

**CITY OF SHEBOYGAN, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2006**

**CITY OF SHEBOYGAN, WISCONSIN**  
December 31, 2006

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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, 2006, 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, 2006, 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 June 7, 2007, 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  
June 7, 2007

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

## CITY OF SHEBOYGAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 50,650.

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 2006, 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)**

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**FINANCIAL HIGHLIGHTS**

- The City of Sheboygan's assets exceeded its liabilities by \$141 million (net assets) for the fiscal year reported, which is a decrease of \$3.5 million from the previous year.
- Total net assets are comprised of the following:
  - (1) Capital assets of \$97 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 decreased \$2.9 million, mainly from the recognition of depreciation.
  - (2) Restricted assets of \$10.5 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net assets of \$33.9 million represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- At the end of the 2006 fiscal year, the City's ending fund balance for the governmental funds totaled \$27.3 million, a decrease of \$0.8 million in comparison to the previous year. The ending fund balance for the General Fund was \$14.7 million, an increase of \$1.2 million from the previous year. The unreserved fund balance in the General Fund was \$11.8 million, which includes a designation of \$4 million for working capital and \$586,787 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 \$1.2 million, mainly from transfers from other funds.
- The total General Fund revenues and expenditures showed favorable budget versus actual balances.
- In 2006, the City issued general obligation promissory notes of \$3,000,000, issued \$220,000 state trust fund notes for capital projects, issued taxable general obligation refunding bonds of \$7,150,000 for the convention center purposes, issued \$8,575,000 taxable general obligation refunding bonds for Tax Incremental District No. 6 and 7, issued \$5,155,000 general obligation refunding bonds for Tax Incremental District No. 6, 7 and 8, and issued general obligation promissory notes of \$1,400,000 for Tax Incremental District No.6.
- In 2006, the City's general obligation debt decreased \$2.5 million to a total of \$58.3 million, which is 2.2% of the City's equalized valuation.

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

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**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.

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

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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.

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 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, 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.

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

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**GOVERNMENT-WIDE STATEMENT**

**Statement of Net Assets**

The City of Sheboygan's net assets exceed liabilities by \$141.4 million. The unrestricted portion of the net assets was \$33.9 million, or 23.9 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 \$97.1 million or 68.7 percent. The restricted net assets reflect reserves and totaled \$10.5 million or 7.4 percent of the net assets.

The following table reflects the condensed Statement of Net Assets:

**CITY OF SHEBOYGAN  
Statement of Net Assets  
December 31, 2006  
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 89,860	\$ 89,636	\$ 15,528	\$ 15,433	\$105,388	\$105,069
Capital assets	<u>93,884</u>	<u>94,322</u>	<u>66,826</u>	<u>72,166</u>	<u>160,710</u>	<u>166,488</u>
Total Assets	183,744	183,958	82,354	87,599	266,098	271,557
Long-term liabilities						
outstanding	71,895	74,000	12,231	12,923	84,126	86,923
Current and other liabilities	<u>37,358</u>	<u>35,230</u>	<u>3,168</u>	<u>4,484</u>	<u>40,526</u>	<u>39,714</u>
Total Liabilities	109,253	109,230	15,399	17,407	124,652	126,637
Net assets:						
Invested in capital assets, net of related debt	39,520	36,575	57,545	63,367	97,065	99,942
Restricted	9,849	9,316	672	541	10,521	9,857
Unrestricted	<u>25,122</u>	<u>28,837</u>	<u>8,738</u>	<u>6,284</u>	<u>33,860</u>	<u>35,121</u>
Total Net Assets	\$ <u>74,491</u>	\$ <u>74,728</u>	\$ <u>66,955</u>	\$ <u>70,192</u>	\$ <u>141,446</u>	\$ <u>144,920</u>

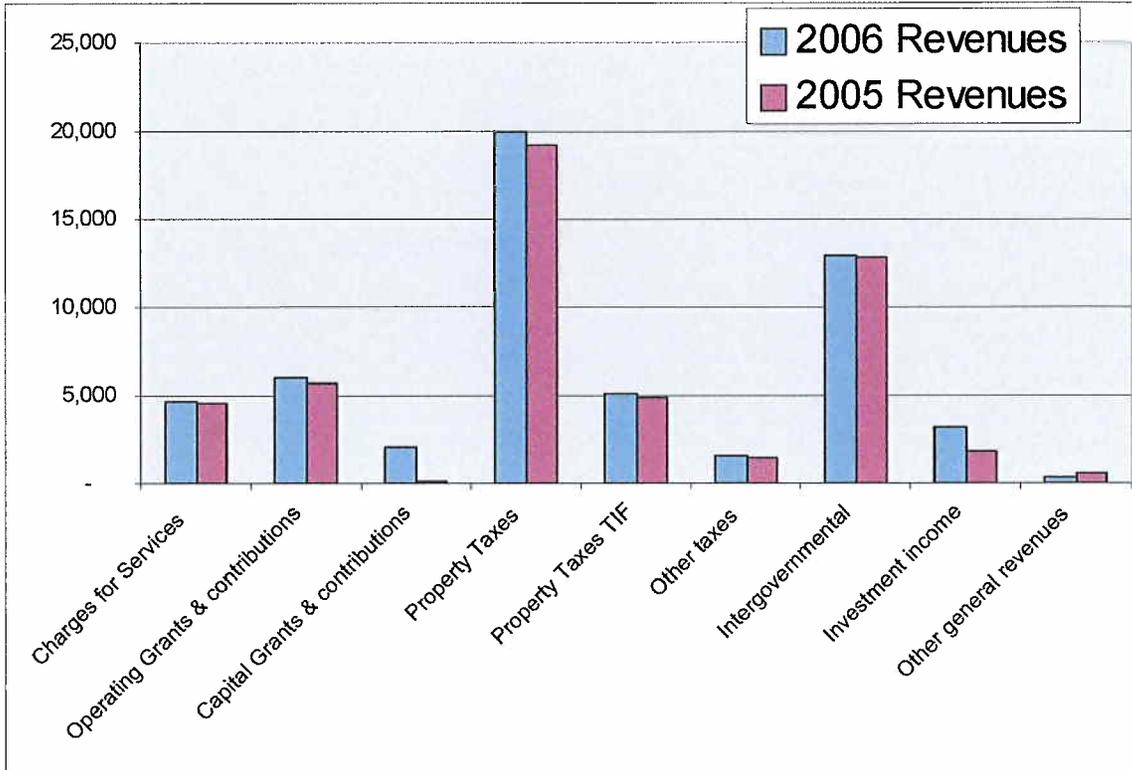
**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

<u>REVENUES</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Program Revenues:						
Charges for Services	\$ 4,659	\$ 4,502	\$ 14,411	\$ 13,565	\$ 19,070	\$ 18,067
Operating Grants & contributions	5,966	5,652	2,239	2,038	8,205	7,690
Capital Grants & contributions	2,088	120	1,469	1,336	3,557	1,456
General Revenues:						
Property Taxes	19,981	19,185	658	637	20,639	19,822
Property Taxes TIF	5,161	4,888	-	-	5,161	4,888
Other taxes	1,637	1,521	-	-	1,637	1,521
Intergovernmental	12,982	12,881	-	-	12,982	12,881
Investment income	3,170	1,813	588	344	3,758	2,157
Miscellaneous	<u>297</u>	<u>588</u>	<u>-</u>	<u>-</u>	<u>297</u>	<u>588</u>
Total Revenues	55,941	51,150	19,365	17,920	75,306	69,070
 <u>EXPENSES</u>						
Governmental Activities:						
General Government	5,647	5,647	-	-	5,647	5,647
Public Protection/Safety	19,731	19,731	-	-	19,731	19,731
Public Works	9,010	9,010	-	-	9,010	9,010
Health/Human Services	420	420	-	-	420	420
Culture/Recreation	8,038	8,039	-	-	8,039	8,039
Conservation/Development	4,459	4,459	-	-	4,459	4,459
Debt Expense	2,870	2,870	-	-	2,870	2,870
Business-type Activities:						
Storm Water Fund	-	-	1,581	1,514	1,581	1,514
Wastewater System Fund	-	-	7,109	7,695	7,109	7,695
Water Utility Fund	-	-	4,068	3,886	4,068	3,886
Transit Funds	-	-	4,130	3,702	4,130	3,702
Parking Funds	-	-	420	418	420	418
Boat Facility Fund	<u>-</u>	<u>-</u>	<u>61</u>	<u>61</u>	<u>61</u>	<u>61</u>
Total expenses	<u>50,175</u>	<u>47,010</u>	<u>17,369</u>	<u>17,276</u>	<u>67,544</u>	<u>64,286</u>
Changes in net assets before						
Transfers	5,766	4,140	1,996	644	7,762	4,784
Transfers	<u>688</u>	<u>664</u>	<u>(688)</u>	<u>(664)</u>	<u>-</u>	<u>-</u>
Change in net assets	6,454	4,804	1,308	(2)	7,762	4,784
Prior Period Adjustment	(6,691)	-	(4,545)	-	(11,236)	-
Net Assets - January 1	<u>74,728</u>	<u>69,924</u>	<u>70,192</u>	<u>70,212</u>	<u>144,920</u>	<u>140,136</u>
Net Assets - December 31	<u>\$ 74,491</u>	<u>\$ 74,728</u>	<u>\$ 66,955</u>	<u>\$ 70,192</u>	<u>\$141,446</u>	<u>\$144,920</u>

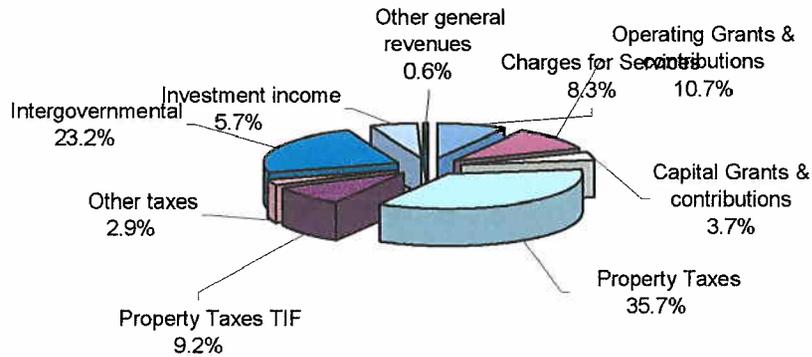
**CITY OF SHEBOYGAN**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

