

**CITY OF SHEBOYGAN, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2007**

**CITY OF SHEBOYGAN, WISCONSIN**  
December 31, 2007

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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, 2007, 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, 2007, 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 July 29, 2008, 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  
July 29, 2008

## **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 14.19 square miles and has a population of 50,600.

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 2007, 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 \$144 million (net assets) for the fiscal year reported, which is an increase of \$3 million from the previous year.
- Total net assets are comprised of the following:
  - (1) Invested in capital assets net of related debt of \$100 million include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. Capital assets increased \$3 million, mainly from an increase in infrastructure.
  - (2) Restricted net assets of \$10.8 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
  - (3) Unrestricted net assets of \$33.5 million represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- At the end of the 2007 fiscal year, the City's ending fund balance for the governmental funds totaled \$34 million, an increase of \$6.7 million in comparison to the previous year. The ending fund balance for the General Fund was \$16.2 million, an increase of \$1.5 million from the previous year. The unreserved fund balance in the General Fund was \$12 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 \$4.2 million. The total fund balance in the General Fund increased \$1.5 million, mainly from the prior period adjustment.
- The total General Fund revenues and expenditures showed favorable budget versus actual balances.
- In 2007, the City issued general obligation promissory notes of \$3,000,000, issued \$120,000 state trust fund notes for Tax Incremental District No. 12, issued \$8,000,000 general obligation corporate purpose bonds for the construction of the police facility, and entered into a capital lease for fire department ambulances in the amount of \$526,814. The Water Utility issued \$4,000,000 of revenue bonds.
- In 2007, the City's general obligation debt totaled \$58.3 million, which is 2.1% 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 (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 (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 (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 (pages 28 - 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 \$144.4 million. The unrestricted portion of the net assets was \$33.5 million, or 23.2 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 \$100 million or 69.3 percent. The restricted net assets reflect reserves and totaled \$10.8 million or 7.5 percent of the net assets.

The following table reflects the condensed Statement of Net Assets:

**CITY OF SHEBOYGAN  
Statement of Net Assets  
December 31, 2007 and 2006  
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 94,693	\$ 89,860	\$ 15,821	\$ 15,528	\$110,514	\$105,388
Capital assets	<u>93,127</u>	<u>93,844</u>	<u>69,805</u>	<u>66,826</u>	<u>162,932</u>	<u>160,710</u>
Total Assets	187,820	183,744	85,626	82,354	273,446	266,098
Long-term liabilities						
outstanding	75,760	71,895	15,326	12,231	91,086	84,126
Current and other liabilities	<u>34,631</u>	<u>37,358</u>	<u>3,345</u>	<u>3,168</u>	<u>37,976</u>	<u>40,526</u>
Total Liabilities	110,391	109,253	18,671	15,399	129,062	124,652
Net assets:						
Invested in capital assets, net of related debt	43,017	39,520	57,018	57,545	100,035	97,065
Restricted	10,546	9,849	255	672	10,801	10,521
Unrestricted	<u>23,866</u>	<u>25,122</u>	<u>9,682</u>	<u>8,738</u>	<u>33,548</u>	<u>33,860</u>
Total Net Assets	<u>\$ 77,429</u>	<u>\$ 74,491</u>	<u>\$ 66,955</u>	<u>\$ 66,955</u>	<u>\$144,384</u>	<u>\$141,446</u>

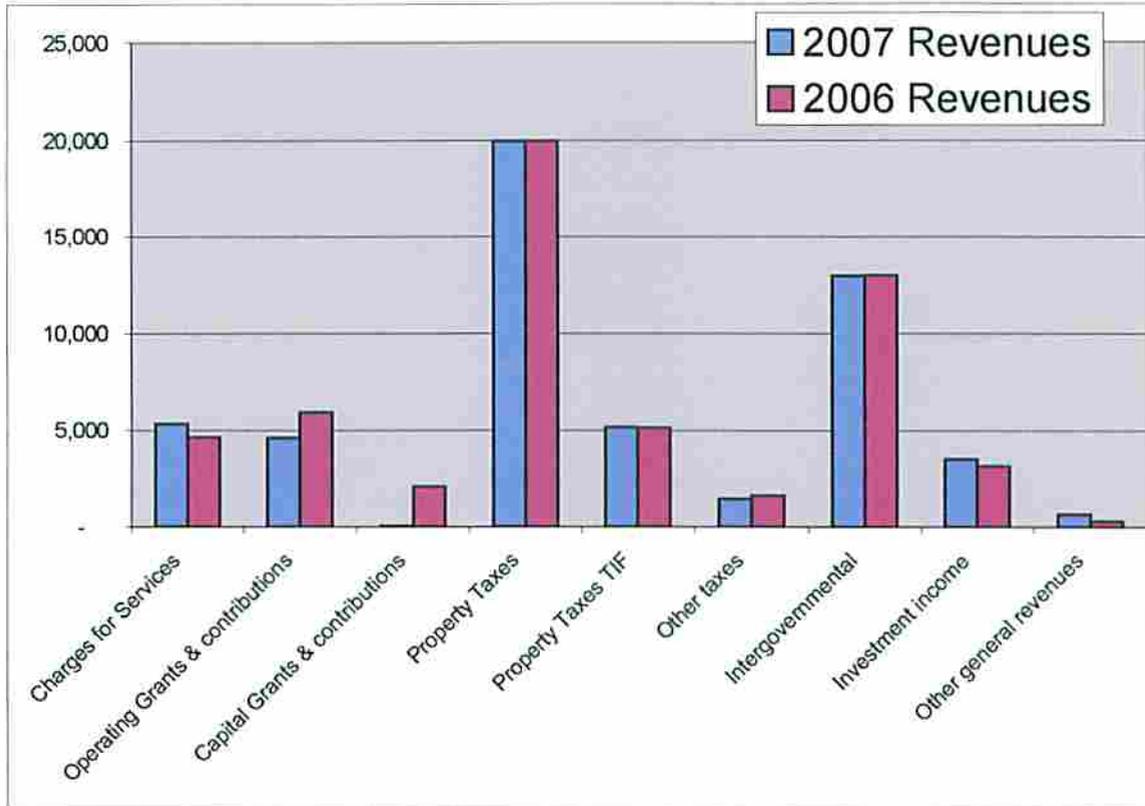
**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

<u>REVENUES</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Program Revenues:</b>						
Charges for Services	\$ 5,367	\$ 4,659	\$ 14,796	\$ 14,411	\$ 20,163	\$ 19,070
Operating Grants & contributions	4,645	5,966	2,565	2,239	7,210	8,205
Capital Grants & contributions	49	2,088	219	1,469	268	3,557
<b>General Revenues:</b>						
Property Taxes	19,981	19,981	658	658	20,639	20,639
Property Taxes TIF	5,210	5,161	-	-	5,210	5,161
Other taxes	1,474	1,637	-	-	1,474	1,637
Intergovernmental	12,967	12,982	-	-	12,967	12,982
Investment income	3,544	3,170	729	588	4,273	3,758
Miscellaneous	<u>675</u>	<u>297</u>	<u>-</u>	<u>-</u>	<u>675</u>	<u>297</u>
<b>Total Revenues</b>	<b>53,912</b>	<b>55,941</b>	<b>18,967</b>	<b>19,365</b>	<b>72,879</b>	<b>75,306</b>
 <u>EXPENSES</u>						
<b>Governmental Activities:</b>						
General Government	6,236	5,647	-	-	6,236	5,647
Public Protection/Safety	20,776	19,731	-	-	20,776	19,731
Public Works	9,088	9,010	-	-	9,088	9,010
Health/Human Services	451	420	-	-	451	420
Culture/Recreation	7,931	8,038	-	-	7,931	8,039
Conservation/Development	4,335	4,459	-	-	4,335	4,459
Debt Expense	2,834	2,870	-	-	2,834	2,870
<b>Business-type Activities:</b>						
Storm Water Fund	-	-	1,584	1,581	1,584	1,581
Wastewater System Fund	-	-	7,293	7,109	7,293	7,109
Water Utility Fund	-	-	4,367	4,068	4,367	4,068
Transit Funds	-	-	4,598	4,130	4,598	4,130
Parking Funds	-	-	393	420	393	420
Boat Facility Fund	<u>-</u>	<u>-</u>	<u>55</u>	<u>61</u>	<u>55</u>	<u>61</u>
<b>Total expenses</b>	<b><u>51,651</u></b>	<b><u>50,175</u></b>	<b><u>18,290</u></b>	<b><u>17,369</u></b>	<b><u>69,941</u></b>	<b><u>67,544</u></b>
<b>Changes in net assets before</b>						
Transfers	2,261	5,766	677	1,996	2,938	7,762
Transfers	<u>677</u>	<u>688</u>	<u>(677)</u>	<u>(688)</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	<b>2,938</b>	<b>6,454</b>	<b>-</b>	<b>1,308</b>	<b>2,938</b>	<b>7,762</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>(6,691)</b>	<b>-</b>	<b>(4,545)</b>	<b>-</b>	<b>(11,236)</b>
<b>Net Assets - January 1</b>	<b><u>74,491</u></b>	<b><u>74,728</u></b>	<b><u>66,955</u></b>	<b><u>70,192</u></b>	<b><u>141,446</u></b>	<b><u>144,920</u></b>
<b>Net Assets - December 31</b>	<b><u>\$77,429</u></b>	<b><u>\$ 74,491</u></b>	<b><u>\$ 66,955</u></b>	<b><u>\$66,955</u></b>	<b><u>\$144,384</u></b>	<b><u>\$141,446</u></b>

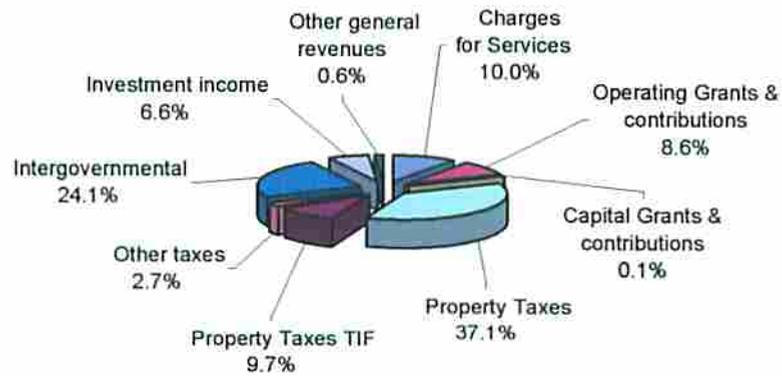
# CITY OF SHEBOYGAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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

