.468	(236,939)	236,939	-	-	-
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
Passed through Wisconsin Department of Administration						
Homeland Security Grant	97.004	-	128,460	-	128,460	128,460
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ (1,823,133)	\$ 3,639,626	\$ 2,480,002	\$ 4,296,495	\$ 4,296,495

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

CITY OF SHEBOYGAN, WISCONSIN
Schedule of State Financial Assistance
For the Year Ended December 31, 2005

Grantor Agency/Passthrough Agency/ Grant Title, Award or Project Number	State I.D. Number	(Accrued) Deferred Revenue 1/1/05	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/05	Total Revenues	Total Expenditures
STATE PROGRAMS						
MAJOR STATE PROGRAM						
<u>DEPARTMENT OF TRANSPORTATION</u>						
Transit Operating Aid	395.104	\$ (54,905)	\$ 54,905	\$ -	\$ -	\$ -
Transit Operating Aid	395.104	(22,825)	896,438	22,825	896,438	896,438
Total Department of Transportation		<u>(77,730)</u>	<u>951,343</u>	<u>22,825</u>	<u>896,438</u>	<u>896,438</u>
NON-MAJOR STATE PROGRAMS						
<u>DEPARTMENT OF NATURAL RESOURCES</u>						
Local Park Aids Program	370.421	(49,964)	49,964	-	-	-
<u>DEPARTMENT OF ADMINISTRATION</u>						
Office of Justice Assistance						
Bryne Formula Grant - Task Force	505.646	(12,954)	12,954	12,169	12,169	12,169
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ (140,648)</u>	<u>\$ 1,014,261</u>	<u>\$ 34,994</u>	<u>\$ 908,607</u>	<u>\$ 908,607</u>

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

CITY OF SHEBOYGAN, WISCONSIN

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
December 31, 2005

NOTE A - BASIS OF PRESENTATION

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures in the schedule are presented in accordance with the modified accrual basis of accounting and are generally in agreement with expenditures reported in the City's 2005 basic financial statements.

The programs included in the Schedule of Expenditures of Federal Awards are separated into major and non-major categories. Additional information on each category is presented below:

The City qualifies as a low risk auditee in accordance with paragraph 530 of OMB Circular A-133. Therefore major programs, as identified in Section I of the Schedule of Findings and Questioned Costs, represent those with combined expenditures exceeding 25% of total federal awards that also were deemed major programs based on the auditors' risk assessment. The City's other federal programs were considered non-major programs for 2005.

NOTE C - OVERSIGHT AGENCY

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

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2005

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition identified that is not considered to be a material weakness?	None Reported
Noncompliance material to basic financial statements noted?	No

Federal and State Awards Programs

Internal control over major program:	
• Material weakness(es) identified	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	None Reported
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
Identification of major federal programs:	

CFDA Number	Name of Federal Programs
14.218	Community Development Block Grant
14.900	Lead Hazard Control Grant Program

Audit threshold used to determine between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee	Yes

Section II - Financial Statement Findings

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2005.

Section III - Federal and State Award Findings and Questioned Costs

There are no audit findings and questioned costs required to be reported under OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" and the "State Single Audit Guidelines" issued by the Wisconsin Department of Administration for the year ended December 31, 2005.

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended December 31, 2005

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2004.

Corrective Action Plan

No corrective action plan is required.