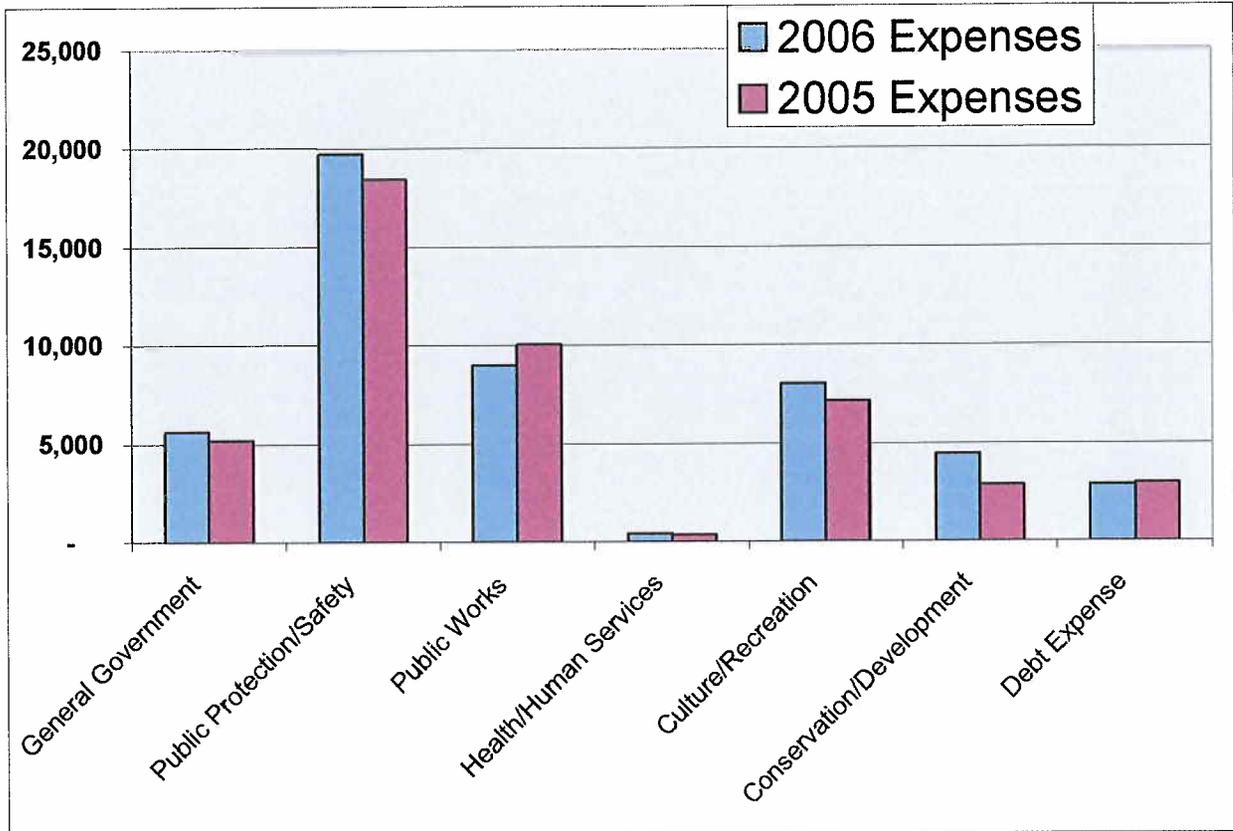


**2006 Program and General Revenues by Source - Governmental Activities**

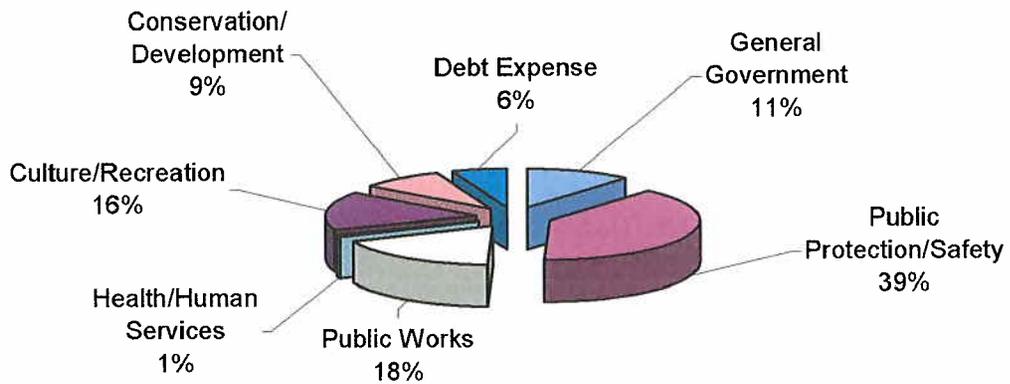


**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Expenses – Governmental Activities**



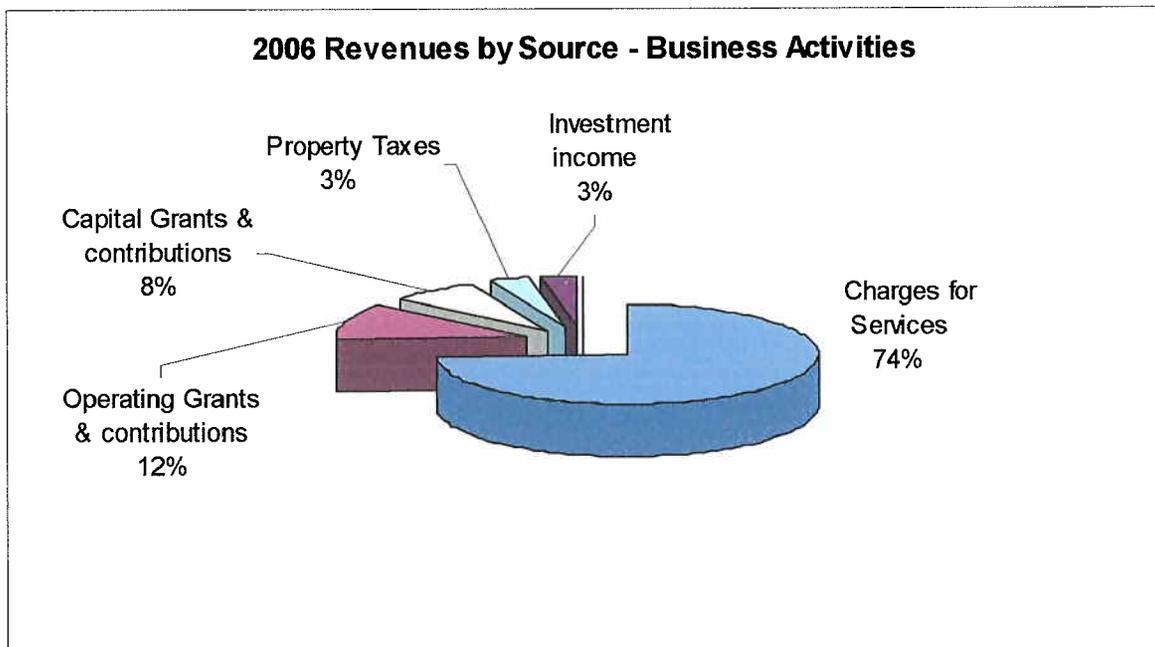
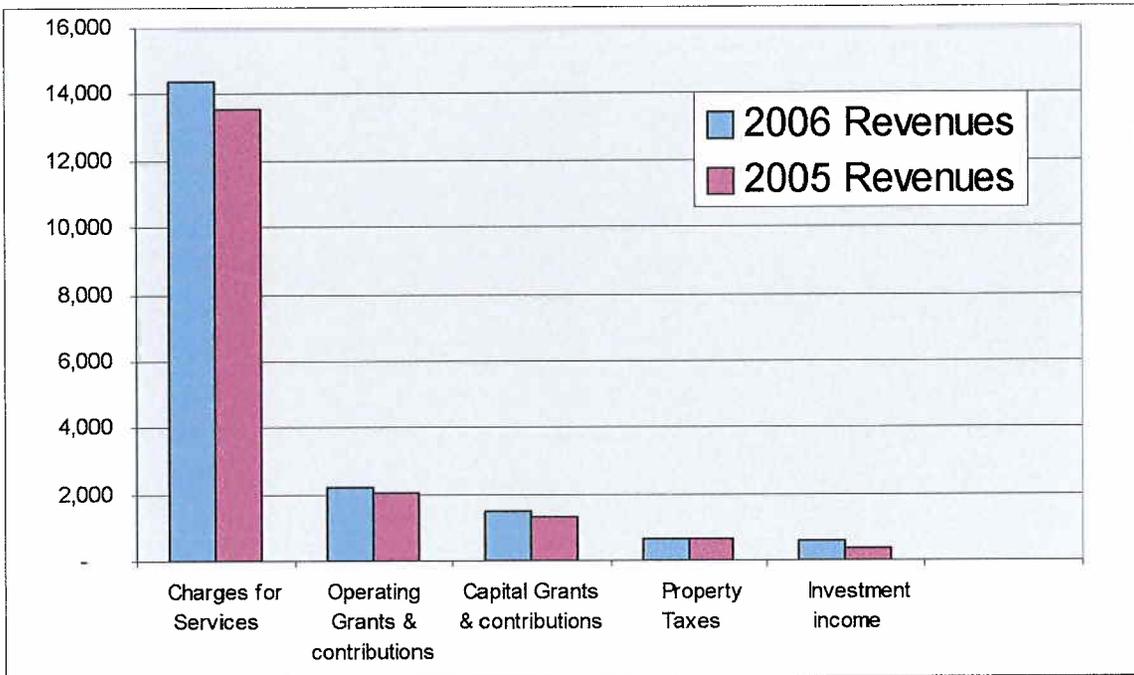
**2006 Expenses - Governmental Activities**



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

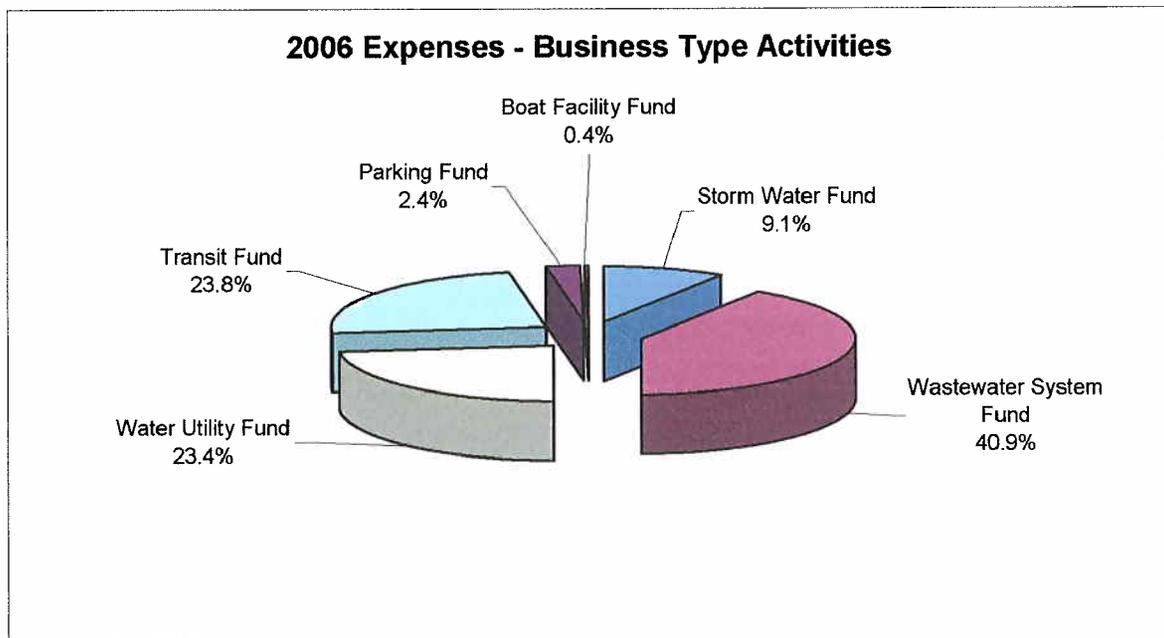
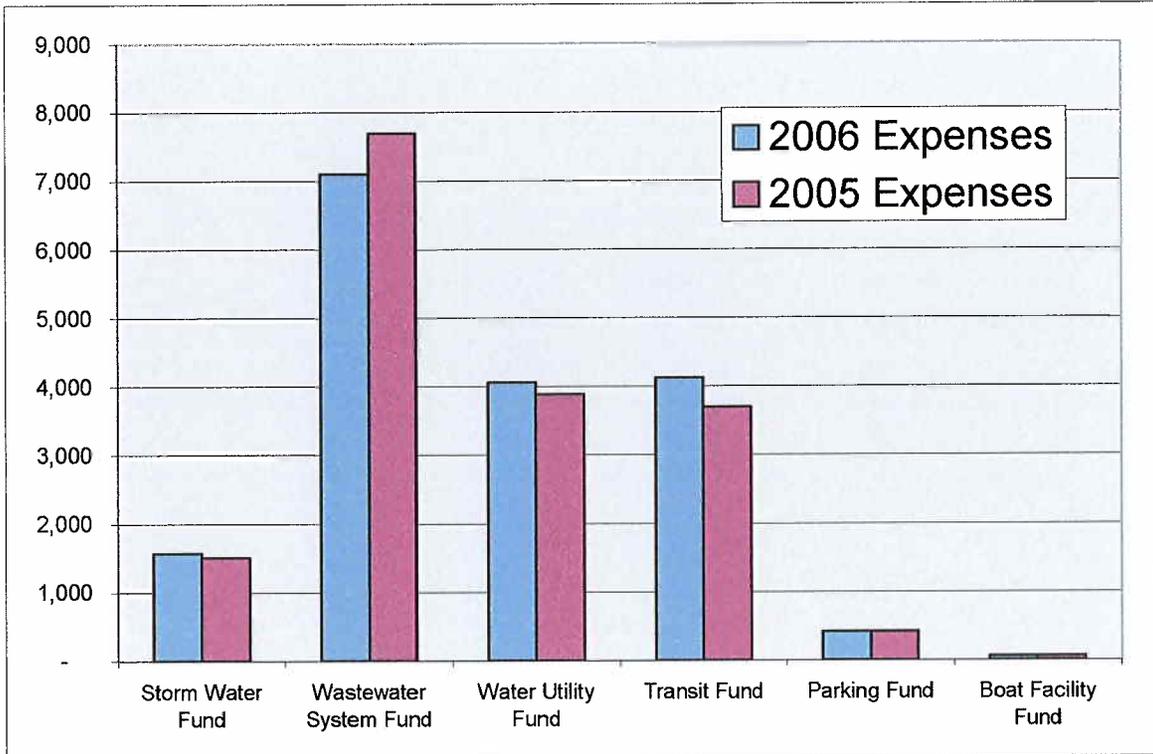
**Business-type activities.** Business-type activities accounted for 47% of the City of Sheboygan's net assets as of 12/31/06. After transfers, the net assets for business-type activities decreased \$3.2 million to \$67 million.

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



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

**Expenses – Business-type Activities:**



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

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

**Governmental Funds:**

Governmental funds reported ending fund balances of \$27.3 million. Fifty six percent of this year-end total, or approximately \$15.2 million, is unreserved with \$2.8 million designated for the subsequent year's expenditures and budget and \$4 million designated for working capital. \$3 million of the unreserved and undesignated fund balance is in the Special Revenue funds and Capital Project funds. The reserved fund balances include \$4.3 million committed to debt service, \$2.3 million committed to encumbrances, \$3.9 million for non-current assets and \$1.7 million for assets in trusts. The total ending fund balance of governmental funds shows a decrease of \$0.8 million over the prior year.

**Proprietary Funds:**

Unrestricted net assets at the end of 2006 were \$4.4 million for the Sewerage System, \$771,403 for the Storm Water Utility and \$1.6 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 \$1.9 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 10.5% in 2006. 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 \$14.7 million. The General Fund revenues exceeded expenditures by \$260,630. With the inclusion of operating transfers, the fund balance of the General Fund increased \$1.2 million.

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

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**General Fund Budgetary Highlights:**

Differences between the original budget and the final amended budget totaled \$1,149,800. The actual expenditures were \$2.5 million under the final budget and \$1,305,470 under the original budget.

The total amendments included prior year appropriations for capital outlay and projects and appropriations in 2006 of \$300,000 from a transfer from the Cable Fund for capital outlay in various departments.

The actual General Fund revenues exceeded the final revenue estimates by \$1,225,185.

**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, 2006, amounts to \$160.7 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)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land & improvements	\$ 13,323	\$ 13,344	\$ 2,365	\$ 2,365	\$ 15,688	\$ 15,709
Improvements other than buildings	6,202	5,083	2,097	-	8,299	5,083
Buildings	14,185	12,975	6,434	6,822	20,619	19,797
Machinery & equipment	6,015	4,830	9,750	10,416	15,765	15,246
Infrastructure	54,159	58,090	44,673	47,761	98,832	105,851
Construction in progress	-	-	1,507	4,802	1,507	4,802
Total	<u>\$ 93,884</u>	<u>\$ 94,322</u>	<u>\$ 66,826</u>	<u>\$ 72,166</u>	<u>\$160,710</u>	<u>\$166,488</u>

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

**Long-term debt.** At the end of the 2006 fiscal year, the City of Sheboygan's total bonded debt outstanding was \$70.4 million. Of this amount, \$58.3 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**

December 31, 2006 and 2005

(In thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bonds						
and notes	\$ 58,350	\$ 60,752	\$ -	\$ -	\$ 58,350	\$ 60,752
Revenue Bonds and						
Mortgage notes	-	-	12,055	12,679	12,055	12,679
Total	\$ 58,350	\$ 60,752	\$ 12,055	\$ 12,679	\$ 70,405	\$ 73,431

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, 2006 was \$132 million. The City Council has established a debt limit of 3 percent of equalized valuation, or \$79.6 million as of December 31, 2006.