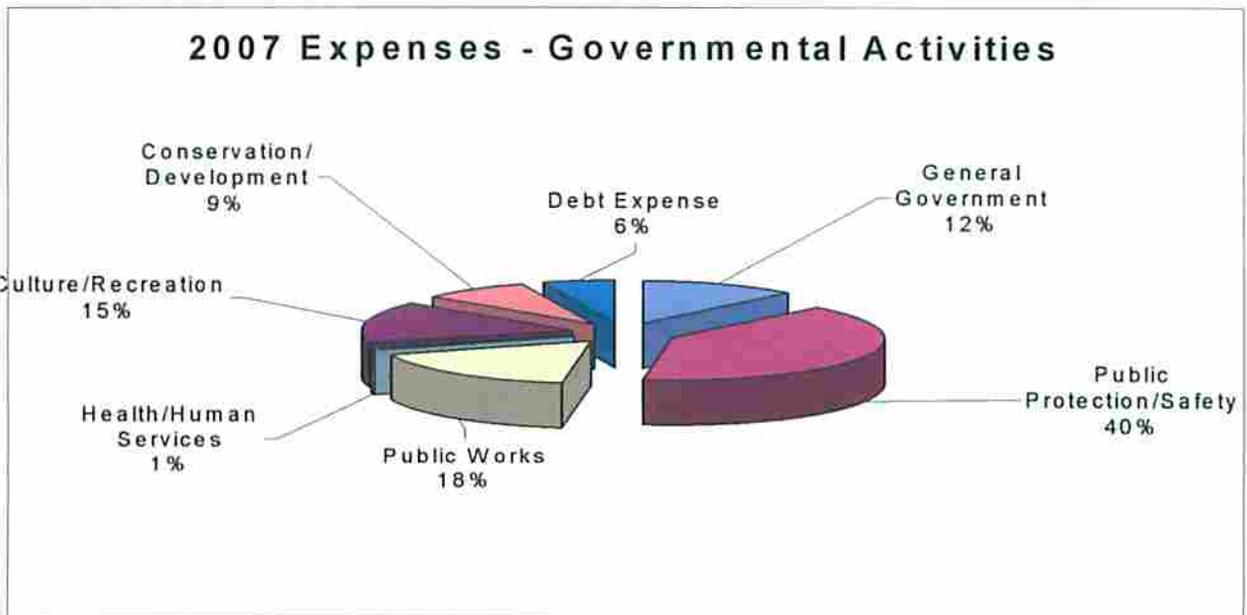
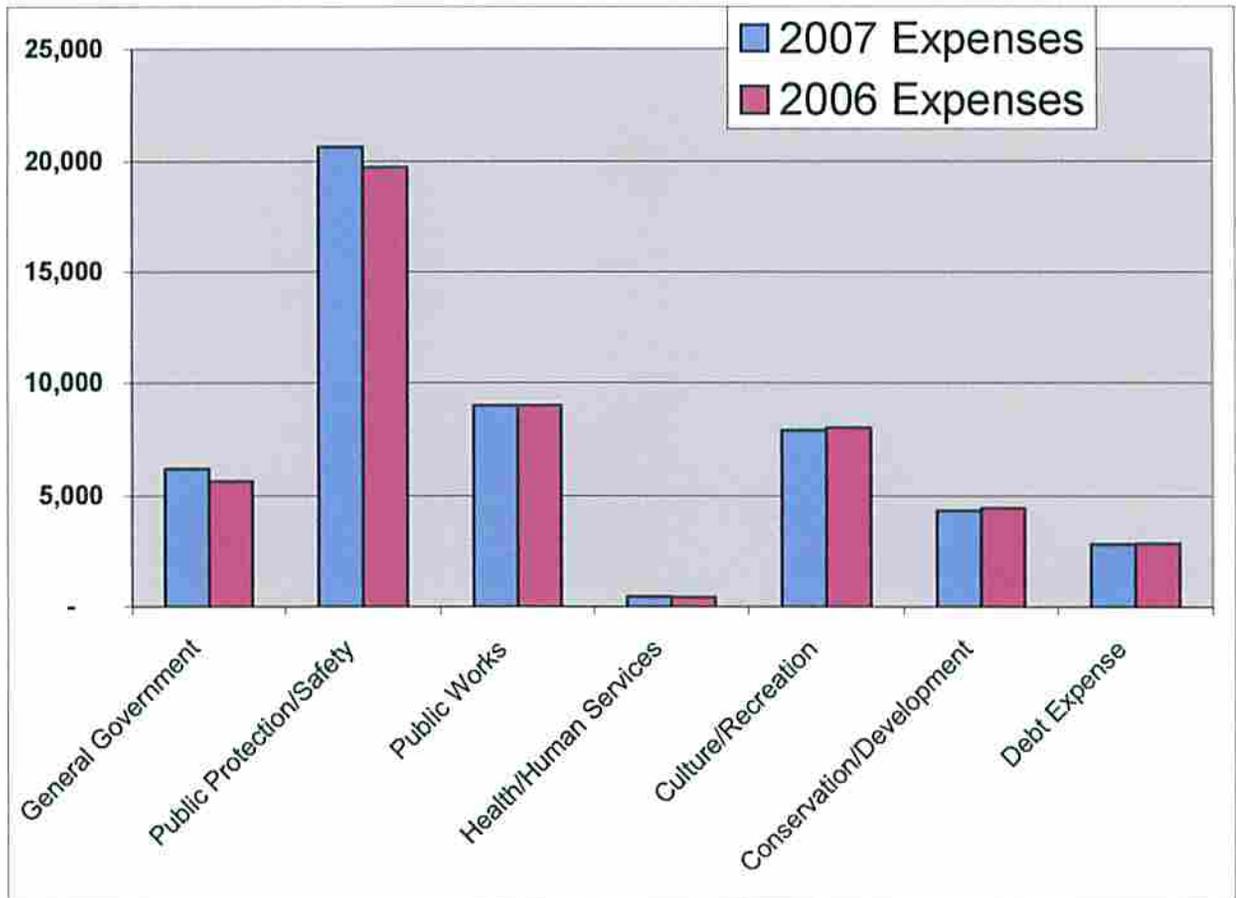


### 2007 Program and General Revenues by Source - Governmental Activities



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

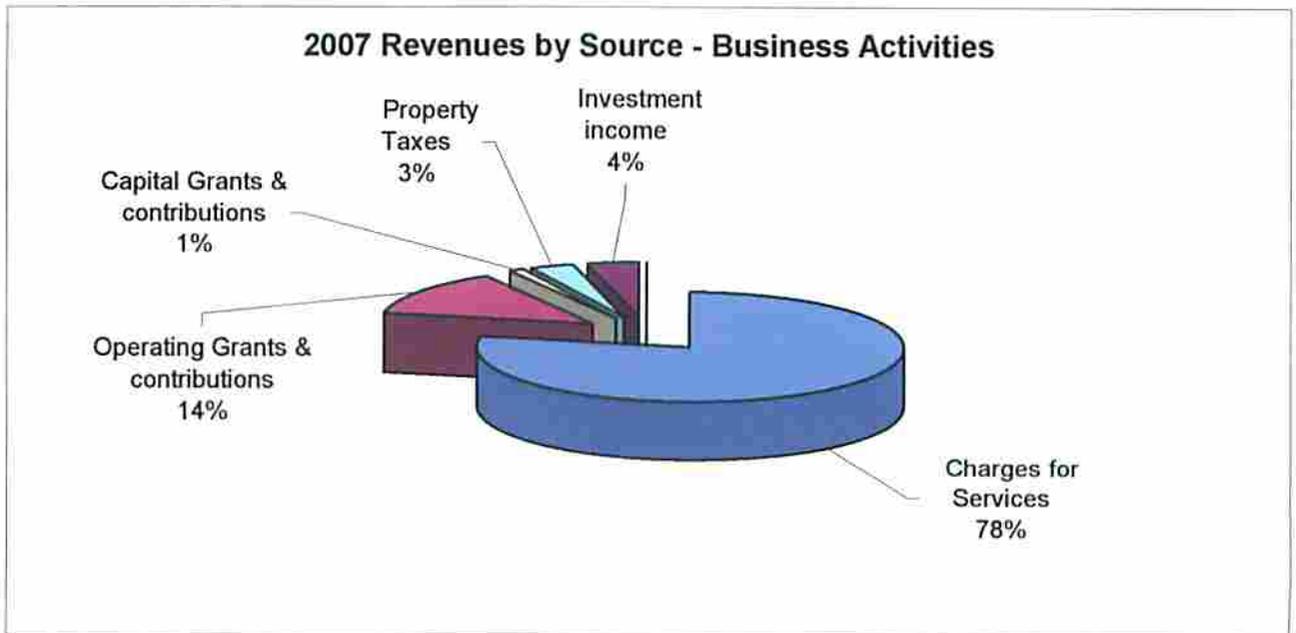
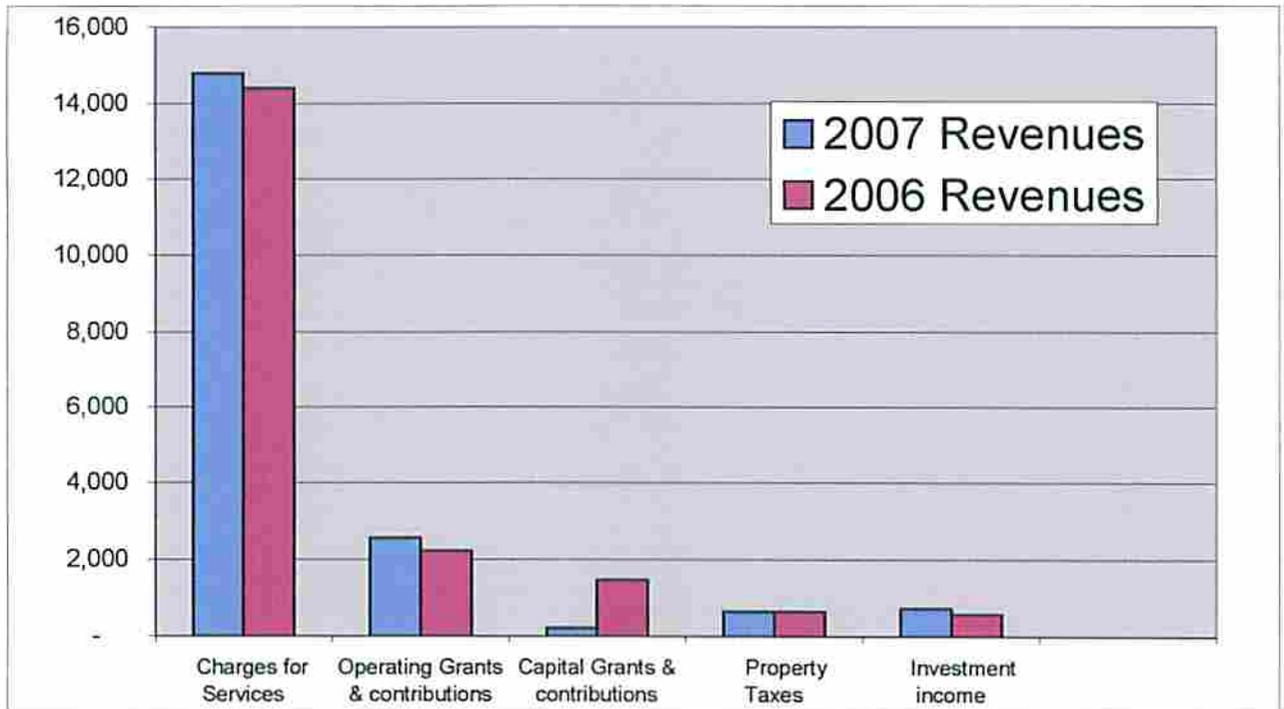
**Expenses – Governmental Activities**