During 2006, the City issued general obligation promissory notes of \$3,000,000, issued \$220,000 state trust fund notes for capital projects, issued taxable general obligation refunding bonds of \$7,150,000 for the convention center purposes, issued \$8,575,000 taxable general obligation refunding bonds for Tax Incremental District No. 6 and 7, issued \$5,155,000 general obligation refunding bonds for Tax Incremental District No. 6, 7 and 8, and issued general obligation promissory notes of \$1,400,000 for Tax Incremental District No.6.

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

The City's 2007 adopted budget for the General Fund decreased from \$33,752,554 to \$33,514,731, a decrease of 0.7%. The total adopted budget for the governmental funds increased from \$62 million to \$64.8 million, an increase of 4.3%. The Capital Projects Funds increased \$3.3 million.

The tax levy for the 2007 Budget remained the same as the previous year with a tax levy of \$13,876,706 for the General Fund, \$658,345 for the Transit Fund, \$3,495,772 for the Debt Service Fund and \$2,608,335 for the Library Fund for a total tax levy of \$20,639,158.

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

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The City Assessor completed a revaluation with the assessed values increasing from \$2.1 billion to \$2.7 billion. The total tax rate after the State tax credit decreased from \$31.12 per thousand to \$24.20 per thousand, inclusive of the Sheboygan Area School District. The City's assessed tax rate decreased from \$10.80 per thousand to \$8.42 per thousand.

The applied fund balance in the General Fund budget decreased from \$750,000 in 2006 to \$586,787 in 2007.

Six out of seven labor contracts have been settled for contract years 2007, 2008 and 2009. The Transit Union contract is currently not settled for those years.

The Wastewater rates were increased by 2.45 % effective January 2007.

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.

Since 2005, the remaining twenty acres on the South Pier District has had additional development of approximately \$12 million, including the construction of fish shanty style structures for various businesses, a sports recreational building, condominiums and a restaurant. Additional development of approximately \$20 million is under construction or planned.

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 212,000 square foot Wal-Mart super-center was completed in 2006 in Tax Incremental District No. 8.

**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, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District
<b>ASSETS</b>					
Cash and investments	\$ 44,138,568	\$ 8,486,649	\$ 52,625,217	\$ 4,029,318	\$ 58,393
Receivables					
Taxes	25,412,903	699,159	26,112,062	-	-
Accounts	1,550,578	2,395,703	3,946,281	200	-
Special assessments	592,331	185,599	777,930	-	-
Loans	14,207,955	-	14,207,955	-	-
Other	256,176	24,797	280,973	10,814	-
Internal balances	(5,585)	5,585	-	-	-
Due from other governments	840,536	-	840,536	-	-
Inventories and prepaid items	478,963	238,176	717,139	31,660	-
Deferred charges	181,959	-	181,959	-	-
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	3,492,384	3,492,384	71,912	-
Capital assets, nondepreciable					
Land	13,323,311	2,364,883	15,688,194	266,510	-
Construction in progress	-	1,507,252	1,507,252	-	-
Capital assets, depreciable					
Buildings and improvements	24,206,896	16,443,384	40,650,280	6,071,458	-
Improvements other than buildings	13,093,926	18,158,801	31,252,727	-	-
Machinery and equipment	20,649,107	33,898,126	54,547,233	297,077	-
Infrastructure	86,493,198	68,760,468	155,253,666	-	-
Less: Accumulated depreciation	(63,882,341)	(74,306,895)	(138,189,236)	(5,158,130)	-
<b>TOTAL ASSETS</b>	<b>183,744,146</b>	<b>82,354,071</b>	<b>266,098,217</b>	<b>5,620,819</b>	<b>58,393</b>
<b>LIABILITIES</b>					
Accounts payable	1,907,713	723,146	2,630,859	133,209	2,426
Accrued and other current liabilities	7,290,725	1,595,667	8,886,392	28,292	-
Accrued interest payable	1,016,109	67,836	1,083,945	-	-
Due to other governments	1,935,279	94,677	2,029,956	57,751	-
Unearned revenues	25,207,855	686,938	25,894,793	1,186	-
Long-term Obligations					
Due within one year	6,750,569	910,642	7,661,211	-	-
Due in more than one year	65,144,594	11,320,430	76,465,024	-	-
<b>TOTAL LIABILITIES</b>	<b>109,252,844</b>	<b>15,399,336</b>	<b>124,652,180</b>	<b>220,438</b>	<b>2,426</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	39,519,645	57,544,898	97,064,543	1,476,915	-
Restricted for					
Debt service	1,212,143	672,161	1,884,304	-	-
Community development loans	8,636,979	-	8,636,979	-	-
Unrestricted	25,122,535	8,737,676	33,860,211	3,923,466	55,967
<b>TOTAL NET ASSETS</b>	<b>\$ 74,491,302</b>	<b>\$ 66,954,735</b>	<b>\$141,446,037</b>	<b>\$ 5,400,381</b>	<b>\$ 55,967</b>

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

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Activities  
For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General government	\$ 5,647,083	\$ 957,902	\$ 15,988	\$ -
Public safety	19,730,859	1,630,725	414,975	-
Public works	9,010,337	1,194,737	2,478,521	854,145
Health and human services	419,978	97,164	-	-
Culture and recreation	8,038,575	750,343	764,189	1,234,000
Conservation and development	4,458,927	28,160	2,292,020	-
Interest on debt	2,869,701	-	-	-
<b>Total Governmental Activities</b>	<u>50,175,460</u>	<u>4,659,031</u>	<u>5,965,693</u>	<u>2,088,145</u>
<b>Business-type Activities</b>				
Sewerage system	7,108,908	6,837,360	-	27,406
Water utility	4,068,314	4,750,339	-	296,399
Storm water utility	1,581,039	1,573,023	-	680,403
Transit commission	4,130,398	703,456	2,239,386	465,041
Parking facility	419,738	411,312	-	-
Boat facility	60,605	135,369	-	-
<b>Total Business-type Activities</b>	<u>17,369,002</u>	<u>14,410,859</u>	<u>2,239,386</u>	<u>1,469,249</u>
<b>Total Primary Government</b>	<u>67,544,462</u>	<u>19,069,890</u>	<u>8,205,079</u>	<u>3,557,394</u>
<b>Component Units</b>				
Housing Authority of the City of Sheboygan	1,529,726	823,210	520,599	82,097
Harbor Centre Business Improvement District	125,128	115,034	21,250	-
	<u>\$ 1,654,854</u>	<u>\$ 938,244</u>	<u>\$ 541,849</u>	<u>\$ 82,097</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
Prior period adjustment
Net assets - January 1
Net assets - December 31

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

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

\$ (4,673,193)	\$ -	\$ (4,673,193)	\$ -	\$ -
(17,685,159)	-	(17,685,159)	-	-
(4,482,934)	-	(4,482,934)	-	-
(322,814)	-	(322,814)	-	-
(5,290,043)	-	(5,290,043)	-	-
(2,138,747)	-	(2,138,747)	-	-
(2,869,701)	-	(2,869,701)	-	-
<u>(37,462,591)</u>	<u>-</u>	<u>(37,462,591)</u>	<u>-</u>	<u>-</u>

-	(244,142)	(244,142)	-	-
-	978,424	978,424	-	-
-	672,387	672,387	-	-
-	(722,515)	(722,515)	-	-
-	(8,426)	(8,426)	-	-
-	74,764	74,764	-	-
-	<u>750,492</u>	<u>750,492</u>	<u>-</u>	<u>-</u>
<u>(37,462,591)</u>	<u>750,492</u>	<u>(36,712,099)</u>	<u>-</u>	<u>-</u>

-	-	-	(103,820)	-
-	-	-	-	11,156
-	-	-	<u>(103,820)</u>	<u>11,156</u>

19,980,813	658,345	20,639,158	-	-
5,160,847	-	5,160,847	-	-
1,637,031	-	1,637,031	-	-
12,982,365	-	12,982,365	-	-
3,170,057	587,559	3,757,616	137,405	2,805
297,456	-	297,456	20,388	-
688,352	(688,352)	-	-	-
<u>43,916,921</u>	<u>557,552</u>	<u>44,474,473</u>	<u>157,793</u>	<u>2,805</u>

6,454,330	1,308,044	7,762,374	53,973	13,961
(6,691,313)	(4,545,448)	(11,236,761)	-	-
<u>74,728,285</u>	<u>70,192,139</u>	<u>144,920,424</u>	<u>5,346,408</u>	<u>42,006</u>

<u>\$ 74,491,302</u>	<u>\$ 66,954,735</u>	<u>\$ 141,446,037</u>	<u>\$ 5,400,381</u>	<u>\$ 55,967</u>
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**CITY OF SHEBOYGAN, WISCONSIN**

Balance Sheet  
Governmental Funds  
December 31, 2006

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
<b>ASSETS</b>				
Cash and investments	\$ 15,419,006	\$ 1,132,007	\$ 2,305,306	\$ 2,621,780
Receivables				
Taxes	13,991,559	3,495,772	5,210,434	-
Accounts	1,069,947	80,136	16,871	8,360
Special assessments	31,549	-	3,895	-
Loans	10,000	-	-	4,000,000
Due from other funds	1,411,114	1,364,945	-	-
Advance to other funds	1,291,838	1,686,251	-	-
Due from other governments	-	-	-	85,741
Inventories and prepaid items	368,514	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 33,593,527</b>	<b>\$ 7,759,111</b>	<b>\$ 7,536,506</b>	<b>\$ 6,715,881</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 344,253	\$ -	\$ -	\$ 622,024
Accrued and other current liabilities	4,618,027	-	-	-
Due to other funds	-	-	-	785,187
Due to other governments	13,483	-	-	-
Deferred revenues	13,966,692	3,495,772	5,217,546	4,000,000
Advance from other funds	-	-	3,348,179	817,088
<b>Total Liabilities</b>	<b>18,942,455</b>	<b>3,495,772</b>	<b>8,565,725</b>	<b>6,224,299</b>
<b>Fund Balances</b>				
<b>Reserved for</b>				
Inventories and prepaid items	368,514	-	-	-
Long-term accounts and interfund receivables	2,247,028	3,051,196	-	-
Encumbrances	281,517	-	-	491,582
Retirement of long-term debt	-	1,212,143	-	-
Cemetery perpetual care	-	-	-	-
Trust activities	-	-	-	-
<b>Unreserved</b>				
<b>Designated for</b>				
Subsequent year's expenditures	646,747	-	-	-
Subsequent year's budget	586,787	-	-	-
Subsequent year's working capital	4,000,000	-	-	-
<b>Undesignated, reported in</b>				
General fund	6,520,479	-	-	-
Special revenue funds	-	-	-	-
Debt service fund	-	-	(1,029,219)	-
Capital projects funds	-	-	-	-
<b>Total Fund Balances</b>	<b>14,651,072</b>	<b>4,263,339</b>	<b>(1,029,219)</b>	<b>491,582</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 33,593,527</b>	<b>\$ 7,759,111</b>	<b>\$ 7,536,506</b>	<b>\$ 6,715,881</b>

(Continued)

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

\$ 1,350,009    \$ 8,691,127    \$ 31,519,235

-            2,715,138    25,412,903  
2,550        352,224     1,530,088  
-            556,887     592,331  
-            10,197,955   14,207,955  
-            -            2,776,059  
-            1,187,178    4,165,267  
-            754,795     840,536  
-            58,184      426,698

\$ 1,352,559    \$ 24,513,488    \$ 81,471,072

\$ 73,144    \$ 674,013    \$ 1,713,434  
-            545,229     5,163,256  
86,725     1,990,872    2,862,784  
-            1,916,801    1,930,284  
-            11,556,162   38,236,172  
-            72,835      4,238,102  
159,869    16,755,912    54,144,032

-            58,184      426,698  
-            1,187,178    6,485,402  
707,110     840,676     2,320,885  
-            -            1,212,143  
-            741,478     741,478  
-            959,486     959,486

485,580     1,065,479    2,197,806  
-            -            586,787  
-            -            4,000,000  
-            -            6,520,479  
-            1,982,563    1,982,563  
-            -            (1,029,219)  
-            922,532     922,532  
1,192,690    7,757,576    27,327,040

\$ 1,352,559    \$ 24,513,488    \$ 81,471,072

**CITY OF SHEBOYGAN, WISCONSIN**  
 Balance Sheet (Continued)  
 Governmental Funds  
 December 31, 2006

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page		\$ 27,327,040
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.		90,104,613
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		743,456
Loans receivable		12,284,861
Internal service funds reported in the statement of net assets as governmental activities (see page 29)		16,517,147
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	\$(59,364,916)	
Unfunded pension liability	(12,291,932)	
Deferred charges - bond issues	181,959	
Accrued interest on long-term obligations	(1,010,926)	(72,485,815)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 17)		<u>\$ 74,491,302</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, 2006

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
<b>Revenues</b>				
Taxes	\$ 14,336,190	\$ 3,495,772	\$ 5,183,827	\$ -
Special assessments	1,308	-	858	-
Intergovernmental	15,250,111	-	112,231	-
Licenses and permits	764,855	-	-	-
Fines and forfeits	1,088,266	-	-	-
Public charges for services	658,984	-	2,750	-
Intergovernmental charges for services	203,426	-	-	-
Miscellaneous	1,323,158	287,557	289,496	232,243
<b>Total Revenues</b>	<b>33,626,298</b>	<b>3,783,329</b>	<b>5,589,162</b>	<b>232,243</b>
<b>Expenditures</b>				
Current				
General government	4,717,106	-	700	-
Public safety	18,413,671	-	-	-
Public works	6,220,389	-	-	-
Health and human services	408,758	-	-	-
Culture and recreation	3,244,717	-	-	-
Conservation and development	327,278	-	72,208	-
Other	33,749	-	-	-
Debt service				
Principal	-	3,927,253	2,889,567	-
Interest and fiscal charges	-	921,021	1,463,885	51,668
Capital outlay	-	-	-	6,088,090
<b>Total Expenditures</b>	<b>33,365,668</b>	<b>4,848,274</b>	<b>4,426,360</b>	<b>6,139,758</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	260,630	(1,064,945)	1,162,802	(5,907,515)
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	7,150,000	13,730,000	1,400,000
Refunding debt principal payments	-	(8,030,000)	(12,850,000)	-
Transfers in	1,063,820	1,528,116	86,034	3,451,247
Transfers out	(89,503)	-	(3,075,859)	-
<b>Total Other Financing Sources (Uses)</b>	<b>974,317</b>	<b>648,116</b>	<b>(2,109,825)</b>	<b>4,851,247</b>
<b>Net Change in Fund Balances</b>	<b>1,234,947</b>	<b>(416,829)</b>	<b>(947,023)</b>	<b>(1,056,268)</b>
<b>Fund Balances (Deficit) - January 1</b>	<b>13,416,125</b>	<b>4,680,168</b>	<b>(82,196)</b>	<b>1,547,850</b>
<b>Fund Balances (Deficit) - December 31</b>	<b>\$ 14,651,072</b>	<b>\$ 4,263,339</b>	<b>\$ (1,029,219)</b>	<b>\$ 491,582</b>