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

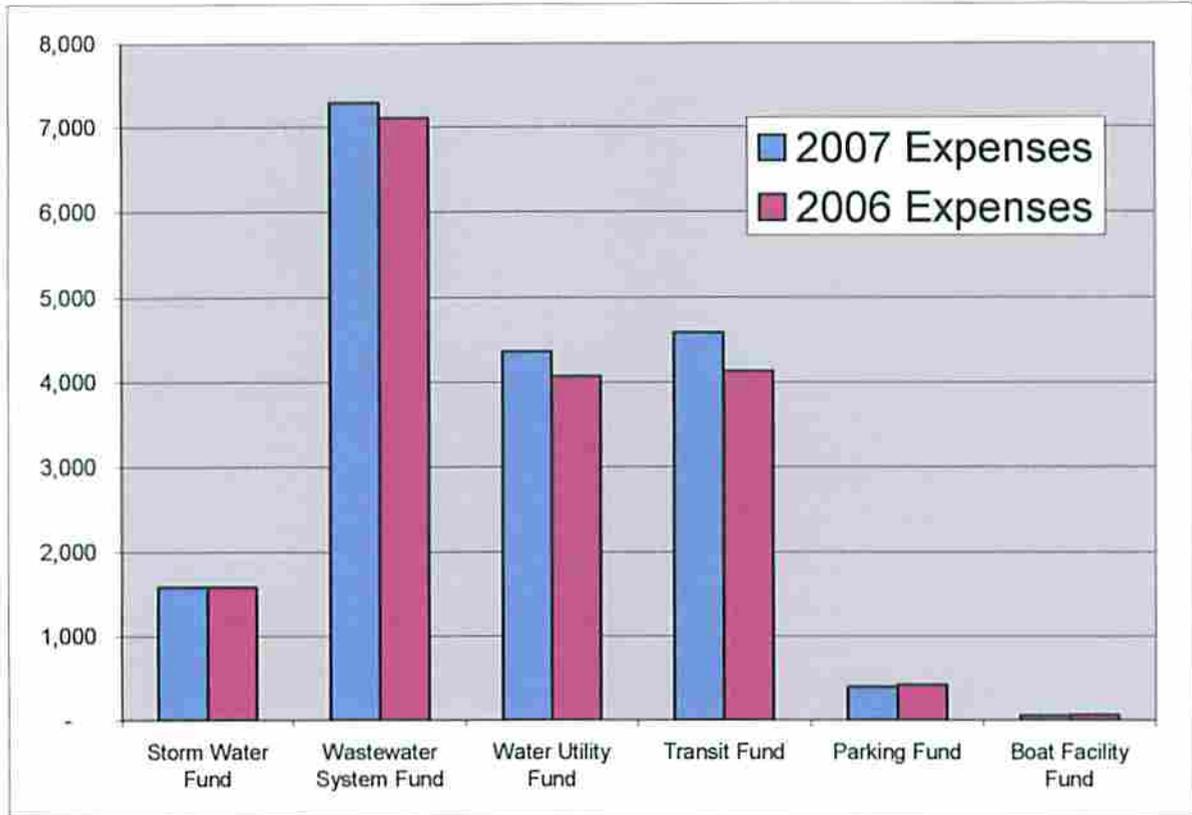
**Business-type activities.** Business-type activities accounted for 45% of the City of Sheboygan's net assets as of December 31, 2007. After transfers, the net assets for business-type activities remained stable at \$67 million.

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

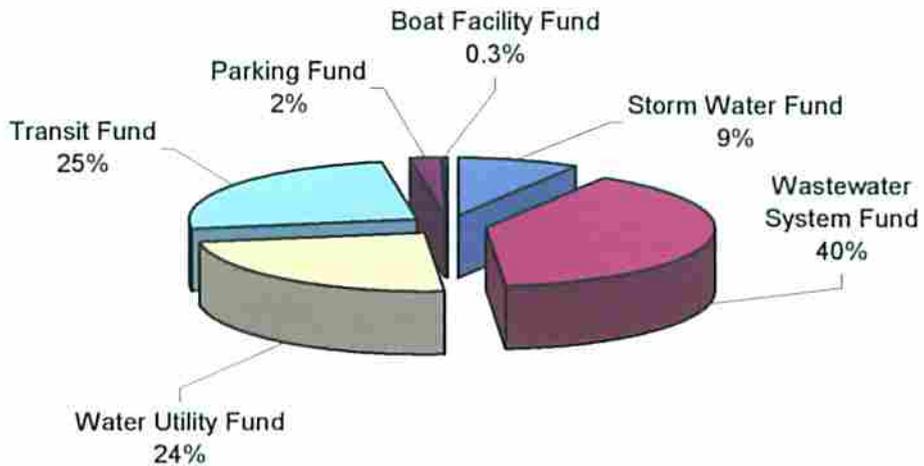


**CITY OF SHEBOYGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Expenses – Business-type Activities:**



**2007 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 \$34 million. Forty-two percent of this year-end total, or approximately \$14.4 million, is unreserved with \$4.4 million designated for the subsequent year's expenditures and budget and \$4 million designated for working capital. \$2.2 million of the unreserved and undesignated fund balance is in the Special Revenue funds and Capital Project funds. The reserved fund balances include \$5 million committed to debt service, \$6.8 million committed to encumbrances, \$5.8 million for non-current assets and \$2 million for assets in trusts. The total ending fund balance of governmental funds shows a increase of \$6.7 million over the prior year.

**Proprietary Funds:**

Unrestricted net assets at the end of 2007 were \$5.7 million for the Sewerage System, \$682,628 for the Storm Water Utility and \$910,725 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 \$2.4 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 2007. 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 \$16.2 million. The General Fund expenditures exceeded revenue by \$2.1 million. With the inclusion of operating transfers and prior period adjustments, the fund balance of the General Fund increased \$1.5 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 \$3,145,656. The actual expenditures were \$1 million under the final budget and \$2.1 over the original budget.

The total amendments included prior year appropriations for capital outlay and projects and appropriations in 2007 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 \$905,295.

**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, 2007, amounts to \$163 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>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land & improvements	\$ 11,923	\$ 13,323	\$ 2,267	\$ 2,365	\$ 14,190	\$ 15,688
Improvements other than buildings	5,742	6,202	904	2,097	6,646	8,299
Buildings	14,143	14,185	7,535	6,434	21,678	20,619
Machinery & equipment	7,007	6,015	9,225	9,750	16,232	15,765
Infrastructure	54,312	54,159	48,758	44,673	103,070	98,832
Construction in progress	-	-	1,116	1,507	1,116	1,507
Total	<u>\$ 93,127</u>	<u>\$ 93,884</u>	<u>\$ 69,805</u>	<u>\$ 66,826</u>	<u>\$162,932</u>	<u>\$160,710</u>

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

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**Long-term debt.** At the end of the 2007 fiscal year, the City of Sheboygan's total bonded debt outstanding was \$73.5 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, 2007 and 2006

(In thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds and notes	\$ 58,325	\$ 58,350	\$ -	\$ -	\$ 58,325	\$ 58,350
Revenue Bonds and						
Mortgage notes	<u>-</u>	<u>-</u>	<u>15,189</u>	<u>12,055</u>	<u>15,189</u>	<u>12,055</u>
Total	<u>\$ 58,325</u>	<u>\$ 58,350</u>	<u>\$ 15,189</u>	<u>\$ 12,055</u>	<u>\$ 73,514</u>	<u>\$ 70,405</u>

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, 2007 was \$141 million. The City Council has established a debt limit of 3 percent of equalized valuation, or \$84.8 million as of December 31, 2007.

During 2007, the City issued general obligation promissory notes of \$3,000,000, issued \$120,000 state trust fund notes for Tax Incremental District No. 12, issued \$8,000,000 general obligation corporate purpose bonds for the construction of the police facility, and entered into a capital lease for fire department ambulances in the amount of \$526,814. The Water Utility issued \$4,000,000 of revenue bonds.

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

The City's 2008 adopted budget for the General Fund increased from \$33,514,731 to \$34,550,336, an increase of 0.3%. The total adopted budget for the governmental funds decreased from \$64.8 million to \$57.3 million, a decrease of 11.6%. The Capital Projects Funds decreased \$8.6 million.

The tax levy for the 2008 Budget increased 0.3% with a tax levy of \$13,896,223 for the General Fund, \$658,345 for the Transit Fund, \$3,495,636 for the Debt Service Fund and \$2,651,435 for the Library Fund for a total tax levy of \$20,701,639.

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

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The total tax rate after the State tax credit increased from \$24.20 per thousand to \$24.54 per thousand, inclusive of the Sheboygan Area School District. The City's assessed tax rate remained stable at \$8.42 per thousand.

The applied fund balance in the General Fund budget remained the same as the previous year, \$586,787.

All seven labor contracts have been settled for contract years 2007, 2008 and 2009.

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

The South Pier District continues to grow. Two projects started in 2007 include a shanty that will be home to retail spaces on the ground floor with one residential unit on the second floor. The second will be home to four retail shops on the ground floor and four condominiums on the second floor. Construction of eighteen condominium units at the Reiss Building were completed with a planned new construction portion of the project approved.

The Marina Vista project began its first phase of a three-phase construction project during 2007. The project is a 63 unit condominium development at Pennsylvania Avenue and Broughton Drive at an estimated cost of \$18 million.

Sheboygan Senior Community's Landmark Square project has been completed in early 2008. The project consists of 73 condominium units at an estimated cost of \$12.5 million.

Grand Stay Residential Suites Hotel in downtown Sheboygan, a four story 71 unit project, anticipates opening in summer 2008.

**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, 2007**

	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	\$ 48,669,733	\$ 10,103,397	\$ 58,773,130	\$ 4,310,510	\$ 72,414
Receivables					
Taxes	25,931,614	708,408	26,640,022	-	-
Accounts	1,411,046	1,796,302	3,207,348	78	4,783
Special assessments	291,435	183,447	474,882	-	-
Loans	14,892,242	-	14,892,242	-	-
Other	169,213	26,788	196,001	5,018	-
Internal balances	(9,000)	9,000	-	-	-
Due from other governments	380,068	47,198	427,266	-	-
Inventories and prepaid items	551,331	213,670	765,001	27,742	-
Deferred charges	199,622	-	199,622	-	-
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	2,732,959	2,732,959	71,553	-
Capital assets, nondepreciable					
Land	11,922,967	2,267,757	14,190,724	266,510	-
Construction in progress	-	1,116,045	1,116,045	-	-
Capital assets, depreciable					
Buildings and improvements	24,653,445	17,947,941	42,601,386	6,071,458	-
Improvements other than buildings	13,126,811	18,191,739	31,318,550	-	-
Machinery and equipment	21,898,424	33,984,074	55,882,498	299,485	-
Infrastructure	88,375,361	74,043,860	162,419,221	-	-
Less: Accumulated depreciation	(66,849,915)	(77,746,483)	(144,596,398)	(5,324,858)	-
<b>TOTAL ASSETS</b>	<b>187,820,062</b>	<b>85,626,102</b>	<b>273,446,164</b>	<b>5,727,496</b>	<b>77,197</b>
<b>LIABILITIES</b>					
Accounts payable	1,481,623	815,943	2,297,566	135,376	808
Accrued and other current liabilities	4,556,197	1,611,513	6,167,710	28,870	-
Accrued interest payable	662,743	92,653	755,396	-	-
Due to other governments	2,170,466	95,605	2,266,071	-	-
Unearned revenues	25,760,323	728,948	26,489,271	63	-
Long-term Obligations					
Due within one year	17,948,534	941,860	18,890,394	-	-
Due in more than one year	57,811,514	14,384,200	72,195,714	-	-
<b>TOTAL LIABILITIES</b>	<b>110,391,400</b>	<b>18,670,722</b>	<b>129,062,122</b>	<b>164,309</b>	<b>808</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	43,016,811	57,018,265	100,035,076	1,312,595	-
Restricted for					
Debt service	1,603,449	254,857	1,858,306	-	-
Community development loans	8,942,545	-	8,942,545	-	-
Unrestricted	23,865,857	9,682,258	33,548,115	4,250,592	76,389
<b>TOTAL NET ASSETS</b>	<b>\$ 77,428,662</b>	<b>\$ 66,955,380</b>	<b>\$144,384,042</b>	<b>\$ 5,563,187</b>	<b>\$ 76,389</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, 2007**

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	\$ 6,235,751	\$ 1,273,100	\$ 75,661	\$ -
Public safety	20,775,843	1,911,190	328,617	-
Public works	9,088,605	1,162,971	2,075,400	49,129
Health and human services	450,749	114,497	-	-
Culture and recreation	7,930,749	878,694	985,537	-
Conservation and development	4,334,987	26,240	1,179,884	-
Interest on debt	2,834,421	-	-	-
<b>Total Governmental Activities</b>	<b>51,651,105</b>	<b>5,366,692</b>	<b>4,645,099</b>	<b>49,129</b>
<b>Business-type Activities</b>				
Sewerage system	7,292,744	6,864,741	-	27,052
Water utility	4,367,070	5,223,104	-	14,251
Storm water utility	1,584,217	1,060,184	-	177,994
Transit commission	4,597,851	1,079,611	2,564,425	-
Parking facility	393,050	434,063	-	-
Boat facility	54,765	134,616	-	-
<b>Total Business-type Activities</b>	<b>18,289,697</b>	<b>14,796,319</b>	<b>2,564,425</b>	<b>219,297</b>
<b>Total Primary Government</b>	<b>\$ 69,940,802</b>	<b>\$ 20,163,011</b>	<b>\$ 7,209,524</b>	<b>\$ 268,426</b>
<b>Component Units</b>				
Housing Authority of the City of Sheboygan	\$ 1,587,197	\$ 865,504	\$ 578,003	\$ 67,351
Harbor Centre Business Improvement District	148,107	146,901	17,000	-
	<b>\$ 1,735,304</b>	<b>\$ 1,012,405</b>	<b>\$ 595,003</b>	<b>\$ 67,351</b>

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

Change in net assets

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

\$ (4,886,990)	\$ -	\$ (4,886,990)	\$ -	\$ -
(18,536,036)	-	(18,536,036)	-	-
(5,801,105)	-	(5,801,105)	-	-
(336,252)	-	(336,252)	-	-
(6,066,518)	-	(6,066,518)	-	-
(3,128,863)	-	(3,128,863)	-	-
(2,834,421)	-	(2,834,421)	-	-
<u>(41,590,185)</u>	<u>-</u>	<u>(41,590,185)</u>	<u>-</u>	<u>-</u>

-	(400,951)	(400,951)	-	-
-	870,285	870,285	-	-
-	(346,039)	(346,039)	-	-
-	(953,815)	(953,815)	-	-
-	41,013	41,013	-	-
-	79,851	79,851	-	-
-	<u>(709,656)</u>	<u>(709,656)</u>	<u>-</u>	<u>-</u>
<u>(41,590,185)</u>	<u>(709,656)</u>	<u>(42,299,841)</u>	<u>-</u>	<u>-</u>

-	-	-	(76,339)	-
-	-	-	-	15,794
-	-	-	<u>(76,339)</u>	<u>15,794</u>

19,980,813	658,345	20,639,158	-	-
5,210,434	-	5,210,434	-	-
1,474,292	-	1,474,292	-	-
12,966,618	-	12,966,618	-	-
3,544,025	728,818	4,272,843	211,291	4,628
674,501	-	674,501	27,854	-
676,862	(676,862)	-	-	-
<u>44,527,545</u>	<u>710,301</u>	<u>45,237,846</u>	<u>239,145</u>	<u>4,628</u>
2,937,360	645	2,938,005	162,806	20,422
<u>74,491,302</u>	<u>66,954,735</u>	<u>141,446,037</u>	<u>5,400,381</u>	<u>55,967</u>
<u>\$ 77,428,662</u>	<u>\$ 66,955,380</u>	<u>\$ 144,384,042</u>	<u>\$ 5,563,187</u>	<u>\$ 76,389</u>

**CITY OF SHEBOYGAN, WISCONSIN**

Balance Sheet  
Governmental Funds  
December 31, 2007

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
<b>ASSETS</b>				
Cash and investments	\$ 14,334,835	\$ 1,524,539	\$ 1,564,824	\$ 1,170,864
Receivables				
Taxes	13,976,726	3,495,636	5,713,628	-
Accounts	1,103,277	78,910	14,761	2,968
Special assessments	16,669	-	1,145	-
Loans	10,000	-	4,120,000	-
Due from other funds	730,015	1,613,053	-	-
Advance to other funds	2,407,514	1,770,901	-	-
Due from other governments	-	-	-	-
Inventories and prepaid items	419,181	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 32,998,217</b>	<b>\$ 8,483,039</b>	<b>\$ 11,414,358</b>	<b>\$ 1,173,832</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 392,445	\$ -	\$ -	\$ 67,770
Accrued and other current liabilities	1,883,733	-	-	-
Due to other funds	-	-	379,725	29,685
Due to other governments	15,024	-	-	-
Deferred revenues	13,962,706	3,495,636	9,834,773	-
Advance from other funds	577,092	-	4,859,215	881,736
<b>Total Liabilities</b>	<b>16,831,000</b>	<b>3,495,636</b>	<b>15,073,713</b>	<b>979,191</b>
<b>Fund Balances</b>				
<b>Reserved for</b>				
Inventories and prepaid items	419,181	-	-	-
Long-term accounts and interfund receivables	3,436,817	3,383,954	-	-
Encumbrances	306,568	-	-	194,641
Retirement of long-term debt	-	1,603,449	-	-
Cemetery perpetual care	-	-	-	-
Trust activities	-	-	-	-
<b>Unreserved</b>				
<b>Designated for</b>				
Subsequent year's expenditures	19,094	-	-	-
Subsequent year's budget	586,787	-	-	-
Subsequent year's working capital	4,000,000	-	-	-
<b>Undesignated, reported in</b>				
General fund	7,398,770	-	-	-
Special revenue funds	-	-	-	-
Debt service fund	-	-	(3,659,355)	-
Capital projects funds	-	-	-	-
<b>Total Fund Balances</b>	<b>16,167,217</b>	<b>4,987,403</b>	<b>(3,659,355)</b>	<b>194,641</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 32,998,217</b>	<b>\$ 8,483,039</b>	<b>\$ 11,414,358</b>	<b>\$ 1,173,832</b>

(Continued)

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

\$ 8,807,745    \$ 7,898,862    \$ 35,301,669

-            2,745,624    25,931,614  
1,737        320,472      1,522,125  
-            273,621      291,435  
-            10,762,242    14,892,242  
-            -            2,343,068  
-            2,439,628    6,618,043  
-            380,068      380,068  
-            58,821       478,002

\$ 8,809,482    \$ 24,879,338    \$ 87,758,266

\$ 353,868    \$ 407,399    \$ 1,221,482  
-            562,372      2,446,105  
-            1,933,658    2,343,068  
-            2,150,447    2,165,471  
-            11,631,237   38,924,352  
-            376,491      6,694,534  
353,868      17,061,604    53,795,012

-            58,821       478,002  
-            1,862,536    8,683,307  
5,703,809    620,724      6,825,742  
-            -            1,603,449  
-            756,477      756,477  
-            1,207,114    1,207,114

2,751,805    1,081,805    3,852,704  
-            -            586,787  
-            -            4,000,000  
-            -            7,398,770  
-            1,730,509    1,730,509  
-            -            (3,659,355)  
-            499,748      499,748  
8,455,614    7,817,734    33,963,254

\$ 8,809,482    \$ 24,879,338    \$ 87,758,266

**CITY OF SHEBOYGAN, WISCONSIN**  
**Balance Sheet (Continued)**  
**Governmental Funds**  
**December 31, 2007**

**Reconciliation to the Statement of Net Assets**

Total Fund Balances as shown on previous page		\$ 33,963,254
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.		89,266,282
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		428,295
Loans receivable		12,735,734
Internal service funds reported in the statement of net assets as governmental activities (see page 29)		17,258,266
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	\$(59,562,077)	
Capital leases payable	(526,814)	
Unfunded pension liability	(11,881,375)	
Compensated absences	(3,789,782)	
Deferred charges - bond issues	199,622	
Accrued interest on long-term obligations	(662,743)	(76,223,169)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 17)		<u>\$ 77,428,662</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, 2007**

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
<b>Revenues</b>				
Taxes	\$ 14,074,798	\$ 3,495,772	\$ 5,253,175	\$ -
Special assessments	-	-	-	-
Intergovernmental	15,402,626	-	92,764	-
Licenses and permits	716,014	-	-	-
Fines and forfeits	898,614	-	-	-
Public charges for services	505,795	-	(8,371)	-
Intergovernmental charges for services	227,151	-	-	-
Miscellaneous	1,697,856	865,004	208,121	88,047
<b>Total Revenues</b>	<b>33,522,854</b>	<b>4,360,776</b>	<b>5,545,689</b>	<b>88,047</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	4,704,086	-	-	-
Public safety	19,946,187	-	-	-
Public works	6,667,429	-	-	-
Health and human services	447,057	-	-	-
Culture and recreation	3,530,236	-	-	-
Conservation and development	319,196	-	-	-
Other	26,303	-	-	-
<b>Debt service</b>				
Principal	-	5,097,997	5,819,252	-
Interest and fiscal charges	-	1,261,278	1,836,773	41,541
Capital outlay	-	-	-	1,092,732
<b>Total Expenditures</b>	<b>35,640,494</b>	<b>6,359,275</b>	<b>7,656,025</b>	<b>1,134,273</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>(2,117,640)</b>	<b>(1,998,499)</b>	<b>(2,110,336)</b>	<b>(1,046,226)</b>
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	-	-	120,000
Capital leases	-	-	-	-
Sale of capital assets	-	-	-	114,535
Transfers in	1,263,620	2,739,520	116,000	577,000
Transfers out	(1,154,574)	(16,957)	(635,800)	(62,250)
<b>Total Other Financing Sources (Uses)</b>	<b>109,046</b>	<b>2,722,563</b>	<b>(519,800)</b>	<b>749,285</b>
<b>Net Change in Fund Balances</b>	<b>(2,008,594)</b>	<b>724,064</b>	<b>(2,630,136)</b>	<b>(296,941)</b>
<b>Prior Period Adjustment</b>	<b>3,524,739</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - January 1</b>	<b>14,651,072</b>	<b>4,263,339</b>	<b>(1,029,219)</b>	<b>491,582</b>
<b>Fund Balances (Deficit) - December 31</b>	<b>\$ 16,167,217</b>	<b>\$ 4,987,403</b>	<b>\$ (3,659,355)</b>	<b>\$ 194,641</b>

(Continued)