(Continued)

Capital Projects Bonded	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,762,902	\$ 26,778,691
-	441,494	443,660
-	3,392,076	18,754,418
-	443,615	1,208,470
-	-	1,088,266
-	1,363,740	2,025,474
-	-	203,426
113,095	1,400,899	3,646,448
<u>113,095</u>	<u>10,804,726</u>	<u>54,148,853</u>

-	617,052	5,334,858
-	79,645	18,493,316
-	737,049	6,957,438
-	-	408,758
-	3,630,315	6,875,032
-	2,821,875	3,221,361
-	-	33,749
-	170,000	6,986,820
19,275	18,037	2,473,886
2,247,395	1,134,232	9,469,717
<u>2,266,670</u>	<u>9,208,205</u>	<u>60,254,935</u>

<u>(2,153,575)</u>	<u>1,596,521</u>	<u>(6,106,082)</u>
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3,220,000	-	25,500,000
-	-	(20,880,000)
-	731,078	6,860,295
<u>(1,099,517)</u>	<u>(1,912,944)</u>	<u>(6,177,823)</u>
<u>2,120,483</u>	<u>(1,181,866)</u>	<u>5,302,472</u>

(33,092)	414,655	(803,610)
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<u>1,225,782</u>	<u>7,342,921</u>	<u>28,130,650</u>
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<u>\$ 1,192,690</u>	<u>\$ 7,757,576</u>	<u>\$ 27,327,040</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, 2006

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (803,610)

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	\$ 8,171,525	
Depreciation expense reported in the statement of activities	<u>3,318,640</u>	
Amount by which capital outlays are greater than depreciation in current period		4,852,885

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.

Cost of assets disposed of		(92,279)
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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:

(485,746)

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	\$ 854,145	
Special assessment collections	<u>(443,660)</u>	410,485

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

Loans issued	\$ 1,066,691	
Loan repayments received	<u>(597,377)</u>	469,314

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:

(25,500,000)

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:

27,866,820

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.

(445,554)

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 2006, bond issuance costs exceeded amortization by:

78,294

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	\$ (17,131)	
Portion allocated to business-type activities	<u>120,852</u>	<u>103,721</u>

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

\$ 6,454,330

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, 2006

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 14,321,752	\$ 14,321,752	\$ 14,336,190	\$ 14,438
Special assessments	-	-	1,308	1,308
Intergovernmental	15,194,824	15,194,824	15,250,111	55,287
Licenses and permits	574,669	574,669	764,855	190,186
Fines and forfeits	732,708	732,708	1,088,266	355,558
Public charges for services	497,861	497,861	658,984	161,123
Intergovernmental charges for services	167,930	167,930	203,426	35,496
Miscellaneous	911,369	911,369	1,323,158	411,789
<b>Total Revenues</b>	<b>32,401,113</b>	<b>32,401,113</b>	<b>33,626,298</b>	<b>1,225,185</b>
<b>Expenditures</b>				
<b>General Government</b>				
Council	133,604	141,194	138,280	2,914
Mayor	264,384	264,384	264,383	1
City clerk	315,990	323,002	319,114	3,888
Elections	89,395	89,395	89,340	55
Finance	1,599,936	1,606,653	1,603,627	3,026
Assessor	501,155	504,272	492,702	11,570
Personnel	290,031	294,209	279,956	14,253
City attorney	393,461	398,770	398,749	21
City insurance	162,476	563,156	127,853	435,303
City buildings	995,239	995,239	965,226	30,013
Board of review	6,446	6,446	1,757	4,689
Employee benefits	233,904	233,904	36,119	197,785
<b>Total General Government</b>	<b>4,986,021</b>	<b>5,420,624</b>	<b>4,717,106</b>	<b>703,518</b>
<b>Public Safety</b>				
Police	11,590,201	11,788,741	11,065,278	723,463
Fire	7,083,650	7,122,010	6,810,237	311,773
Building inspection	531,484	531,484	531,484	-
Emergency operations	1,925	1,925	1,919	6
Civil defense	8,012	11,772	4,753	7,019
Fire and police commission	100	100	-	100
<b>Total Public Safety</b>	<b>19,215,372</b>	<b>19,456,032</b>	<b>18,413,671</b>	<b>1,042,361</b>
<b>Public Works</b>				
Department of public works	358,426	358,426	358,355	71
Engineering	744,502	744,502	743,616	886
Streets department	3,637,286	3,647,119	3,087,286	559,833
Sanitation department	2,052,877	2,052,877	2,018,541	34,336
Incinerator	17,500	17,500	12,591	4,909
<b>Total Public Works</b>	<b>6,810,591</b>	<b>6,820,424</b>	<b>6,220,389</b>	<b>600,035</b>

(Continued)

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual (Continued)  
General Fund  
Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Health and Human Services				
Health	61,345	61,345	61,344	1
Cemetery	376,417	376,582	347,414	29,168
Total Health and Human Services	<u>437,762</u>	<u>437,927</u>	<u>408,758</u>	<u>29,169</u>
Culture and Recreation				
Park department	2,926,100	2,928,392	2,919,432	8,960
Celebrations	63,944	109,543	98,839	10,704
Senior citizen center	250,824	250,824	226,446	24,378
Total Culture and Recreation	<u>3,240,868</u>	<u>3,288,759</u>	<u>3,244,717</u>	<u>44,042</u>
Conservation and Development				
City development	348,949	348,949	327,278	21,671
Other				
Receivable adjustments	33,853	33,853	33,749	104
Contingency	(402,278)	14,370	-	14,370
Total Other	<u>(368,425)</u>	<u>48,223</u>	<u>33,749</u>	<u>14,474</u>
Total Expenditures	<u>34,671,138</u>	<u>35,820,938</u>	<u>33,365,668</u>	<u>2,455,270</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,270,025)</u>	<u>(3,419,825)</u>	<u>260,630</u>	<u>3,680,455</u>
Other Financing Sources (Uses)				
Transfers in	1,010,477	1,010,477	1,063,820	53,343
Transfers out	(188,207)	(188,207)	(89,503)	98,704
Total Other Financing Sources (Uses)	<u>822,270</u>	<u>822,270</u>	<u>974,317</u>	<u>152,047</u>
Net Change in Fund Balance	(1,447,755)	(2,597,555)	1,234,947	3,832,502
Fund Balance - January 1	<u>13,416,125</u>	<u>13,416,125</u>	<u>13,416,125</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 11,968,370</u>	<u>\$ 10,818,570</u>	<u>\$ 14,651,072</u>	<u>\$ 3,832,502</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, 2006

	Business-type Activities - Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
<b>ASSETS</b>			
Cash and investments	\$ 4,326,297	\$ 1,839,397	\$ 595,612
Receivables			
Taxes	31,100	-	5,547
Accounts	940,510	816,170	196,991
Special assessments	2,000	118,794	-
Other	6,870	3,260	3,631
Due from other funds	-	-	-
Inventories and prepaid expenses	130	232,941	-
Restricted assets			
Cash and investments	-	3,492,384	-
Advance to other funds	-	-	-
Deposit with CVMIC	-	-	-
Capital assets, nondepreciable			
Land	2,000	98,858	1,395,109
Construction in progress	-	1,507,252	-
Capital assets, depreciable			
Buildings	12,371,095	3,319,875	-
Improvements other than buildings	15,739,541	-	-
Machinery and equipment	14,192,322	9,442,806	-
Infrastructure	23,498,162	24,000,728	21,261,578
Less: Accumulated depreciation	(47,769,030)	(9,546,415)	(7,104,902)
<b>TOTAL ASSETS</b>	<b>23,340,997</b>	<b>35,326,050</b>	<b>16,353,566</b>
<b>LIABILITIES</b>			
Accounts payable	326,711	210,014	21,869
Accrued and other current liabilities	283,266	1,189,179	8,509
Accrued interest payable	22,937	44,899	-
Due to other governments	-	-	-
Deferred revenue	17,479	-	-
Long-term Obligations			
Due within one year	449,828	460,814	-
Due in more than one year	4,085,564	7,234,866	-
<b>TOTAL LIABILITIES</b>	<b>5,185,785</b>	<b>9,139,772</b>	<b>30,378</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	13,673,325	23,902,748	15,551,785
Restricted for			
Debt service	-	672,161	-
Unrestricted	4,481,887	1,611,369	771,403
<b>TOTAL NET ASSETS</b>	<b>\$ 18,155,212</b>	<b>\$ 26,186,278</b>	<b>\$ 16,323,188</b>

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

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

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

Total Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 1,725,343	\$ 8,486,649	\$ 12,619,333
662,512	699,159	-
442,032	2,395,703	204,524
64,805	185,599	-
11,036	24,797	72,142
-	-	86,725
5,105	238,176	52,265
-	3,492,384	-
72,835	72,835	-
-	-	2,205,665
868,916	2,364,883	-
-	1,507,252	-
752,414	16,443,384	-
2,419,260	18,158,801	-
10,262,998	33,898,126	10,255,505
-	68,760,468	-
(9,886,548)	(74,306,895)	(6,476,021)
<u>7,400,708</u>	<u>82,421,321</u>	<u>19,020,138</u>
164,552	723,146	194,279
114,713	1,595,667	2,127,469
-	67,836	5,183
94,677	94,677	4,995
669,459	686,938	-
-	910,642	218,295
-	11,320,430	20,020
<u>1,043,401</u>	<u>15,399,336</u>	<u>2,570,241</u>
4,417,040	57,544,898	3,779,484
-	672,161	-
<u>1,940,267</u>	<u>8,804,926</u>	<u>12,670,413</u>
<u>\$ 6,357,307</u>	67,021,985	16,449,897
	(67,250)	67,250
	<u>\$ 66,954,735</u>	<u>\$ 16,517,147</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
Year Ended December 31, 2006

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
Operating Revenues			
Charges for services	\$ 6,700,521	\$ 4,671,186	\$ 1,563,736
Other	136,839	77,553	9,287
Total Operating Revenues	<u>6,837,360</u>	<u>4,748,739</u>	<u>1,573,023</u>
Operating Expenses			
Personal services	1,870,516	1,469,649	486,633
Contractual services	1,800,032	1,115,403	233,098
Supplies and materials	538,966	215,292	288,564
Insurance	35,635	119,022	-
Other	762,120	207,807	181,198
Depreciation	1,919,805	687,894	384,318
Total Operating Expenses	<u>6,927,074</u>	<u>3,815,067</u>	<u>1,573,811</u>
Operating Income (Loss)	<u>(89,714)</u>	<u>933,672</u>	<u>(788)</u>
Nonoperating Revenues (Expenses)			
Property taxes	-	-	-
Intergovernmental	-	-	-
Investment income	221,690	250,911	35,915
Miscellaneous revenues (expense)	-	1,600	-
Interest expense	(136,828)	(253,345)	-
Amortization of debt discount	-	98	-
Total Nonoperating Revenues (Expenses)	<u>84,862</u>	<u>(736)</u>	<u>35,915</u>
Income (Loss) Before Contributions and Transfers	<u>(4,852)</u>	<u>932,936</u>	<u>35,127</u>
Capital contributions	27,406	296,399	680,403
Transfers in	-	-	-
Transfers out	<u>(13,380)</u>	<u>(685,146)</u>	<u>(2,500)</u>
Change in Net Assets	9,174	544,189	713,030
Prior Period Adjustment	(4,545,448)	-	-
Net Assets - January 1	<u>22,691,486</u>	<u>25,642,089</u>	<u>15,610,158</u>
Net Assets - December 31	<u>\$ 18,155,212</u>	<u>\$ 26,186,278</u>	<u>\$ 16,323,188</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
\$ 1,138,754	\$ 14,074,197	\$ 10,036,994
86,897	310,576	5,999
<u>1,225,651</u>	<u>14,384,773</u>	<u>10,042,993</u>
2,627,552	6,454,350	650,298
973,963	4,122,496	1,258,262
129,186	1,172,008	21,973
114,405	269,062	8,253,858
43,470	1,194,595	98,401
653,547	3,645,564	594,047
<u>4,542,123</u>	<u>16,858,075</u>	<u>10,876,839</u>
<u>(3,316,472)</u>	<u>(2,473,302)</u>	<u>(833,846)</u>
658,345	658,345	-
2,447,913	2,447,913	-
79,043	587,559	838,690
-	1,600	-
-	(390,173)	(27,855)
-	98	-
<u>3,185,301</u>	<u>3,305,342</u>	<u>810,835</u>
(131,171)	832,040	(23,011)
281,000	1,285,208	-
12,674	12,674	5,880
-	(701,026)	-
162,503	1,428,896	(17,131)
-	(4,545,448)	-
<u>6,194,804</u>	<u>70,138,537</u>	<u>16,467,028</u>
<u>\$ 6,357,307</u>	<u>\$ 67,021,985</u>	<u>\$ 16,449,897</u>
	\$ 1,428,896	\$ (17,131)
	<u>(120,852)</u>	<u>120,852</u>
	<u>\$ 1,308,044</u>	<u>\$ 103,721</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Statement of Cash Flows  
Proprietary Funds  
Year Ended December 31, 2006

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 6,834,079	\$ 4,768,303	\$ 1,518,068
Payments to suppliers	(3,245,961)	(1,698,349)	(694,632)
Payments to employees	(1,870,516)	(1,269,154)	(486,633)
Net Cash Provided (Used) by Operating Activities	<u>1,717,602</u>	<u>1,800,800</u>	<u>336,803</u>
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Property taxes	-	-	-
Intergovernmental grants	-	-	-
Principal payments on noncapital debt	-	-	-
Interest payments on noncapital debt	-	-	-
Dividend from CVMIC	-	-	-
Transfers	(13,380)	(676,089)	(2,500)
Advances to (from) other funds	-	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Act.	<u>(13,380)</u>	<u>(676,089)</u>	<u>(2,500)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(237,382)	(1,511,259)	-
Advance from other funds	-	-	-
Principal payments on capital debt	(436,565)	(232,179)	-
Interest payments on capital debt	(147,784)	(286,620)	-
Special assessment collections	540	6,653	-
Net Cash Used by Capital and Related Financing Activities	<u>(821,191)</u>	<u>(2,023,405)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Interest received	216,609	262,778	33,468
<b>Change in Cash and Cash Equivalents</b>	1,099,640	(635,916)	367,771
<b>Cash and Cash Equivalents - January 1</b>	3,226,657	5,557,697	227,841
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 4,326,297</u>	<u>\$ 4,921,781</u>	<u>\$ 595,612</u>
<b>Reconciliation to Statement of Net Assets</b>			
Unrestricted cash and investments	\$ 4,326,297	\$ 1,839,397	\$ 595,612
Restricted cash and investments	-	3,492,384	-
Less: Noncash equivalents	-	(410,000)	-
	<u>\$ 4,326,297</u>	<u>\$ 4,921,781</u>	<u>\$ 595,612</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (89,714)	\$ 933,672	\$ (788)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,919,805	687,894	384,318
Depreciation charged to clearing and other funds	-	112,435	-
Miscellaneous revenues (expenses)	-	1,600	-
Changes in assets and liabilities			
Receivables	(10,557)	(37,069)	(54,955)
Inventories and prepaid items	(88)	(11,448)	-
Accounts payable	(134,371)	54,640	7,265
Accrued and other liabilities	25,251	59,076	963
Due to other governments	-	-	-
Deferred revenue	7,276	-	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,717,602</u>	<u>\$ 1,800,800</u>	<u>\$ 336,803</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
Capital contributions	\$ -	\$ 273,553	\$ 680,403
Forgiveness of advance to City of Sheboygan	-	22,847	-

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

Total Nonmajor Enterprise Funds		Totals	Governmental Activities - Internal Service Funds
\$ 902,006	\$ 14,022,456	\$ 9,850,226	
(1,277,311)	(6,916,253)	(9,077,136)	
(2,627,552)	(6,253,855)	(645,299)	
<u>(3,002,857)</u>	<u>852,348</u>	<u>127,791</u>	
658,345	658,345	-	
3,917,846	3,917,846	-	
-	-	(218,295)	
-	-	(30,229)	
-	-	248,783	
12,674	(679,295)	5,880	
(3,396)	(3,396)	194,275	
<u>4,585,469</u>	<u>3,893,500</u>	<u>200,414</u>	
(1,570,704)	(3,319,345)	(2,086,789)	
(281,000)	(281,000)	-	
-	(668,744)	-	
-	(434,404)	-	
281,000	288,193	-	
<u>(1,570,704)</u>	<u>(4,415,300)</u>	<u>(2,086,789)</u>	
74,285	587,140	576,385	
86,193	917,688	(1,182,199)	
1,639,150	10,651,345	13,801,532	
<u>\$ 1,725,343</u>	<u>\$ 11,569,033</u>	<u>\$ 12,619,333</u>	
\$ 1,725,343	\$ 8,486,649	\$ 12,619,333	
-	3,492,384	-	
-	(410,000)	-	
<u>\$ 1,725,343</u>	<u>\$ 11,569,033</u>	<u>\$ 12,619,333</u>	
\$ (3,316,472)	\$ (2,473,302)	\$ (833,846)	
653,547	3,645,564	594,047	
-	112,435	-	
-	1,600	-	
(323,797)	(426,378)	(192,767)	
(24)	(11,560)	29,594	
14,085	(58,381)	81,362	
(29,415)	55,875	449,401	
(933)	(933)	-	
152	7,428	-	
<u>\$ (3,002,857)</u>	<u>\$ 852,348</u>	<u>\$ 127,791</u>	
\$ -	\$ 953,956	\$ -	
-	22,847	-	

**CITY OF SHEBOYGAN, WISCONSIN**

Statement of Fiduciary Net Assets

Agency Funds

December 31, 2006

	Property Tax Collection	Business Improvement District	Totals
<b>ASSETS</b>			
Cash and investments	\$ 6,495,999	\$ 5,108	\$ 6,501,107
Receivables			
Taxes	35,925,847	120,653	36,046,500
Special assessments	-	8,698	8,698
<b>TOTAL ASSETS</b>	<u>\$ 42,421,846</u>	<u>\$ 134,459</u>	<u>\$ 42,556,305</u>
<b>LIABILITIES</b>			
Liabilities			
Due to other governments	<u>\$ 42,421,846</u>	<u>\$ 134,459</u>	<u>\$ 42,556,305</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, 2006

**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, 2006 for the Housing Authority and December 31, 2006 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, 2006

**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, 2006

**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, 2006

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

4. Measurement Focus and Basis of Accounting

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

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

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

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, 2006

**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, 2006

**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:

	Governmental Activities	Business-Type Activities
	Years	
<u>Assets</u>		
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, 2006

**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 AND PROPRIETARY FUND STATEMENTS

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

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

6. Use of Estimates

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

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

**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, 2006.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2006:

Funds	Deficit Fund Equity
Harbor Center Marina	\$1,418,019
Municipal Court	11,528
Debt Service TIF Districts	1,029,219

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, 2006

**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 \$62,618,708 on December 31, 2006 as summarized below:

Petty cash funds	\$ 6,211
Deposits with financial institutions	913,896
Investments	
Repurchase agreements	879,858
U.S. Treasury notes	2,404,840
Federal agency securities	16,680,720
Wisconsin local government investment pool	41,733,183
	\$ 62,618,708

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 52,625,217
Restricted cash and investments	3,492,384
Fiduciary funds	
Agency funds	6,501,107
	\$ 62,618,708

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, 2006

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

As of December 31, 2006, \$1,880,372 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, 2006, the City held repurchase agreement investments of \$879,858 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	\$ 2,404,840	\$ 2,404,840	\$ -	\$ -	\$ -
Federal agency securities	16,680,720	-	16,680,720	-	-
Wisconsin local government investment pool	41,733,183	-	-	-	41,733,183
<b>Totals</b>	<b>\$ 60,818,743</b>	<b>\$ 2,404,840</b>	<b>\$ 16,680,720</b>	<b>\$ -</b>	<b>\$ 41,733,183</b>

Concentration of Credit Risk

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

Instruments	Maximum % of Portfolio
U.S. Treasury Obligations (bills, notes and bonds)	100%
U.S. Government Agency Securities and Instruments of Government Sponsored Operations	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	\$7,805,070
Federal Home Loan Bank	Federal Agency Securities	8,875,650

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

**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	\$ 879,858	\$ 879,858	\$ -	\$ -	\$ -
U.S. Treasury notes	2,404,840	1,994,840	410,000	-	-
Federal agency securities	16,680,720	-	-	16,680,720	-
Wisconsin local government investment pool	41,733,183	41,733,183	-	-	-
<b>Totals</b>	<b>\$ 61,698,601</b>	<b>\$ 44,607,881</b>	<b>\$ 410,000</b>	<b>\$ 16,680,720</b>	<b>\$ -</b>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

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

Highly Sensitive Investments	Fair Value at Year End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	<u>\$16,680,720</u>

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$41,733,183 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, 2006, 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, 2006

**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	\$ 368,177
Reserve account	348,883
Construction Fund	2,775,324
Total Restricted Assets	<u>\$ 3,492,384</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

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

4. Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Government activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,344,316	\$ -	\$ 21,005	\$ 13,323,311
Capital assets, being depreciated:				
Buildings and improvements	23,908,387	1,834,074	1,535,565	24,206,896
Improvements other than buildings	12,108,475	1,611,211	625,760	13,093,926
Machinery and equipment	19,549,027	2,410,755	1,310,675	20,649,107
Infrastructure	82,090,611	4,402,587	-	86,493,198
Subtotals	137,656,500	10,258,627	3,472,000	144,443,127
Less accumulated depreciation for:				
Buildings and improvements	10,933,097	553,210	1,464,291	10,022,016
Improvements other than buildings	7,026,051	492,354	625,760	6,892,645
Machinery and equipment	14,718,694	1,225,312	1,310,362	14,633,644
Infrastructure	30,692,225	1,641,811	-	32,334,036
Subtotals	63,370,067	3,912,687	3,400,413	63,882,341
Total capital assets, being depreciated, net	74,286,433	6,345,940	71,587	80,560,786
Governmental activities capital assets, net	<u>\$ 87,630,749</u>	<u>\$ 6,345,940</u>	<u>\$ 92,592</u>	93,884,097
Less: General obligation debt outstanding, net of \$238,315 of noncapital debt				58,111,241
Less: Mortgage notes				225,000
Plus: Unspent capital related debt proceeds				<u>(3,971,789)</u>
Investment in capital assets, net of related debt				<u>\$ 39,519,645</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,364,883	\$ -	\$ -	\$ 2,364,883
Construction in progress	4,801,578	1,251,122	4,545,448	1,507,252
Total capital assets, not being depreciated	<u>7,166,461</u>	<u>1,251,122</u>	<u>4,545,448</u>	<u>3,872,135</u>
Capital assets, being depreciated:				
Buildings and improvements	16,456,234	-	12,850	16,443,384
Improvements other than buildings	18,158,801	-	-	18,158,801
Machinery and equipment	34,004,776	278,062	384,712	33,898,126
Infrastructure	67,429,171	1,434,375	103,078	68,760,468
Subtotals	<u>136,048,982</u>	<u>1,712,437</u>	<u>500,640</u>	<u>137,260,779</u>
Less accumulated depreciation for:				
Buildings and improvements	9,633,793	388,347	12,850	10,009,290
Improvements other than buildings	14,831,360	1,230,530	-	16,061,890
Machinery and equipment	23,588,571	933,840	373,969	24,148,442
Infrastructure	22,995,815	1,194,536	103,078	24,087,273
Subtotals	<u>71,049,539</u>	<u>3,747,253</u>	<u>489,897</u>	<u>74,306,895</u>
Total capital assets, being depreciated, net	<u>64,999,443</u>	<u>(2,034,816)</u>	<u>10,743</u>	<u>62,953,884</u>
Business-type activities capital assets net	<u>\$ 72,165,904</u>	<u>\$ (783,694)</u>	<u>\$ 4,556,191</u>	66,826,019
Less: Related long-term debt outstanding				12,054,623
Less: Bond premium				1,822
Plus: Unspent capital related debt proceeds				<u>(2,775,324)</u>
Investment in capital assets, net of related debt				<u>\$ 57,544,898</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

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

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

Governmental activities			
General government		\$	68,814
Public safety			560,815
Public works			1,675,998
Health and human services			3,920
Culture, education and recreation			562,646
Conservation and development			446,447
Internal service funds allocated to other activities			594,047
Total depreciation expense - governmental activities		<u>\$</u>	<u>3,912,687</u>
Business-type activities			
Sewerage system		\$	1,919,805
Water utility			789,583
Storm water utility			384,318
Transit commission			596,809
Parking facility			56,738
Total depreciation expense - business-type activities		<u>\$</u>	<u>3,747,253</u>

5. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2006 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 373,664	\$ -
	Special revenue fund - Lead based abatement program	137,135	-
	Special revenue fund - Tourism Promotion	94,609	-
	Capital projects fund - TIF districts	785,187	-
	Permanent fund - Cemetery PC	20,519	-
	Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	1,364,945
		<u>2,776,059</u>	<u>1,364,945</u>
Internal service fund - Motor vehicle	Capital projects fund - Bonded	86,725	-
Subtotal - Fund Financial Statements		2,862,784	1,364,945
Less: Fund eliminations		<u>(2,862,784)</u>	<u>(1,364,945)</u>
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ -</u>	<u>\$ -</u>

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

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

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

**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	Debt service fund - TIF districts	\$ 527,824	\$ 527,824
	Capital projects fund - TIF districts	764,014	764,014
Debt service fund - GO debt	Debt service fund - TIF districts	1,686,251	1,686,251
Capital projects fund - Tax levy	Debt service fund - TIF districts	1,134,104	1,134,104
	Capital projects fund - TIF districts	53,074	53,074
		<u>4,165,267</u>	<u>4,165,267</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	72,835	72,835
Subtotal - Fund Financial Statements		4,238,102	4,238,102
Less: Fund eliminations		(4,165,267)	(4,165,267)
Less: Enterprise portion of advance		(145,670)	(145,670)
Internal service fund allocation to business-type activities		67,250	67,250
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ (5,585)</u>	<u>\$ (5,585)</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, 2006

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

Interfund transfers for the year ended December 31, 2006 were as follows:

Fund Transferred To	Fund Transferred From	Amount
General fund	Enterprise fund - Water utility	\$ 685,146
	Permanent fund - Cemetery perpetual care	36,660
	Special revenue fund - Cable TV	300,000
	Special revenue fund - Tourism promotion	42,014
Special revenue fund - Police Meg Unit	General fund	28,462
Debt service fund - GO debt	Special revenue fund - Special assessment	200,000
	Special revenue fund - Tourism promotion	719,923
	Special revenue fund - Harbor Center marina	315,180
	Special revenue fund - Cable TV	50,000
	Capital projects fund - Bonds	243,013
Debt service fund - TIF districts	General fund	56,346
	Special revenue fund - Harbor Center marina	29,688
Capital projects fund - TIF districts	Special revenue fund - Cable TV	210,000
	Debt service fund - TIF districts	2,384,743
	Capital projects fund - Bonds	856,504
Capital projects fund - Tax levy	General fund	1,000
	Special revenue fund - E.H. May environmental park	500
	Debt service fund - TIF districts	691,116
	Enterprise fund - Sewerage system	7,500
	Enterprise fund - Stormwater utility	2,500
		<u>6,860,295</u>
Enterprise fund - Parking facility	General fund	3,695
	Capital projects fund - Tax levy	8,979
		<u>12,674</u>
Internal service fund - Data processing	Enterprise fund - Sewerage system	5,880
		<u>5,880</u>
Subtotal - Fund Financial Statements		<u>\$ 6,878,849</u>
Government fund transfers in		\$ 6,866,175
Less: Fund eliminations		(6,177,823)
Total Transfers - Government-wide Statement of Activities		<u>\$ 688,352</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, 2006