Capital Projects Bonded	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,841,794	\$ 26,665,539
-	364,290	364,290
-	1,886,394	17,381,784
-	570,738	1,286,752
-	907,781	1,806,395
-	1,193,036	1,690,460
-	-	227,151
<b>281,851</b>	<b>1,851,096</b>	<b>4,991,975</b>
<b>281,851</b>	<b>10,615,129</b>	<b>54,414,346</b>

-	1,386,687	6,090,773
-	632,763	20,578,950
-	817,655	7,485,084
-	-	447,057
-	3,750,599	7,280,835
-	2,031,801	2,350,997
-	-	26,303
-	-	10,917,249
-	4,931	3,144,523
<b>3,792,657</b>	<b>723,922</b>	<b>5,609,311</b>
<b>3,792,657</b>	<b>9,348,358</b>	<b>63,931,082</b>

<b>(3,510,806)</b>	<b>1,266,771</b>	<b>(9,516,736)</b>
--------------------	------------------	--------------------

11,000,000	-	11,120,000
-	526,814	526,814
-	-	114,535
-	236,077	4,932,217
<b>(226,270)</b>	<b>(1,969,504)</b>	<b>(4,065,355)</b>
<b>10,773,730</b>	<b>(1,206,613)</b>	<b>12,628,211</b>

7,262,924	60,158	3,111,475
-	-	3,524,739
<b>1,192,690</b>	<b>7,757,576</b>	<b>27,327,040</b>

<b>\$ 8,455,614</b>	<b>\$ 7,817,734</b>	<b>\$ 33,963,254</b>
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**CITY OF SHEBOYGAN, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds (Continued)**  
**Year Ended December 31, 2007**

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ 3,111,475

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	\$ 4,526,511	
Depreciation expense reported in the statement of activities	<u>3,489,610</u>	
Amount by which capital outlays are greater than depreciation in current period		1,036,901

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

Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$ 590,285	
Gain on disposition reported on the statement of activities	<u>(1,284,947)</u>	
Cost of assets disposed of		(1,875,232)

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:

410,557

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:

(265,043)

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	\$ 49,128	
Special assessment collections	<u>(364,289)</u>	(315,161)

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	\$ 1,070,438	
Loan repayments received	<u>(619,565)</u>	450,873

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:

(11,646,814)

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:

10,917,255

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.

348,183

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 2007, bond issuance costs exceeded amortization by:

23,247

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	\$ 740,878	
Portion allocated to business-type activities	<u>241</u>	
		<u>741,119</u>

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

\$ 2,937,360

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 14,115,606	\$ 14,115,606	\$ 14,074,798	\$ (40,808)
Intergovernmental	15,169,168	15,420,337	15,402,626	(17,711)
Licenses and permits	612,847	579,185	716,014	136,829
Fines and forfeits	761,680	761,680	898,614	136,934
Public charges for services	342,870	348,353	505,795	157,442
Intergovernmental charges for services	187,664	168,594	227,151	58,557
Miscellaneous	705,831	1,223,804	1,697,856	474,052
<b>Total Revenues</b>	<b>31,895,666</b>	<b>32,617,559</b>	<b>33,522,854</b>	<b>905,295</b>
<b>Expenditures</b>				
<b>General Government</b>				
Council	121,368	149,634	132,474	17,160
Mayor	247,458	249,767	257,533	(7,766)
City clerk	319,719	325,783	346,420	(20,637)
Elections	50,341	50,341	39,423	10,918
Finance	1,510,104	1,537,286	1,339,969	197,317
Assessor	485,000	514,502	452,561	61,941
Information technology	-	229,631	240,595	(10,964)
Personnel	262,387	288,789	316,368	(27,579)
City attorney	358,941	366,093	358,906	7,187
City insurance	161,664	433,397	152,649	280,748
City buildings	962,295	1,171,295	1,062,379	108,916
Board of review	1,323	1,323	386	937
Employee benefits	475,411	215,411	4,423	210,988
<b>Total General Government</b>	<b>4,956,011</b>	<b>5,533,252</b>	<b>4,704,086</b>	<b>829,166</b>
<b>Public Safety</b>				
Police	10,592,281	12,031,147	11,859,144	172,003
Fire	6,681,058	7,561,609	7,524,603	37,006
Building inspection	547,451	554,250	553,937	313
Emergency operations	1,700	1,700	1,774	(74)
Civil defense	7,888	11,648	6,729	4,919
<b>Total Public Safety</b>	<b>17,830,378</b>	<b>20,160,354</b>	<b>19,946,187</b>	<b>214,167</b>
<b>Public Works</b>				
Department of public works	215,944	215,944	234,772	(18,828)
Engineering	687,555	697,283	717,219	(19,936)
Streets department	3,599,574	3,672,438	3,652,795	19,643
Sanitation department	2,103,086	2,122,089	2,045,775	76,314
Incinerator	17,500	17,500	16,868	632
<b>Total Public Works</b>	<b>6,623,659</b>	<b>6,725,254</b>	<b>6,667,429</b>	<b>57,825</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, 2007**

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Health and Human Services				
Health	59,463	60,808	60,742	66
Cemetery	367,549	418,005	386,315	31,690
Total Health and Human Services	<u>427,012</u>	<u>478,813</u>	<u>447,057</u>	<u>31,756</u>
Culture and Recreation				
Park department	2,630,559	3,046,324	3,194,636	(148,312)
Celebrations	30,717	112,514	95,060	17,454
Senior citizen center	229,203	242,339	240,540	1,799
Total Culture and Recreation	<u>2,890,479</u>	<u>3,401,177</u>	<u>3,530,236</u>	<u>(129,059)</u>
Conservation and Development				
City development	319,876	319,876	319,196	680
Other				
Receivable adjustments	6,420	26,420	26,303	117
Contingency	453,167	7,512	-	7,512
Total Other	<u>459,587</u>	<u>33,932</u>	<u>26,303</u>	<u>7,629</u>
Total Expenditures	<u>33,507,002</u>	<u>36,652,658</u>	<u>35,640,494</u>	<u>1,012,164</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,611,336)</u>	<u>(4,035,099)</u>	<u>(2,117,640)</u>	<u>1,917,459</u>
Other Financing Sources (Uses)				
Transfers in	1,032,278	1,799,370	1,263,620	(535,750)
Transfers out	(7,729)	(2,248,304)	(1,154,574)	1,093,730
Total Other Financing Sources (Uses)	<u>1,024,549</u>	<u>(448,934)</u>	<u>109,046</u>	<u>557,980</u>
Net Change in Fund Balance	(586,787)	(4,484,033)	(2,008,594)	2,475,439
Prior Period Adjustment	-	-	3,524,739	3,524,739
Fund Balance - January 1	<u>18,175,811</u>	<u>18,175,811</u>	<u>14,651,072</u>	<u>(3,524,739)</u>
Fund Balance - December 31	<u>\$ 17,589,024</u>	<u>\$ 13,691,778</u>	<u>\$ 16,167,217</u>	<u>\$ 2,475,439</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, 2007

	Business-type Activities - Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
<b>ASSETS</b>			
Cash and investments	\$ 5,577,166	\$ 1,411,002	\$ 560,405
Receivables			
Taxes	36,751	-	5,841
Accounts	768,360	851,740	130,260
Special assessments	1,460	106,645	-
Other	9,540	3,350	2,567
Due from other governments	-	-	-
Inventories and prepaid items	-	208,436	-
Restricted assets			
Cash and investments	-	2,732,959	-
Advance to other funds	-	-	-
Deposit with CVMIC	-	-	-
Capital assets, nondepreciable			
Land	2,000	98,859	1,395,109
Construction in progress	-	1,116,045	-
Capital assets, depreciable			
Buildings and improvements	12,371,095	4,824,432	-
Improvements other than buildings	15,739,541	-	-
Machinery and equipment	14,192,322	9,494,529	-
Infrastructure	23,692,447	28,911,841	21,439,572
Less: Accumulated depreciation	(49,694,579)	(10,147,794)	(7,502,828)
<b>TOTAL ASSETS</b>	<b>22,696,103</b>	<b>39,612,044</b>	<b>16,030,926</b>
<b>LIABILITIES</b>			
Accounts payable	228,323	472,155	7,937
Accrued and other current liabilities	289,998	1,198,293	8,508
Accrued interest payable	20,811	71,842	-
Due to other governments	-	-	-
Unearned revenues	13,010	-	-
Long-term Obligations			
Due within one year	467,311	474,549	-
Due in more than one year	3,622,063	10,762,137	-
<b>TOTAL LIABILITIES</b>	<b>4,641,516</b>	<b>12,978,976</b>	<b>16,445</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,346,584	25,467,486	15,331,853
Restricted for			
Debt service	-	254,857	-
Unrestricted	5,708,003	910,725	682,628
<b>TOTAL NET ASSETS</b>	<b>\$ 18,054,587</b>	<b>\$ 26,633,068</b>	<b>\$ 16,014,481</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
\$ 2,554,824	\$ 10,103,397	\$ 13,368,064
665,816	708,408	-
45,942	1,796,302	4,949
75,342	183,447	-
11,331	26,788	53,185
47,198	47,198	-
5,234	213,670	73,329
-	2,732,959	-
76,491	76,491	-
-	-	2,205,665
771,789	2,267,757	-
-	1,116,045	-
752,414	17,947,941	-
2,452,198	18,191,739	-
10,297,223	33,984,074	10,681,771
-	74,043,860	-
(10,401,282)	(77,746,483)	(6,820,960)
<u>7,354,520</u>	<u>85,693,593</u>	<u>19,566,003</u>
107,528	815,943	260,141
114,714	1,611,513	2,110,092
-	92,653	-
95,605	95,605	4,995
715,938	728,948	-
-	941,860	-
-	14,384,200	-
<u>1,033,785</u>	<u>18,670,722</u>	<u>2,375,228</u>
3,872,342	57,018,265	3,860,811
-	254,857	-
<u>2,448,393</u>	<u>9,749,749</u>	<u>13,329,964</u>
<u>\$ 6,320,735</u>	67,022,871	17,190,775
	(67,491)	67,491
	<u>\$ 66,955,380</u>	<u>\$ 17,258,266</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**Year Ended December 31, 2007**