**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
<b>Governmental Funds</b>		
Subsequent year tax levy receivable		
Major governmental funds		
General fund	\$ -	\$ 13,878,229
Debt service general obligation debt	-	3,495,772
Debt service tax increment financing districts	-	5,210,434
Nonmajor governmental funds		
Mead library	-	2,608,335
Special assessments		
Major governmental funds		
General fund	82,846	-
Debt service tax increment financing districts	3,895	-
Nonmajor governmental funds		
Special assessments	637,926	-
Redevelopment authority	18,789	-
Loans receivable		
Major governmental fund		
Capital projects tax increment financing districts	4,000,000	-
Nonmajor governmental funds		
Community development block grant	3,489,115	-
Revolving loan funds	3,455,742	-
Redevelopment authority	1,340,004	-
Revenue received prior to meeting all eligibility requirements		
Major governmental funds		
General fund	-	5,617
Debt service tax increment financing districts	-	3,217
Nonmajor governmental funds		
Redevelopment authority	-	5,751
Capital projects tax levy	-	500
<b>Total Governmental Funds</b>	<b>13,028,317</b>	<b>25,207,855</b>
<b>Proprietary Funds</b>		
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	-	17,479
Nonmajor proprietary funds		
Transit commission	-	10,994
Parking facility	-	120
<b>Total Proprietary Funds</b>	<b>-</b>	<b>686,938</b>
<b>Totals</b>	<b>\$ 13,028,317</b>	<b>\$ 25,894,793</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

**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, 2006:

	Outstanding 1/1/06	Issued	Retired	Outstanding 12/31/06	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 16,931,610	\$ 20,880,000	\$ 6,023,295	\$ 31,788,315	\$ 3,258,315
Notes	24,510,808	4,620,000	2,569,566	26,561,242	3,481,778
Total General Obligation Debt	41,442,418	25,500,000	8,592,861	58,349,557	6,740,093
Bond premium	23,782	-	5,584	18,198	-
Bond anticipation notes	19,310,000	-	19,310,000	-	-
Mortgage notes	225,000	-	-	225,000	-
Section 108 loan	170,000	-	170,000	-	-
Wisconsin Power and Light	22,730	-	12,254	10,476	10,476
Sheboygan County	1,000,000	-	-	1,000,000	-
Unfunded pension liability	11,806,186	889,397	403,651	12,291,932	-
Governmental activities Long-term obligations	<u>\$ 74,000,116</u>	<u>\$ 26,389,397</u>	<u>\$ 28,494,350</u>	<u>\$ 71,895,163</u>	<u>\$ 6,750,569</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 12,678,959	\$ -	\$ 624,336	\$ 12,054,623	\$ 865,337
Unamortized bond premium	1,919	-	97	1,822	-
Alliant Energy note	219,036	-	44,409	174,627	45,305
Business-type activities Long-term obligations	<u>\$ 12,899,914</u>	<u>\$ -</u>	<u>\$ 668,842</u>	<u>\$ 12,231,072</u>	<u>\$ 910,642</u>

Total interest paid during the year on long-term debt totaled \$2,624,822.

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, 2006

**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, 2006 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/06
<b>General Obligation Debt</b>					
<b>General Obligation Bonds</b>					
Refunding Bonds	11/01/87	8.70%	04/01/07	\$ 2,205,665	\$ 238,315
Taxable Bonds	03/15/92	8.40-8.75%	03/15/12	840,000	415,000
Refunding Bonds	03/01/95	5.75-5.80%	09/01/14	3,580,000	2,300,000
Taxable Marina Refunding Bonds	08/15/97	6.8-6.875%	09/01/12	2,210,000	1,485,000
Development Bonds	03/15/01	4.40-5.00%	10/01/19	1,900,000	1,500,000
Refunding Bonds	09/01/05	3.25-3.50%	10/01/10	3,595,000	2,990,000
Refunding Bonds	09/01/05	3.25-3.50%	10/01/09	3,140,000	1,980,000
Refunding Bonds	07/01/06	4.00-4.25%	10/01/22	5,155,000	5,155,000
Refunding Bonds	07/01/06	5.30-6.00%	10/01/22	8,575,000	8,575,000
Refunding Bonds	07/01/06	5.50-5.80%	11/01/18	7,150,000	7,150,000
Total General Obligation Bonds					<u>31,788,315</u>
<b>General Obligation Notes</b>					
State Trust Fund Notes	07/23/97	5.75%	03/15/07	132,000	16,437
Promissory Notes	02/15/99	3.75%	10/01/08	3,000,000	1,400,000
Promissory Notes	03/15/00	4.90-5.00%	10/01/09	4,200,000	2,680,000
State Trust Fund Notes	04/17/00	6.00%	03/15/17	350,000	279,883
State Trust Fund Notes	05/17/00	6.00%	03/15/17	254,000	203,118
Promissory Notes	03/15/01	4.25-4.375%	10/01/10	2,915,000	2,140,000
State Trust Fund Notes	10/17/01	5.75%	10/17/01	430,000	363,404
State Trust Fund Notes	06/19/02	4.50%	06/19/02	300,000	193,388
State Trust Fund Notes	07/03/02	4.50%	03/15/12	2,700,000	193,130
Promissory Notes	10/15/02	2.45-3.35%	10/01/12	1,685,000	1,175,000
Promissory Notes	10/15/02	3.50-4.50%	10/01/12	3,940,000	2,995,000
State Trust Fund Notes	11/20/02	5.00%	03/15/18	1,088,480	1,027,011
Land Recycling Loan	12/23/02	0%	05/01/22	2,700,000	1,282,068
Promissory Notes	07/01/03	2.35-2.80%	12/01/12	7,010,000	4,080,000
State Trust Fund Notes	07/30/03	5.00%	03/15/18	163,584	154,345
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	1,290,000
Promissory Notes	03/15/04	1.75-3.25%	12/01/13	1,065,000	965,000
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	676,981
State Trust Fund Notes	09/29/04	5.00%	03/15/20	25,000	24,360
State Trust Fund Notes	11/21/05	4.00%	03/15/15	500,000	500,000
Promissory Notes	04/15/06	3.75-4.00%	10/01/15	3,000,000	3,000,000
Promissory Notes	04/15/06	3.75-4.00%	10/01/15	1,400,000	1,400,000
State Trust Fund Notes	07/05/06	4.00%	03/15/06	220,000	220,000
Total General Obligation Notes					<u>26,561,242</u>
Total					<u>\$ 58,349,557</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
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**NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the outstanding general obligation debt of \$58,349,557 on December 31, 2006 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2007	\$ 6,740,093	\$ 2,869,997	\$ 9,610,090
2008	6,795,600	2,296,282	9,091,882
2009	6,647,679	2,018,840	8,666,519
2010	5,549,970	1,740,390	7,290,360
2011	5,234,845	1,511,388	6,746,233
2012-2016	17,615,856	4,526,445	22,142,301
2017-2021	8,505,739	1,360,679	9,866,418
2022-2023	1,259,775	58,400	1,318,175
	<u>\$ 58,349,557</u>	<u>\$ 16,382,421</u>	<u>\$ 74,731,978</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2006 was \$75,615,591 as follows:

Equalized valuation of the City	\$ 2,655,060,100
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>132,753,005</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 58,349,557
Less: Amounts available for financing general obligation debt	
Debt service funds	<u>1,212,143</u>
Net outstanding general obligation debt applicable to debt limitation	<u>57,137,414</u>
Legal Margin for New Debt	<u>\$ 75,615,591</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, 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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

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

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, 2006 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/06
<b>Sewerage System</b>					
Clean Water Fund Loan	11/30/95	3.124%	05/01/15	\$ 4,375,561	\$ 2,396,931
Clean Water Fund Loan	11/26/96	3.195%	05/01/16	3,250,000	1,963,834
Total Sewerage System					<u>4,360,765</u>
<b>Water Utility</b>					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	2,893,858
Refunding Revenue Bonds	09/01/95	3.75 -4.25%	06/01/25	4,900,000	4,800,000
Total Water Utility					<u>7,693,858</u>
Total Revenue Bonds					<u>\$ 12,054,623</u>

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$12,054,623 on December 31, 2006 are shown below:

Year Ended December 31	Business-Type Activities		
	Principal	Interest	Total
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	809,401	272,525	1,081,926
2012-2016	4,118,172	949,114	5,067,286
2017-2021	2,076,059	443,060	2,519,119
2022-2023	1,413,649	93,765	1,507,414
	<u>\$ 12,054,623</u>	<u>\$ 3,147,576</u>	<u>\$ 15,202,199</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 \$174,627 on December 31, 2006 are shown below:

Year Ended December 31	Business-Type Activities		
	Principal	Interest	Total
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>\$ 174,627</u>	<u>\$ 6,813</u>	<u>\$ 181,440</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

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

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.

Unfunded Pension Liability

The City's unfunded pension liability of \$12,291,932 on December 31, 2006 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.

**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 5.9% of their salary (2.9% for Executives and Elected Officials, 5.0% 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, 2006 was \$25,366,713; the employer's total payroll was \$26,909,600. The total required contribution for the year ended December 31, 2006 was \$3,326,794, which consisted of \$1,991,569, or 7.9% of covered payroll from the employer and \$1,335,225, or 5.3% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2006 was financed by the City. Total contributions for the years ending December 31, 2005 and 2004 were \$3,182,952 and \$3,126,999 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.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

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

2. Other Post-employment 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 2006, these costs totaled approximately \$114,760 for 17 retired employees.

3. Risk Management

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

a. Self Insurance

For health insurance claims, the uninsured risk of loss is \$125,000 per person and a minimum annual aggregate deductible of \$8,729,988 for the 2006 policy year. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have exceeded the commercial coverage for the individual stop-loss, but not the aggregate deductible during any of the past three years.

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

All funds of the City participate in the risk management program. Amounts payable to the internal service funds are based on actuarial estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. \$2,072,463 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				
2006	\$1,050,000	\$8,234,034	\$7,984,034	\$1,300,000
2005	980,000	6,701,782	6,631,782	1,050,000
Workers Compensation				
2006	50,000	162,856	162,856	50,000
2005	100,000	283,562	333,562	50,000

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

**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 \$238,315. The initial investment in WMIC is refundable upon withdrawal from the commission and has been reported at the original amount of \$2,205,665 in the general liability self insurance internal service fund.

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

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

**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
2006	\$185,703	\$49,694	\$49,694	\$185,703
2005	143,641	70,881	28,819	185,703

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 - PRIOR PERIOD ADJUSTMENTS**

The City has recorded the following prior period adjustments for the Sewerage System Fund and the Governmental Activities in the Government Wide Statement of Activities. The effect of these adjustments is as follows:

	Governmental Activities	Sewerage System Enterprise Fund
Duplicate assets recorded as infrastructure in the governmental activities statement of net assets	\$ (6,691,313)	\$ -
Construction work in progress balance that was capitalized in 2004 but not removed from the construction work in progress account	-	(4,545,448)
	\$ (6,691,313)	\$ (4,545,448)

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

**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	\$ 304,000	\$ -	\$ -	\$ 304,000	\$ 300,000
Securities	3,848,165	-	-	3,848,165	3,801,230
<b>Total</b>	<b>\$ 4,152,165</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,152,165</b>	<b>\$ 4,101,230</b>

Per statement of net assets

Unrestricted	\$ 4,029,318
Restricted	71,912
<b>Total</b>	<b>\$ 4,101,230</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2006

**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	285,439	28,368	16,730	297,077
Total Capital Assets Being Depreciated	6,356,897	28,368	16,730	6,368,535
Less: Accumulated Depreciation	4,988,001	185,871	15,742	5,158,130
Net Capital Assets being Depreciated	1,368,896	(157,503)	988	1,210,405
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,635,406</u>	<u>\$ (157,503)</u>	<u>\$ 988</u>	<u>\$ 1,476,915</u>

Accumulated depreciation is not available by class or function.

Information related to the Business Improvement District is as follows:

- a) Significant Accounting Policies
  - 1) The Business Improvement District follows the modified accrual basis of accounting.
  - 2) Temporary cash investments are stated at cost which approximates fair value.
- b) Deposits and Investments  
Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to the statutory amount for demand deposits and time deposits. At year end, the carrying amount of the District's deposits was \$58,393, and the bank balance was \$61,762. The entire bank balance was covered by Federal depository insurance.

## **SUPPLEMENTAL INFORMATION**

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2006

	Special Revenue Funds				
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV
<b>ASSETS</b>					
Cash and investments	\$ 1,367,516	\$ 531,156	\$ -	\$ 1,205,681	\$ 152,283
Receivables					
Taxes	-	-	-	2,608,335	-
Accounts	-	3,088	-	12,965	116,073
Special assessments	-	-	-	-	-
Loans	3,489,115	3,455,742	1,913,094	-	-
Advance to other funds	-	-	-	-	-
Due from other governments	548,429	-	203,015	-	-
Inventories and prepaid items	2,900	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,407,960</b>	<b>\$ 3,989,986</b>	<b>\$ 2,116,109</b>	<b>\$ 3,826,981</b>	<b>\$ 268,356</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 387,303	\$ -	\$ 17,180	\$ 15,517	\$ 2,554
Accrued and other current liabilities	-	-	-	462,319	12,779
Due to other funds	373,664	-	137,135	-	-
Due to other governments	-	-	1,913,094	-	-
Deferred revenues	3,489,115	3,455,742	-	2,608,335	-
Advance from other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>4,250,082</b>	<b>3,455,742</b>	<b>2,067,409</b>	<b>3,086,171</b>	<b>15,333</b>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Inventories and prepaid items	2,900	-	-	-	-
Long-term interfund receivables	-	-	-	-	-
Encumbrances	164,692	-	-	10,605	10,455
Cemetery perpetual care	-	-	-	-	-
Trust activities	-	-	-	-	-
<b>Unreserved</b>					
Designated for					
Subsequent year's expenditures	-	-	-	65,978	242,568
Undesignated, reported in					
Special revenue funds	990,286	534,244	48,700	664,227	-
Capital projects funds	-	-	-	-	-
<b>Total Fund Balances</b>	<b>1,157,878</b>	<b>534,244</b>	<b>48,700</b>	<b>740,810</b>	<b>253,023</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,407,960</b>	<b>\$ 3,989,986</b>	<b>\$ 2,116,109</b>	<b>\$ 3,826,981</b>	<b>\$ 268,356</b>

(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
\$ 111	\$ 52,891	\$ 42,701	\$ 1,020,666	\$ 123,933	\$ 49,414	\$ 10,631	\$ 4,556,983
-	-	-	106,803	-	-	-	2,715,138
158,364	28,804	282	5,742	5,826	298	1,675	333,117
-	-	-	538,098	18,789	-	-	556,887
-	-	-	-	1,340,004	-	-	10,197,955
-	-	-	-	-	-	-	-
-	-	3,351	-	-	-	-	754,795
-	55,284	-	-	-	-	-	58,184
<hr/>							
\$ 158,475	\$ 136,979	\$ 46,334	\$ 1,671,309	\$ 1,488,552	\$ 49,712	\$ 12,306	\$ 19,173,059
<hr/>							
\$ 8,906	\$ 49,933	\$ 11,843	\$ 1,321	\$ 1,666	\$ 551	\$ 21,954	\$ 518,728
4,411	63,578	262	-	-	-	1,880	545,229
94,609	1,364,945	-	-	-	-	-	1,970,353
-	3,707	-	-	-	-	-	1,916,801
-	-	-	637,926	1,364,544	-	-	11,555,662
-	72,835	-	-	-	-	-	72,835
107,926	1,554,998	12,105	639,247	1,366,210	551	23,834	16,579,608
<hr/>							
-	55,284	-	-	-	-	-	58,184
-	-	-	-	-	-	-	-
-	-	645	-	-	-	-	186,397
-	-	-	-	-	-	-	-
-	-	-	-	-	49,161	-	49,161
<hr/>							
-	-	-	-	8,600	-	-	317,146
50,549	(1,473,303)	33,584	1,032,062	113,742	-	(11,528)	1,982,563
-	-	-	-	-	-	-	-
50,549	(1,418,019)	34,229	1,032,062	122,342	49,161	(11,528)	2,593,451
<hr/>							
\$ 158,475	\$ 136,979	\$ 46,334	\$ 1,671,309	\$ 1,488,552	\$ 49,712	\$ 12,306	\$ 19,173,059
<hr/>							

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Balance Sheet (Continued)  
Nonmajor Governmental Funds  
December 31, 2006

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
<b>ASSETS</b>					
Cash and investments	\$ 2,466,324	\$ 757,699	\$ 910,121	\$ 1,667,820	\$ 8,691,127
Receivables					
Taxes	-	-	-	-	2,715,138
Accounts	14,605	4,298	204	4,502	352,224
Special assessments	-	-	-	-	556,887
Loans	-	-	-	-	10,197,955
Advance to other funds	1,187,178	-	-	-	1,187,178
Due from other governments	-	-	-	-	754,795
Inventories and prepaid items	-	-	-	-	58,184
<b>TOTAL ASSETS</b>	<b>\$ 3,668,107</b>	<b>\$ 761,997</b>	<b>\$ 910,325</b>	<b>\$ 1,672,322</b>	<b>\$ 24,513,488</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 155,285	\$ -	\$ -	\$ -	\$ 674,013
Accrued and other current liabilities	-	-	-	-	545,229
Due to other funds	-	20,519	-	20,519	1,990,872
Due to other governments	-	-	-	-	1,916,801
Deferred revenues	500	-	-	-	11,556,162
Advance from other funds	-	-	-	-	72,835
<b>Total Liabilities</b>	<b>155,785</b>	<b>20,519</b>	<b>-</b>	<b>20,519</b>	<b>16,755,912</b>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Inventories and prepaid items	-	-	-	-	58,184
Noncurrent assets	1,187,178	-	-	-	1,187,178
Encumbrances	654,279	-	-	-	840,676
Cemetery perpetual care	-	741,478	-	741,478	741,478
Trust activities	-	-	910,325	910,325	959,486
<b>Unreserved</b>					
<b>Designated for</b>					
Subsequent year's expenditures	748,333	-	-	-	1,065,479
<b>Undesignated, reported in</b>					
Special revenue funds	-	-	-	-	1,982,563
Capital projects funds	922,532	-	-	-	922,532
<b>Total Fund Balances</b>	<b>3,512,322</b>	<b>741,478</b>	<b>910,325</b>	<b>1,651,803</b>	<b>7,757,576</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,668,107</b>	<b>\$ 761,997</b>	<b>\$ 910,325</b>	<b>\$ 1,672,322</b>	<b>\$ 24,513,488</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2006

	Special Revenue Funds				
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ 2,608,335	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	1,481,426	-	810,594	601,504	-
Licenses and permits	-	-	-	-	443,615
Public charges for services	-	-	-	88,248	6,669
Miscellaneous	389,450	366,998	1,638	104,104	24,874
<b>Total Revenues</b>	<b>1,870,876</b>	<b>366,998</b>	<b>812,232</b>	<b>3,402,191</b>	<b>475,158</b>
<b>Expenditures</b>					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	5,343	-	-	3,403,506	124,555
Conservation and development	1,637,196	360,000	810,594	-	-
Debt service					
Principal	170,000	-	-	-	-
Interest and fiscal charges	12,121	-	-	-	-
Capital outlay	50,000	-	-	-	-
<b>Total Expenditures</b>	<b>1,874,660</b>	<b>360,000</b>	<b>810,594</b>	<b>3,403,506</b>	<b>124,555</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	(3,784)	6,998	1,638	(1,315)	350,603
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(560,000)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(560,000)</b>
<b>Net Change in Fund Balances</b>	<b>(3,784)</b>	<b>6,998</b>	<b>1,638</b>	<b>(1,315)</b>	<b>(209,397)</b>
<b>Fund Balances (Deficits) - January 1</b>	<b>1,161,662</b>	<b>527,246</b>	<b>47,062</b>	<b>742,125</b>	<b>462,420</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ 1,157,878</b>	<b>\$ 534,244</b>	<b>\$ 48,700</b>	<b>\$ 740,810</b>	<b>\$ 253,023</b>

(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
\$ 1,140,061	\$ 184	\$ -	\$ -	\$ 14,322	\$ -	\$ -	\$ 3,762,902
-	-	-	441,494	-	-	-	441,494
-	-	38,438	-	-	-	-	2,931,962
-	-	-	-	-	-	-	443,615
1,981	915,074	-	-	13,263	22,957	303,973	1,352,165
2,167	9,756	2,070	127,311	10,157	6,957	3,888	1,049,370
<u>1,144,209</u>	<u>925,014</u>	<u>40,508</u>	<u>568,805</u>	<u>37,742</u>	<u>29,914</u>	<u>307,861</u>	<u>9,981,508</u>
313,643	-	-	-	-	-	303,409	617,052
20,042	-	59,603	-	-	-	-	79,645
-	729,924	-	7,125	-	-	-	737,049
53,845	-	-	-	-	31,362	-	3,618,611
-	-	-	-	14,085	-	-	2,821,875
-	-	-	-	-	-	-	170,000
-	3,396	-	-	-	-	2,520	18,037
-	-	-	-	-	-	-	50,000
<u>387,530</u>	<u>733,320</u>	<u>59,603</u>	<u>7,125</u>	<u>14,085</u>	<u>31,362</u>	<u>305,929</u>	<u>8,112,269</u>
756,679	191,694	(19,095)	561,680	23,657	(1,448)	1,932	1,869,239
-	-	28,462	-	-	-	-	28,462
(761,937)	(344,868)	-	(200,000)	-	(500)	-	(1,867,305)
<u>(761,937)</u>	<u>(344,868)</u>	<u>28,462</u>	<u>(200,000)</u>	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>(1,838,843)</u>
(5,258)	(153,174)	9,367	361,680	23,657	(1,948)	1,932	30,396
55,807	(1,264,845)	24,862	670,382	98,685	51,109	(13,460)	2,563,055
<u>\$ 50,549</u>	<u>\$ (1,418,019)</u>	<u>\$ 34,229</u>	<u>\$ 1,032,062</u>	<u>\$ 122,342</u>	<u>\$ 49,161</u>	<u>\$ (11,528)</u>	<u>\$ 2,593,451</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
For the Year Ended December 31, 2006

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,762,902
Special assessments	-	-	-	-	441,494
Intergovernmental	460,114	-	-	-	3,392,076
Licenses and permits	-	-	-	-	443,615
Public charges for services	-	11,575	-	11,575	1,363,740
Miscellaneous	173,783	36,582	141,164	177,746	1,400,899
<b>Total Revenues</b>	<b>633,897</b>	<b>48,157</b>	<b>141,164</b>	<b>189,321</b>	<b>10,804,726</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	-	-	-	-	617,052
Public safety	-	-	-	-	79,645
Public works	-	-	-	-	737,049
Culture and recreation	-	-	11,704	11,704	3,630,315
Conservation and development	-	-	-	-	2,821,875
<b>Debt service</b>					
Principal	-	-	-	-	170,000
Interest and fiscal charges	-	-	-	-	18,037
Capital outlay	1,084,232	-	-	-	1,134,232
<b>Total Expenditures</b>	<b>1,084,232</b>	<b>-</b>	<b>11,704</b>	<b>11,704</b>	<b>9,208,205</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	(450,335)	48,157	129,460	177,617	1,596,521
<b>Other Financing Sources (Uses)</b>					
Transfers in	702,616	-	-	-	731,078
Transfers out	(8,979)	(36,660)	-	(36,660)	(1,912,944)
<b>Total Other Financing Sources (Uses)</b>	<b>693,637</b>	<b>(36,660)</b>	<b>-</b>	<b>(36,660)</b>	<b>(1,181,866)</b>
<b>Net Change in Fund Balances</b>	<b>243,302</b>	<b>11,497</b>	<b>129,460</b>	<b>140,957</b>	<b>414,655</b>
<b>Fund Balances (Deficits) - January 1</b>	<b>3,269,020</b>	<b>729,981</b>	<b>780,865</b>	<b>1,510,846</b>	<b>7,342,921</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ 3,512,322</b>	<b>\$ 741,478</b>	<b>\$ 910,325</b>	<b>\$ 1,651,803</b>	<b>\$ 7,757,576</b>

**CITY OF SHEBOYGAN, WISCONSIN**

Combining Statement of Net Assets

Nonmajor Enterprise Funds

December 31, 2006

	Transit Commission	Parking Facility	Boat Facility	Totals
<b>ASSETS</b>				
Cash and investments	\$ 617,962	\$ 560,589	\$ 546,792	\$ 1,725,343
Receivables				
Taxes	658,345	4,167	-	662,512
Accounts	437,135	4,844	53	442,032
Special assessments	-	64,805	-	64,805
Other	4,303	3,471	3,262	11,036
Inventories and prepaid expenses	5,105	-	-	5,105
Advance to other funds	-	-	72,835	72,835
Capital assets, nondepreciable				
Land	35,754	833,162	-	868,916
Capital assets, depreciable				
Buildings	738,173	14,241	-	752,414
Improvements other than buildings	872,007	1,321,291	225,962	2,419,260
Machinery and equipment	10,004,156	258,842	-	10,262,998
Infrastructure	-	-	-	-
Less: Accumulated depreciation	(8,240,176)	(1,420,410)	(225,962)	(9,886,548)
<b>TOTAL ASSETS</b>	<b>5,132,764</b>	<b>1,645,002</b>	<b>622,942</b>	<b>7,400,708</b>
<b>LIABILITIES</b>				
Accounts payable	139,623	19,116	5,813	164,552
Accrued and other current liabilities	86,221	28,426	66	114,713
Due to other governments	94,011	666	-	94,677
Deferred revenue	669,339	120	-	669,459
Advance from other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>989,194</b>	<b>48,328</b>	<b>5,879</b>	<b>1,043,401</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,409,914	1,007,126	-	4,417,040
Unrestricted	733,656	589,548	617,063	1,940,267
<b>TOTAL NET ASSETS</b>	<b>\$ 4,143,570</b>	<b>\$ 1,596,674</b>	<b>\$ 617,063</b>	<b>\$ 6,357,307</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Nonmajor Enterprise Funds  
Year Ended December 31, 2006

	Transit Commission	Parking Facility	Boat Facility	Totals
Operating Revenues				
Charges for services	\$ 595,851	\$ 407,585	\$ 135,318	\$ 1,138,754
Other	83,119	3,727	51	86,897
Total Operating Revenues	<u>678,970</u>	<u>411,312</u>	<u>135,369</u>	<u>1,225,651</u>
Operating Expenses				
Personal services	2,471,029	154,710	1,813	2,627,552
Contractual services	777,368	141,114	55,481	973,963
Supplies and materials	95,034	34,152	-	129,186
Insurance	114,537	(132)	-	114,405
Other	10,248	29,911	3,311	43,470
Depreciation	596,809	56,738	-	653,547
Total Operating Expenses	<u>4,065,025</u>	<u>416,493</u>	<u>60,605</u>	<u>4,542,123</u>
Operating Income (Loss)	<u>(3,386,055)</u>	<u>(5,181)</u>	<u>74,764</u>	<u>(3,316,472)</u>
Nonoperating Revenues				
Property taxes	658,345	-	-	658,345
Intergovernmental	2,447,913	-	-	2,447,913
Investment income	27,988	24,508	26,547	79,043
Total Nonoperating Revenues	<u>3,134,246</u>	<u>24,508</u>	<u>26,547</u>	<u>3,185,301</u>
Income Before Transfers	(251,809)	19,327	101,311	(131,171)
Capital contributions	281,000	-	-	281,000
Transfers in	-	12,674	-	12,674
Change in Net Assets	29,191	32,001	101,311	162,503
Net Assets - January 1	<u>4,114,379</u>	<u>1,564,673</u>	<u>515,752</u>	<u>6,194,804</u>
Net Assets - December 31	<u>\$ 4,143,570</u>	<u>\$ 1,596,674</u>	<u>\$ 617,063</u>	<u>\$ 6,357,307</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
Year Ended December 31, 2006