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
Operating Revenues			
Charges for services	\$ 6,782,091	\$ 5,106,952	\$ 1,053,078
Other	82,650	116,122	7,106
Total Operating Revenues	<u>6,864,741</u>	<u>5,223,074</u>	<u>1,060,184</u>
Operating Expenses			
Personal services	2,102,005	1,578,262	492,824
Contractual services	1,933,421	1,187,261	257,593
Supplies and materials	435,983	205,594	274,223
Insurance	52,961	117,327	-
Other	715,755	207,523	171,012
Depreciation	1,925,549	737,199	397,926
Total Operating Expenses	<u>7,165,674</u>	<u>4,033,166</u>	<u>1,593,578</u>
Operating Income (Loss)	<u>(300,933)</u>	<u>1,189,908</u>	<u>(533,394)</u>
Nonoperating Revenues (Expenses)			
Property taxes	-	-	-
Intergovernmental	-	-	-
Investment income	301,217	266,137	46,693
Miscellaneous revenues (expense)	-	30	-
Interest expense	(127,961)	(334,068)	-
Amortization of premium	-	164	-
Total Nonoperating Revenues (Expenses)	<u>173,256</u>	<u>(67,737)</u>	<u>46,693</u>
Income (Loss) Before Contributions and Transfers	<u>(127,677)</u>	<u>1,122,171</u>	<u>(486,701)</u>
Capital contributions	27,052	14,251	177,994
Transfers in	-	-	-
Transfers out	-	(689,632)	-
Change in Net Assets	<u>(100,625)</u>	<u>446,790</u>	<u>(308,707)</u>
Net Assets - January 1	<u>18,155,212</u>	<u>26,186,278</u>	<u>16,323,188</u>
Net Assets - December 31	<u>\$ 18,054,587</u>	<u>\$ 26,633,068</u>	<u>\$ 16,014,481</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
\$ 1,523,430	\$ 14,465,551	\$ 11,086,378
121,978	327,856	17,655
<u>1,645,408</u>	<u>14,793,407</u>	<u>11,104,033</u>
3,289,804	7,462,895	651,541
795,514	4,173,789	1,418,874
183,789	1,099,589	22,416
202,525	372,813	8,209,707
48,807	1,143,097	93,914
514,734	3,575,408	673,898
<u>5,035,173</u>	<u>17,827,591</u>	<u>11,070,350</u>
<u>(3,389,765)</u>	<u>(3,034,184)</u>	<u>33,683</u>
658,345	658,345	-
2,567,307	2,567,307	-
114,771	728,818	902,378
-	30	-
-	(462,029)	(5,183)
-	164	-
<u>3,340,423</u>	<u>3,492,635</u>	<u>897,195</u>
(49,342)	458,451	930,878
-	219,297	-
12,770	12,770	-
-	(689,632)	(190,000)
(36,572)	886	740,878
<u>6,357,307</u>	<u>67,021,985</u>	<u>16,449,897</u>
<u>\$ 6,320,735</u>	<u>\$ 67,022,871</u>	<u>\$ 17,190,775</u>
	\$ 886	\$ 740,878
	<u>(241)</u>	<u>241</u>
	<u>\$ 645</u>	<u>\$ 741,119</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2007**

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 7,026,771	\$ 5,255,354	\$ 1,126,621
Payments to suppliers	(3,229,646)	(1,870,331)	(716,761)
Payments to employees	(2,102,005)	(1,266,801)	(492,824)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,695,120</u>	<u>2,118,222</u>	<u>(82,964)</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	-	(685,146)	-
Advances to (from) other funds	-	-	-
<b>Net Cash Provided (Used) by Noncapital and Related Financing Act.</b>	<u>-</u>	<u>(685,146)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(167,233)	(6,133,137)	-
Proceeds from sale of capital assets	-	-	-
Proceeds of capital debt	-	4,000,000	-
Principal payments on capital debt	(446,018)	(460,814)	-
Interest payments on capital debt	(130,087)	(307,125)	-
Debt issuance premium	-	1,982	-
Special assessment collections	540	12,149	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(742,798)</u>	<u>(2,886,945)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Interest received	298,547	266,049	47,757
<b>Change in Cash and Cash Equivalents</b>	1,250,869	(1,187,820)	(35,207)
<b>Cash and Cash Equivalents - January 1</b>	4,326,297	4,921,781	595,612
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 5,577,166</u>	<u>\$ 3,733,961</u>	<u>\$ 560,405</u>
<b>Reconciliation to Statement of Net Assets</b>			
Unrestricted cash and investments	\$ 5,577,166	\$ 1,411,002	\$ 560,405
Restricted cash and investments	-	2,732,959	-
Less: Noncash equivalents	-	(410,000)	-
	<u>\$ 5,577,166</u>	<u>\$ 3,733,961</u>	<u>\$ 560,405</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (300,933)	\$ 1,189,908	\$ (533,394)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,925,549	737,199	397,926
Depreciation charged to clearing and other funds	-	109,176	-
Miscellaneous revenues (expenses)	-	30	-
Changes in assets and liabilities			
Receivables	166,499	(35,570)	66,437
Inventories and prepaid items	130	24,505	-
Accounts payable	(98,388)	88,347	(13,932)
Accrued and other liabilities	6,732	4,627	(1)
Due to other governments	-	-	-
Unearned revenues	(4,469)	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 1,695,120</u>	<u>\$ 2,118,222</u>	<u>\$ (82,964)</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
Capital contributions	\$ 27,052	\$ 14,251	\$ 177,994

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

Total Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 2,074,136	\$ 15,482,882	\$ 11,303,608
(1,286,859)	(7,103,597)	(9,727,636)
(3,289,804)	(7,151,434)	(641,395)
<u>(2,502,527)</u>	<u>1,227,851</u>	<u>934,577</u>
658,345	658,345	-
2,520,109	2,520,109	-
-	-	(238,315)
-	-	(10,366)
-	-	248,836
12,770	(672,376)	(190,000)
(3,656)	(3,656)	86,725
<u>3,187,568</u>	<u>2,502,422</u>	<u>(103,120)</u>
(67,163)	(6,367,533)	(755,225)
97,127	97,127	-
-	4,000,000	-
-	(906,832)	-
-	(437,212)	-
-	1,982	-
-	12,689	-
<u>29,964</u>	<u>(3,599,779)</u>	<u>(755,225)</u>
114,476	726,829	672,499
829,481	857,323	748,731
<u>1,725,343</u>	<u>11,569,033</u>	<u>12,619,333</u>
<u>\$ 2,554,824</u>	<u>\$ 12,426,356</u>	<u>\$ 13,368,064</u>
\$ 2,554,824	\$ 10,103,397	\$ 13,368,064
-	2,732,959	-
-	(410,000)	-
<u>\$ 2,554,824</u>	<u>\$ 12,426,356</u>	<u>\$ 13,368,064</u>
\$ (3,389,765)	\$ (3,034,184)	\$ 33,683
514,734	3,575,408	673,898
-	109,176	-
-	30	-
382,249	579,615	199,575
(129)	24,506	(21,064)
(57,024)	(80,997)	65,862
1	11,359	(17,377)
928	928	-
46,479	42,010	-
<u>\$ (2,502,527)</u>	<u>\$ 1,227,851</u>	<u>\$ 934,577</u>
\$ -	\$ 219,297	\$ -

**CITY OF SHEBOYGAN, WISCONSIN**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**December 31, 2007**

	Property Tax Collection	Business Improvement District	Totals
<b>ASSETS</b>			
Cash and investments	\$ 6,784,888	\$ 5,961	\$ 6,790,849
Receivables			
Taxes	37,049,721	122,632	37,172,353
Special assessments	-	18,758	18,758
<b>TOTAL ASSETS</b>	<b>\$ 43,834,609</b>	<b>\$ 147,351</b>	<b>\$ 43,981,960</b>
<b>LIABILITIES</b>			
Liabilities			
Due to other governments	\$ 43,834,609	\$ 147,351	\$ 43,981,960

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, 2007**

**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, 2007 for the Housing Authority and December 31, 2007 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, 2007

**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, 2007

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

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 earnings, 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, 2007

**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, 2007

**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" in the fund financial statements. Noncurrent portions of the interfund receivables are considered "Advance to other funds" and "Advance from other funds" in the fund financial statements. 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, 2007**

**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.

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, 2007

**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, 2007**

**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, 2007.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2007:

Funds	Deficit Fund Equity
Harbor Center Marina	\$1,627,297
Municipal Court	2,770
Ambulance	16,645
Debt Service TIF Districts	3,659,355

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, 2007**

**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 \$68,296,938 on December 31, 2007 as summarized below:

Petty cash funds	\$ 6,311
Deposits with financial institutions	1,067,840
Investments	
Repurchase agreements	792,962
U.S. Treasury notes	410,000
Federal agency securities	17,000,000
Wisconsin local government investment pool	49,019,825
	\$ 68,296,938

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 58,773,130
Restricted cash and investments	2,732,959
Fiduciary funds	
Agency funds	6,790,849
	\$ 68,296,938

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, 2007**

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

As of December 31, 2007, \$1,338,382 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, 2007, the City held repurchase agreement investments of \$792,962 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. The City does not have an additional credit risk policy. 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	\$ 410,000	\$ 410,000	\$ -	\$ -	\$ -
Federal agency securities	17,000,000	-	17,000,000	-	-
Wisconsin local government investment pool	49,019,825	-	-	-	49,019,825
<b>Totals</b>	<b>\$ 66,429,825</b>	<b>\$ 410,000</b>	<b>\$ 17,000,000</b>	<b>\$ -</b>	<b>\$ 49,019,825</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%
State Investment Pool	100%

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

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation	Federal Agency Securities	\$7,998,500
Federal Home Loan Bank	Federal Agency Securities	9,001,500

**CITY OF SHEBOYGAN, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

**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	\$ 792,962	\$ 792,962	\$ -	\$ -	\$ -
U.S. Treasury notes	410,000	410,000	-	-	-
Federal agency securities	17,000,000	-	-	17,000,000	-
Wisconsin local government investment pool	49,019,825	49,019,825	-	-	-
<b>Totals</b>	<b>\$ 67,222,787</b>	<b>\$ 50,222,787</b>	<b>\$ -</b>	<b>\$ 17,000,000</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.	\$17,000,000

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$49,019,825 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, 2007, 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, 2007

**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	\$ 326,699
Reserve account	664,819
Construction Fund	1,741,441
Total Restricted Assets	<u>\$ 2,732,959</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

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

4. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 13,323,311	\$ 474,888	\$ 1,875,232	\$ 11,922,967
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	24,206,896	446,549	-	24,653,445
Improvements other than buildings	13,093,926	32,885	-	13,126,811
Machinery and equipment	20,649,107	2,445,250	1,195,933	21,898,424
Infrastructure	86,493,198	1,882,163	-	88,375,361
Subtotals	144,443,127	4,806,847	1,195,933	148,054,041
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	10,022,016	488,572	-	10,510,588
Improvements other than buildings	6,892,645	492,354	-	7,384,999
Machinery and equipment	14,633,644	1,453,541	1,195,933	14,891,252
Infrastructure	32,334,036	1,729,040	-	34,063,076
Subtotals	63,882,341	4,163,507	1,195,933	66,849,915
Total capital assets, being depreciated, net	80,560,786	643,340	-	81,204,126
Governmental activities capital assets, net	<u>\$ 93,884,097</u>	<u>\$ 1,118,228</u>	<u>\$ 1,875,232</u>	93,127,093
Less: General obligation debt outstanding				58,324,463
Less: Mortgage notes				225,000
Less: Capital lease				526,814
Less: Sheboygan County				1,000,000
Less: Bond premium				12,614
Plus: Unspent capital related debt proceeds				<u>(9,978,609)</u>
Invested in capital assets, net of related debt				<u>\$ 43,016,811</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 2,364,884	\$ -	\$ 97,127	\$ 2,267,757
Construction in progress	1,507,252	6,267,377	6,658,584	1,116,045
<b>Total capital assets, not being depreciated</b>	<b>3,872,136</b>	<b>6,267,377</b>	<b>6,755,711</b>	<b>3,383,802</b>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	16,443,384	1,507,932	3,375	17,947,941
Improvements other than buildings	18,158,801	32,938	-	18,191,739
Machinery and equipment	33,898,126	270,768	184,820	33,984,074
Infrastructure	68,760,468	5,340,195	56,803	74,043,860
<b>Subtotals</b>	<b>137,260,779</b>	<b>7,151,833</b>	<b>244,998</b>	<b>144,167,614</b>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	10,009,290	407,435	3,375	10,413,350
Improvements other than buildings	16,061,890	1,225,504	-	17,287,394
Machinery and equipment	24,148,442	795,935	184,820	24,759,557
Infrastructure	24,087,273	1,255,712	56,803	25,286,182
<b>Subtotals</b>	<b>74,306,895</b>	<b>3,684,586</b>	<b>244,998</b>	<b>77,746,483</b>
<b>Total capital assets, being depreciated, net</b>	<b>62,953,884</b>	<b>3,467,247</b>	<b>-</b>	<b>66,421,131</b>
<b>Business-type activities capital assets net</b>	<b>\$ 66,826,020</b>	<b>\$ 9,734,624</b>	<b>\$ 6,755,711</b>	<b>69,804,933</b>
Less: Related long-term debt outstanding				15,189,287
Less: Bond premium				3,641
Plus: Unspent capital related debt proceeds				<u>(2,406,260)</u>
<b>Invested in capital assets, net of related debt</b>				<u><b>\$ 57,018,265</b></u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