	Transit Commission	Parking Facility	Boat Facility	Totals
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 326,771	\$ 436,422	\$ 138,813	\$ 902,006
Payments to suppliers	(988,053)	(231,528)	(57,730)	(1,277,311)
Payments to employees	(2,471,029)	(154,710)	(1,813)	(2,627,552)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(3,132,311)</b>	<b>50,184</b>	<b>79,270</b>	<b>(3,002,857)</b>
<b>Cash Flows from Noncapital and Related Financing Activities</b>				
Property taxes	658,345	-	-	658,345
Intergovernmental grants	3,917,846	-	-	3,917,846
Transfers	-	12,674	-	12,674
Advances to (from) other funds	-	-	(3,396)	(3,396)
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<b>4,576,191</b>	<b>12,674</b>	<b>(3,396)</b>	<b>4,585,469</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of capital assets	(1,567,661)	(3,043)	-	(1,570,704)
Advance from other funds	(281,000)	-	-	(281,000)
Capital contributions from municipality	281,000	-	-	281,000
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(1,567,661)</b>	<b>(3,043)</b>	<b>-</b>	<b>(1,570,704)</b>
<b>Cash Flows from Investing Activities</b>				
Interest received	25,824	23,280	25,181	74,285
<b>Change in Cash and Cash Equivalents</b>	<b>(97,957)</b>	<b>83,095</b>	<b>101,055</b>	<b>86,193</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>715,919</b>	<b>477,494</b>	<b>445,737</b>	<b>1,639,150</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 617,962</b>	<b>\$ 560,589</b>	<b>\$ 546,792</b>	<b>\$ 1,725,343</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (3,386,055)	\$ (5,181)	\$ 74,764	\$ (3,316,472)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	596,809	56,738	-	653,547
Changes in assets and liabilities				
Receivables	(353,108)	25,867	3,444	(323,797)
Inventories and prepaid items	(38)	14	-	(24)
Accounts payable	40,091	(27,006)	1,000	14,085
Accrued and other liabilities	(30,919)	1,442	62	(29,415)
Due to other governments	-	(933)	-	(933)
Deferred revenue	909	(757)	-	152
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (3,132,311)</b>	<b>\$ 50,184</b>	<b>\$ 79,270</b>	<b>\$ (3,002,857)</b>
<b>Noncash Investing, Capital and Financing Activities</b>				
Capital asset acquisition in accounts payable at year end	\$ -	\$ -	\$ -	\$ -

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Net Assets  
Internal Service Funds  
December 31, 2006

	Motor Vehicle	Data Processing	Health Self Insurance
<b>ASSETS</b>			
Cash and investments	\$ 8,028,372	\$ 582,680	\$ 2,434,172
Receivables			
Accounts	413	1,240	202,871
Other	47,732	3,406	11,863
Due from other funds	86,725	-	-
Inventories and prepaid expenses	-	7,570	-
Deposit with CVMIC	-	-	-
Capital assets, depreciable			
Machinery and equipment	9,573,823	681,682	-
Less: Accumulated depreciation	(5,890,458)	(585,563)	-
<b>TOTAL ASSETS</b>	<u>11,846,607</u>	<u>691,015</u>	<u>2,648,906</u>
<b>LIABILITIES</b>			
Accounts payable	83,542	7,060	74,201
Accrued and other current liabilities	114,241	-	1,777,525
Accrued interest payable	-	-	-
Due to other governments	-	-	4,995
Long-term Obligations			
Due within one year	-	-	-
Due in more than one year	-	-	-
<b>TOTAL LIABILITIES</b>	<u>197,783</u>	<u>7,060</u>	<u>1,856,721</u>
<b>NET ASSETS</b>			
Invested in capital assets	3,683,365	96,119	-
Unrestricted	7,965,459	587,836	792,185
<b>TOTAL NET ASSETS</b>	<u>\$ 11,648,824</u>	<u>\$ 683,955</u>	<u>\$ 792,185</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 1,309,588	\$ 264,521	\$ 12,619,333
-	-	204,524
8,021	1,120	72,142
-	-	86,725
6,854	37,841	52,265
-	2,205,665	2,205,665
-	-	10,255,505
-	-	(6,476,021)
<u>1,324,463</u>	<u>2,509,147</u>	<u>19,020,138</u>
21,993	7,483	194,279
50,000	185,703	2,127,469
-	5,183	5,183
-	-	4,995
-	218,295	218,295
-	20,020	20,020
<u>71,993</u>	<u>436,684</u>	<u>2,570,241</u>
-	-	3,779,484
<u>1,252,470</u>	<u>2,072,463</u>	<u>12,670,413</u>
<u>\$ 1,252,470</u>	<u>\$ 2,072,463</u>	<u>\$ 16,449,897</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Internal Service Funds  
Year Ended December 31, 2006

	Motor Vehicle	Data Processing	Health Self Insurance
Operating Revenues			
Charges for services	\$ 2,293,061	\$ 171,063	\$ 7,364,776
Other	2,673	-	3,326
Total Operating Revenues	<u>2,295,734</u>	<u>171,063</u>	<u>7,368,102</u>
Operating Expenses			
Personal services	584,824	7,440	-
Contractual services	984,283	54,640	164,536
Supplies and materials	4,659	6,849	1,052
Insurance	89,844	-	7,840,329
Other	5,273	90,193	2,935
Depreciation	547,722	46,325	-
Total Operating Expenses	<u>2,216,605</u>	<u>205,447</u>	<u>8,008,852</u>
Operating Income (Loss)	<u>79,129</u>	<u>(34,384)</u>	<u>(640,750)</u>
Nonoperating Revenues (Expenses)			
Investment income	389,670	24,435	104,717
Interest expense	-	-	-
Total Nonoperating Revenues (Expenses)	<u>389,670</u>	<u>24,435</u>	<u>104,717</u>
Income (Loss) Before Transfers	468,799	(9,949)	(536,033)
Transfers in	-	5,880	-
Change in Net Assets	468,799	(4,069)	(536,033)
Net Assets - January 1 (Restated)	<u>11,180,025</u>	<u>688,024</u>	<u>1,328,218</u>
Net Assets - December 31	<u>\$ 11,648,824</u>	<u>\$ 683,955</u>	<u>\$ 792,185</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 40,847	\$ 167,247	\$ 10,036,994
-	-	5,999
<u>40,847</u>	<u>167,247</u>	<u>10,042,993</u>
58,034	-	650,298
22,186	32,617	1,258,262
9,413	-	21,973
162,856	160,829	8,253,858
-	-	98,401
-	-	594,047
<u>252,489</u>	<u>193,446</u>	<u>10,876,839</u>
<u>(211,642)</u>	<u>(26,199)</u>	<u>(833,846)</u>
60,616	259,252	838,690
-	(27,855)	(27,855)
<u>60,616</u>	<u>231,397</u>	<u>810,835</u>
(151,026)	205,198	(23,011)
-	-	5,880
<u>(151,026)</u>	<u>205,198</u>	<u>(17,131)</u>
<u>1,403,496</u>	<u>1,867,265</u>	<u>16,467,028</u>
<u>\$ 1,252,470</u>	<u>\$ 2,072,463</u>	<u>\$ 16,449,897</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended December 31, 2006

	Motor Vehicle	Data Processing	Health Self Insurance
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,295,771	\$ 173,739	\$ 7,172,622
Payments to suppliers	(1,038,166)	(150,061)	(7,526,550)
Payments to employees	(579,825)	(7,440)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>677,780</b>	<b>16,238</b>	<b>(353,928)</b>
<b>Cash Flows from Noncapital and Related Financing Activities</b>			
Principal payments on noncapital debt	-	-	-
Interest payments on noncapital debt	-	-	-
Dividend from CVMIC	-	-	-
Transfer in (out)	-	5,880	-
Advances to other funds	194,275	-	-
<b>Net Cash Provided by Noncapital and Related Financing Activities</b>	<b>194,275</b>	<b>5,880</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(2,051,100)	(35,689)	-
<b>Cash Flows from Investing Activities</b>			
Interest received	381,291	23,416	102,615
<b>Change in Cash and Cash Equivalents</b>	<b>(797,754)</b>	<b>9,845</b>	<b>(251,313)</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>8,826,126</b>	<b>572,835</b>	<b>2,685,485</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 8,028,372</b>	<b>\$ 582,680</b>	<b>\$ 2,434,172</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 79,129	\$ (34,384)	\$ (640,750)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	547,722	46,325	-
Changes in assets and liabilities:			
Receivables	37	2,676	(195,480)
Inventories and prepaid items	14	(980)	30,000
Accounts payable	45,879	2,601	7,900
Accrued and other liabilities	4,999	-	444,402
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 677,780</b>	<b>\$ 16,238</b>	<b>\$ (353,928)</b>
<b>Noncash Investing, Capital and Financing Activities</b>			
None	\$ -	\$ -	\$ -

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 40,847	\$ 167,247	\$ 9,850,226
(174,818)	(187,541)	(9,077,136)
(58,034)	-	(645,299)
(192,005)	(20,294)	127,791
-	(218,295)	(218,295)
-	(30,229)	(30,229)
-	248,783	248,783
-	-	5,880
-	-	194,275
-	259	200,414
-	-	(2,086,789)
58,781	10,282	576,385
(133,224)	(9,753)	(1,182,199)
1,442,812	274,274	13,801,532
\$ 1,309,588	\$ 264,521	\$ 12,619,333
\$ (211,642)	\$ (26,199)	\$ (833,846)
-	-	594,047
-	-	(192,767)
-	560	29,594
19,637	5,345	81,362
-	-	449,401
\$ (192,005)	\$ (20,294)	\$ 127,791
\$ -	\$ -	\$ -

**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, 2006, which collectively comprise the City of Sheboygan's basic financial statements and have issued our report thereon dated June 7, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City of Sheboygan, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Sheboygan, Wisconsin's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Sheboygan, Sheboygan, Wisconsin in a separate letter dated June 7, 2007.

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.



Certified Public Accountants  
Green Bay, Wisconsin  
June 7, 2007

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

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

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

**Compliance**

We have audited the compliance of City of Sheboygan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that are applicable to each of its major federal and state programs for the year ended December 31, 2006. City of Sheboygan's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of City of Sheboygan's management. Our responsibility is to express an opinion on City of Sheboygan's compliance based on our audit.

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

In our opinion, City of Sheboygan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2006.

**Internal Control Over Compliance**

The management of City of Sheboygan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered City of Sheboygan's internal control over compliance with the requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sheboygan's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal and state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal and state program that is more than inconsequential will not be prevented or detected by the City of Sheboygan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined above.



Certified Public Accountants  
Green Bay, Wisconsin  
June 7, 2007

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2006

Grantor Agency/Passthrough Agency/ Grant Title, Award or Project Number	Federal CFDA Number	(Accrued) Deferred Revenue 1/1/06	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/06	Total Revenues	Total Expenditures
<b>FEDERAL PROGRAMS</b>						
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>						
Direct Programs						
Community Development Block Grant						
1978	14.218	\$ -	\$ -	\$ 182,987	\$ 182,987	\$ 182,987
1999	14.218	-	129,912	2,195	132,107	132,107
2000	14.218	(9,062)	44,062	74,466	109,466	109,466
2001	14.218	(1,186)	18,602	12,804	30,220	30,220
2002	14.218	(9,900)	32,825	1,138	24,063	24,063
2003	14.218	(42,026)	46,155	29,505	33,634	33,634
2004	14.218	(378,973)	637,667	67,727	326,421	326,421
2005	14.218	(376,104)	841,026	48,830	513,752	513,752
Lead Hazard Control Grant Program	14.900	(165,770)	773,349	203,015	810,594	810,594
Total U.S. Department of Housing and Urban Development		(983,021)	2,523,598	439,680	1,980,257	1,980,257
<u>U.S. DEPARTMENT OF JUSTICE</u>						
Passed through Wisconsin Department of Administration						
Bryne Formula Grant - Task Force	16.579	(16,848)	41,458	3,351	27,961	27,961
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Direct Program						
Urban Mass Transportation Operating Assistance	20.507	(317,559)	1,559,131	-	1,241,572	1,241,572
Passed through Wisconsin Department of Transportation						
2001 Section 5309 Capital Assistance	20.500	(1,076,832)	1,264,777	-	187,945	187,945
Recreational Trails Program	20.219	(85,741)	-	85,741	-	-
Total U.S. Department of Transportation		(1,480,132)	2,823,908	85,741	1,429,517	1,429,517
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
Passed through Wisconsin Department of Administration						
Homeland Security Grant	97.004	-	129,312	-	129,312	129,312
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ (2,480,001)</b>	<b>\$ 5,518,276</b>	<b>\$ 528,772</b>	<b>\$ 3,567,047</b>	<b>\$ 3,567,047</b>

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

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of State Financial Assistance  
For the Year Ended December 31, 2006

Grantor Agency/Passthrough Agency/ Grant Title, Award or Project Number	State I.D. Number	(Accrued) Deferred Revenue 1/1/06	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/06	Total Revenues	Total Expenditures
<b>STATE PROGRAMS</b>						
<b>MAJOR STATE PROGRAM</b>						
<u>DEPARTMENT OF TRANSPORTATION</u>						
Transit Operating Aid - 2004	395.104	\$ (22,825)	\$ 4,149	\$ -	\$ (18,676)	\$ (18,676)
Transit Operating Aid - 2005	395.104	41,294	-	(81,560)	(40,266)	(40,266)
Transit Operating Aid - 2006	395.104	-	933,368	(94,011)	839,357	839,357
Total Department of Transportation		<u>18,469</u>	<u>937,517</u>	<u>(175,571)</u>	<u>780,415</u>	<u>780,415</u>
<b>NON-MAJOR STATE PROGRAMS</b>						
<u>DEPARTMENT OF ADMINISTRATION</u>						
Office of Justice Assistance						
Byrne Formula Grant - Task Force	505.646	(12,169)	12,169	-	-	-
Byrne Formula Grant - Task Force	505.646	-	10,477	-	10,477	10,477
Total Department of Administration		<u>(12,169)</u>	<u>22,646</u>	<u>-</u>	<u>10,477</u>	<u>10,477</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u>\$ 6,300</u>	<u>\$ 960,163</u>	<u>\$ (175,571)</u>	<u>\$ 790,892</u>	<u>\$ 790,892</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, 2006

**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 2006 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 2006.

**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, 2006

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

**Basic Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency 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
- Significant deficiency(ies) 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/Cluster
	Federal Transit Cluster
20.500	Federal Transit – Capital Improvement Grants
20.507	Federal Transit – Formula Grants (Urbanized Area Formula 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, 2006.

**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, 2006.

**CITY OF SHEBOYGAN, WISCONSIN**  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended December 31, 2006

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2005.

Corrective Action Plan

No corrective action plan is required.