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

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

<b>Governmental activities</b>	
General government	\$ 79,441
Public safety	689,712
Public works	1,736,445
Health and human services	4,454
Culture and recreation	547,542
Conservation and development	432,015
Internal service funds allocated to other activities	673,898
<b>Total depreciation expense - governmental activities</b>	<b>\$ 4,163,507</b>
<b>Business-type activities</b>	
Sewerage system	\$ 1,925,549
Water utility	846,377
Storm water utility	397,926
Transit commission	469,208
Parking facility	45,526
<b>Total depreciation expense - business-type activities</b>	<b>\$ 3,684,586</b>

**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, 2007 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 296,425	\$ -
	Special revenue fund - Lead based abatement program	23,866	-
	Debt service fund - TIF districts	379,725	-
	Capital projects fund - TIF districts	29,685	-
	Permanent fund - Library trust	314	-
	Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	1,536,525
Special revenue fund - Tourism promotion		76,528	76,528
		<u>2,343,068</u>	<u>1,613,053</u>
Less: Fund eliminations		<u>(2,343,068)</u>	<u>(1,613,053)</u>
<b>Total Internal Balances - Government-wide Statement of Net Assets</b>		<b>\$ -</b>	<b>\$ -</b>

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, 2007**

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

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Ambulance fund	\$ 300,000	\$ 300,000
	Debt service fund - TIF districts	1,304,321	1,304,321
	Capital projects fund - TIF districts	803,193	803,193
Special revenue fund - Special assessments fund	General fund	577,092	577,092
Debt service fund - GO debt	Debt service fund - TIF districts	1,770,901	1,770,901
Capital projects fund - Tax levy	Debt service fund - TIF districts	1,783,993	1,783,993
	Capital projects fund - TIF districts	78,543	78,543
		<u>6,618,043</u>	<u>6,618,043</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	76,491	76,491
Subtotal - Fund Financial Statements		6,694,534	6,694,534
Less: Fund eliminations		(6,618,043)	(6,618,043)
Less: Enterprise portion of advance		(152,982)	(152,982)
Internal service fund allocation to business-type activities		67,491	67,491
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ (9,000)</u>	<u>\$ (9,000)</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, 2007**

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

Interfund transfers for the year ended December 31, 2007 were as follows:

Fund Transferred To	Fund Transferred From	Amount
General fund	Enterprise fund - Water utility	\$ 689,632
	Internal service fund - Motor division	190,000
	Debt service fund - TIF districts	3,800
	Permanent fund - Cemetery perpetual care	38,092
	Special revenue fund - Cable TV	300,000
	Special revenue fund - Tourism promotion	42,096
Special revenue fund - Mead library	Special revenue fund - Cable TV	19,120
Special revenue fund - Tourism promotion	Debt service fund - GO debt	16,957
Debt service fund - GO debt	General fund	1,150,000
	Special revenue fund - Special assessment	150,000
	Special revenue fund - Tourism promotion	796,670
	Special revenue fund - Harbor Center marina	311,580
	Special revenue fund - Cable TV	50,000
	Debt service fund - TIF districts	55,000
	Capital projects fund - Bonds	226,270
Debt service fund - TIF districts	Special revenue fund - Harbor Center marina	53,750
	Capital projects fund - TIF districts	62,250
Capital projects fund - TIF districts	Debt service fund - TIF districts	577,000
Capital projects fund - Tax levy	Special revenue fund - Special assessment	200,000
		<u>4,932,217</u>
Enterprise fund - Parking facility	General fund	4,574
	Capital projects fund - Tax levy	8,196
		<u>12,770</u>
Subtotal - Fund Financial Statements		<u>\$ 4,944,987</u>
Government fund transfers in		\$ 4,932,217
Less: Fund eliminations		(4,255,355)
Total Transfers - Government-wide Statement of Activities		<u>\$ 676,862</u>

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

**CITY OF SHEBOYGAN, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

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

**6. Deferred Revenues**

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

	Unavailable	Unearned
<b>Governmental Funds</b>		
Subsequent year tax levy receivable		
Major governmental funds		
General fund	\$ -	\$ 13,896,224
Debt service general obligation debt	-	3,495,636
Debt service tax increment financing districts	-	5,713,628
Nonmajor governmental funds		
Mead library	-	2,651,435
Special assessments		
Major governmental funds		
General fund	63,582	-
Debt service tax increment financing districts	1,145	-
Nonmajor governmental funds		
Special assessments	358,042	-
Redevelopment authority	5,526	-
Loans receivable		
Major governmental fund		
Debt service tax increment financing districts	4,120,000	-
Nonmajor governmental funds		
Community development block grant	3,415,797	-
Revolving loan funds	3,859,933	-
Redevelopment authority	1,340,004	-
Revenue received prior to meeting all eligibility requirements		
Major governmental funds		
General fund	-	2,900
Nonmajor governmental funds		
Redevelopment authority	-	-
Capital projects tax levy	-	500
<b>Total Governmental Funds</b>	<b>13,164,029</b>	<b>25,760,323</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	-	13,010
Nonmajor proprietary funds		
Parking facility	-	57,593
<b>Total Proprietary Funds</b>	<b>-</b>	<b>728,948</b>
<b>Totals</b>	<b>\$ 13,164,029</b>	<b>\$ 26,489,271</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

**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.

**7. Long-term Obligations**

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2007:

	Outstanding 1/1/07	Issued	Retired	Outstanding 12/31/07	Due Within One Year
<b>Governmental activities:</b>					
<b>General Obligation Debt</b>					
Bonds	\$ 31,788,315	\$ 8,000,000	\$ 5,693,315	\$ 34,095,000	\$ 2,410,000
Notes	26,561,242	3,120,000	5,451,779	24,229,463	3,590,600
<b>Total General Obligation Debt</b>	<b>58,349,557</b>	<b>11,120,000</b>	<b>11,145,094</b>	<b>58,324,463</b>	<b>6,000,600</b>
Bond premium	18,198	-	5,584	12,614	-
Mortgage notes	225,000	-	-	225,000	-
Capital lease	-	526,814	-	526,814	66,559
Wisconsin Power and Light	10,476	-	10,476	-	-
Sheboygan County	1,000,000	-	-	1,000,000	-
Unfunded pension liability	12,291,932	-	410,557	11,881,375	11,881,375
Compensated absences	3,524,739	265,043	-	3,789,782	-
<b>Governmental activities Long-term obligations</b>	<b>\$ 75,419,902</b>	<b>\$ 11,911,857</b>	<b>\$ 11,571,711</b>	<b>\$ 75,760,048</b>	<b>\$ 17,948,534</b>
<b>Business-type activities:</b>					
Revenue bonds	\$ 12,054,623	\$ 4,000,000	\$ 865,336	\$ 15,189,287	\$ 891,830
Unamortized bond premium	1,822	3,641	1,822	3,641	-
Alliant Energy note	174,627	-	41,495	133,132	50,030
<b>Business-type activities Long-term obligations</b>	<b>\$ 12,231,072</b>	<b>\$ 4,003,641</b>	<b>\$ 908,653</b>	<b>\$ 15,326,060</b>	<b>\$ 941,860</b>

Total interest paid during the year on long-term debt totaled \$3,365,212.

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, 2007**

**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, 2007 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/07
<b>General Obligation Debt</b>					
<b>General Obligation Bonds</b>					
Taxable Marina Refunding Bonds	08/15/97	6.8-6.875%	09/01/12	\$ 2,210,000	\$ 1,275,000
Development Bonds	03/15/01	4.40-5.00%	10/01/19	1,900,000	1,400,000
Refunding Bonds	09/01/05	3.25-3.50%	10/01/10	3,595,000	2,340,000
Refunding Bonds	09/01/05	3.25-3.50%	10/01/09	3,140,000	750,000
Refunding Bonds	07/01/06	4.00-4.25%	10/01/22	5,155,000	4,975,000
Refunding Bonds	07/01/06	5.30-6.00%	10/01/22	8,575,000	8,455,000
Refunding Bonds	07/01/06	5.50-5.80%	11/01/18	7,150,000	6,900,000
General Obligation Bonds	09/01/07	4.50-5.00%	10/01/26	8,000,000	8,000,000
<b>Total General Obligation Bonds</b>					<u><b>34,095,000</b></u>
<b>General Obligation Notes</b>					
Promissory Notes	02/15/99	3.75%	10/01/08	3,000,000	700,000
State Trust Fund Notes	04/17/00	6.00%	03/15/17	350,000	260,181
State Trust Fund Notes	05/17/00	6.00%	03/15/17	254,000	188,820
Promissory Notes	03/15/01	4.25-4.375%	10/01/10	2,915,000	1,890,000
State Trust Fund Notes	10/17/01	5.75%	03/15/18	430,000	341,555
State Trust Fund Notes	06/19/02	4.50%	03/15/12	300,000	164,604
State Trust Fund Notes	07/03/02	4.50%	03/15/12	2,700,000	164,373
Promissory Notes	10/15/02	2.45-3.35%	10/01/12	1,685,000	1,000,000
Promissory Notes	10/15/02	3.50-4.50%	10/01/12	3,940,000	2,720,000
State Trust Fund Notes	11/20/02	5.00%	03/15/18	1,088,480	962,468
Land Recycling Loan	12/23/02	0%	05/01/22	2,700,000	1,201,938
Promissory Notes	07/01/03	2.35-2.80%	12/01/12	7,010,000	3,440,000
State Trust Fund Notes	07/30/03	5.00%	03/15/18	163,584	144,645
State Trust Fund Notes	01/13/04	5.00%	03/15/18	302,117	283,129
Promissory Notes	03/15/04	2.50-3.10%	12/01/13	1,500,000	1,165,000
Promissory Notes	03/15/04	1.75-3.25%	12/01/13	1,065,000	865,000
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	637,159
State Trust Fund Notes	09/29/04	5.00%	03/15/20	25,000	23,116
State Trust Fund Notes	11/21/05	4.00%	03/15/15	500,000	458,183
Promissory Notes	04/15/06	3.75-4.00%	10/01/15	3,000,000	2,900,000
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%	03/15/16	220,000	199,292
Promissory Notes	04/15/07	3.85-4.00%	10/01/16	3,000,000	3,000,000
State Trust Fund Notes	08/23/07	5.25%	03/15/17	120,000	120,000
<b>Total General Obligation Notes</b>					<u><b>24,229,463</b></u>
<b>Total</b>					<u><u><b>\$ 58,324,463</b></u></u>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

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

Annual principal and interest maturities of the outstanding general obligation debt of \$58,324,463 on December 31, 2007 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2008	\$ 6,000,600	\$ 2,573,373	\$ 8,573,973
2009	5,880,884	2,291,463	8,172,347
2010	5,691,575	2,025,544	7,717,119
2011	5,292,060	1,812,639	7,104,699
2012	5,429,028	1,603,671	7,032,699
2013-2017	15,858,826	5,463,640	21,322,466
2018-2022	10,931,668	2,264,974	13,196,642
2023-2026	3,239,822	389,000	3,628,822
	<u>\$ 58,324,463</u>	<u>\$ 18,424,304</u>	<u>\$ 76,748,767</u>

**Legal Margin for New Debt**

The City's legal margin for creation of additional general obligation debt on December 31, 2007 was \$84,553,986 as follows:

Equalized valuation of the City	\$ 2,825,500,000
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	141,275,000
Total outstanding general obligation debt applicable to debt limitation	\$ 58,324,463
Less: Amounts available for financing general obligation debt	
Debt service funds	<u>1,603,449</u>
Net outstanding general obligation debt applicable to debt limitation	<u>56,721,014</u>
Legal Margin for New Debt	<u>\$ 84,553,986</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, 2007.

**Capital Lease**

In December of 2007, the City entered into a capital lease agreement to acquire three new ambulances. The outstanding balance of \$526,814 is detailed below:

Year Ended December 31	Principal	Interest	Total
2009	\$ 66,559	\$ 20,471	\$ 87,030
2010	69,861	17,169	87,030
2011	72,467	14,563	87,030
2012	75,170	11,860	87,030
2013-2015	242,757	18,330	261,087
	<u>\$ 526,814</u>	<u>\$ 82,393</u>	<u>\$ 609,207</u>

**Amount due to Sheboygan County, Wisconsin**

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

**CITY OF SHEBOYGAN, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

**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, 2007 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/07
<b>Sewerage System</b>					
Clean Water Fund Loan	11/30/95	3.124%	05/01/15	\$ 4,375,561	\$ 2,162,181
Clean Water Fund Loan	11/26/96	3.195%	05/01/16	3,250,000	1,794,061
<b>Total Sewerage System</b>					<u>3,956,242</u>
<b>Water Utility</b>					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	2,758,045
Refunding Revenue Bonds	09/01/95	3.75 -4.25%	06/01/25	4,900,000	4,475,000
Revenue Bonds	04/01/07	4.00-5.00%	05/01/27	4,000,000	4,000,000
<b>Total Water Utility</b>					<u>11,233,045</u>
<b>Total Revenue Bonds</b>					<u><u>\$ 15,189,287</u></u>

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$15,189,287 on December 31, 2007 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2008	\$ 891,830	\$ 541,139	\$ 1,432,969
2009	973,828	510,037	1,483,865
2010	1,006,347	476,844	1,483,191
2011	984,401	442,544	1,426,945
2012	1,028,010	406,775	1,434,785
2013-2017	4,693,302	1,476,593	6,169,895
2018-2022	3,226,939	804,710	4,031,649
2023-2027	2,384,630	213,907	2,598,537
	<u>\$ 15,189,287</u>	<u>\$ 4,872,549</u>	<u>\$ 20,061,836</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 \$133,132 on December 31, 2007 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2008	\$ 50,030	\$ 2,164	\$ 52,194
2009	47,153	1,231	48,384
2010	35,949	339	36,288
	<u>\$ 133,132</u>	<u>\$ 3,734</u>	<u>\$ 136,866</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

**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 \$11,881,375 on December 31, 2007 is an actuarially computed liability by the Wisconsin Retirement System (WRS) resulting from increases in employee pension benefits that exceeded actual prior years' contributions by the City to the WRS. The liability was originally calculated by the WRS as of January 1, 1990. Since that time, the City has been making additional monthly payments to the WRS 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 WRS are less than the interest charged. The WRS'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.

On January 30, 2008, the City paid the total balance of the unfunded pension liability. The following sources were used to pay the \$11,881,375 liability:

\$1,624,739 from previous accruals for compensated absences in the general fund  
\$4,356,636 from an advance from the City's motor vehicle internal service fund  
\$5,900,000 from a State Trust Fund Loan obtained on January 30, 2008

The \$5,900,000 State Trust Fund Loan has 19 equal installments of \$532,592 at an interest rate of 6%. The first payment is due on 3/15/09 and every year thereafter through 3/15/27.

**NOTE D - OTHER INFORMATION**

1. Retirement Commitments

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, defined benefit, 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 WRS. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.4% 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 WRS for the year ended December 31, 2007 was \$26,308,506; the employer's total payroll was \$27,352,138. The total required contribution for the year ended December 31, 2007 was \$3,499,160, which consisted of \$2,087,237, or 7.9% of covered payroll from the employer and \$1,411,923, or 5.4% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2007 was financed by the City. Total contributions for the years ending December 31, 2006 and 2005 were \$3,326,794 and \$3,182,952 respectively, equal to the required contributions for each year.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

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

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 or after April 24, 1998 are immediately vested.

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

2. Other 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 2007, these costs totaled approximately \$117,026 for 16 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 \$8,776,743 for the 2007 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. \$2,292,169 was designated for that reserve at year end, and is included in unreserved net assets of the internal service fund.

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

**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
<b>Health Insurance</b>				
2007	\$1,300,000	\$7,621,817	\$7,621,817	\$1,300,000
2006	1,050,000	8,234,034	7,984,034	1,300,000
<b>Workers Compensation</b>				
2007	50,000	390,596	390,596	50,000
2006	50,000	162,856	162,856	50,000

**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.

**CITY OF SHEBOYGAN, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

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

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 as paid in full in 2007. 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 \$8,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$100,000 per occurrence and an annual aggregate limit of \$400,000.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for 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
2007	\$185,703	\$161,703	\$161,703	\$185,703
2006	185,703	49,694	49,694	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 ADJUSTMENT**

The City has recorded the following prior period adjustment in the General Fund. The adjustment was recorded to remove the accrued compensated absences that were accrued in prior years. These long-term liabilities are not current financial uses and the effective change from year to year is budgeted in the current year salaries and benefits. The adjustment however does not impact the government-wide financial statements as the compensated absences are a liability of the governmental activities on the full accrual basis. The effect of this adjustment is as follows:

	<b>General Fund</b>
Adjustment to remove the accrued compensated absences from the general fund balance sheet	\$ 3,524,739

**CITY OF SHEBOYGAN, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

**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		
Wells Fargo	\$ 4,109,088	\$ -	\$ -	\$ 4,109,088	\$ 4,082,063
Associated Bank	100,000	-	-	100,000	100,000
Community Bank	101,395	-	-	101,395	100,000
US Bank	105,253	-	-	105,253	100,000
<b>Total</b>	<b>\$ 4,415,736</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,415,736</b>	<b>\$ 4,382,063</b>

Per statement of net assets

Unrestricted	\$ 4,310,510
Restricted	71,553
<b>Total</b>	<b>\$ 4,382,063</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

**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	297,077	19,700	17,292	299,485
Total Capital Assets Being Depreciated	<u>6,368,535</u>	<u>19,700</u>	<u>17,292</u>	<u>6,370,943</u>
Less: Accumulated Depreciation	<u>5,158,130</u>	<u>184,020</u>	<u>17,292</u>	<u>5,324,858</u>
Net Capital Assets being Depreciated	<u>1,210,405</u>	<u>(164,320)</u>	<u>-</u>	<u>1,046,085</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,476,915</u>	<u>\$ (164,320)</u>	<u>\$ -</u>	<u>\$ 1,312,595</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 \$72,414, and the bank balance was \$73,304. The entire bank balance was covered by Federal depository insurance.

## **SUPPLEMENTAL INFORMATION**

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2007**

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
<b>ASSETS</b>						
Cash and investments	\$ 1,593,562	\$ 277,183	\$ -	\$ 1,317,296	\$ 192,511	\$ 799
Receivables						
Taxes	-	-	-	2,651,435	-	-
Accounts	-	1,665	-	10,040	123,530	120,386
Special assessments	-	-	-	-	-	-
Loans	3,415,797	3,859,933	2,146,508	-	-	-
Advance to other funds	-	-	-	-	-	-
Due from other governments	276,067	-	104,001	-	-	-
Inventories and prepaid items	-	-	2,278	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,285,426</b>	<b>\$ 4,138,781</b>	<b>\$ 2,252,787</b>	<b>\$ 3,978,771</b>	<b>\$ 316,041</b>	<b>\$ 121,185</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 185,237	\$ -	\$ 4,453	\$ 25,045	\$ 194	\$ 7,484
Accrued and other current liabilities	-	-	-	467,911	13,676	5,576
Due to other funds	296,425	-	23,866	-	-	76,528
Due to other governments	-	-	2,146,508	-	-	-
Deferred revenues	3,415,797	3,859,933	-	2,651,435	-	-
Advance from other funds	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,897,459</b>	<b>3,859,933</b>	<b>2,174,827</b>	<b>3,144,391</b>	<b>13,870</b>	<b>89,588</b>
<b>Fund Balances</b>						
<b>Reserved for</b>						
Inventories and prepaid items	-	-	2,278	-	-	-
Long-term interfund receivables	-	-	-	-	-	-
Encumbrances	211,742	245,267	-	21,306	1,380	2,478
Cemetery perpetual care	-	-	-	-	-	-
Trust activities	-	-	-	-	-	-
<b>Unreserved</b>						
Designated for						
Subsequent year's expenditures	-	-	-	83,594	300,791	-
Undesignated, reported in						
Special revenue funds	1,176,225	33,581	75,682	729,480	-	29,119
Capital projects funds	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>1,387,967</b>	<b>278,848</b>	<b>77,960</b>	<b>834,380</b>	<b>302,171</b>	<b>31,597</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,285,426</b>	<b>\$ 4,138,781</b>	<b>\$ 2,252,787</b>	<b>\$ 3,978,771</b>	<b>\$ 316,041</b>	<b>\$ 121,185</b>

(Continued)

**Special Revenue Funds (Continued)**

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Ambulance	Total
\$ 8,688	\$ 18,616	\$ 634,855	\$ 155,034	\$ 51,681	\$ 17,300	\$ 303,413	\$ 4,570,938
-	-	94,189	-	-	-	-	2,745,624
30,579	6,590	3,334	663	209	8,231	1,141	306,368
-	-	268,095	5,526	-	-	-	273,621
-	-	-	1,340,004	-	-	-	10,762,242
-	-	577,092	-	-	-	-	577,092
-	-	-	-	-	-	-	380,068
56,543	-	-	-	-	-	-	58,821
<b>\$ 95,810</b>	<b>\$ 25,206</b>	<b>\$ 1,577,565</b>	<b>\$ 1,501,227</b>	<b>\$ 51,890</b>	<b>\$ 25,531</b>	<b>\$ 304,554</b>	<b>\$ 19,674,774</b>
\$ 33,476	\$ 5,844	\$ -	\$ 2,225	\$ 1,730	\$ 26,804	\$ 20,439	\$ 312,931
72,676	276	-	-	-	1,497	760	562,372
1,536,525	-	-	-	-	-	-	1,933,344
3,939	-	-	-	-	-	-	2,150,447
-	-	358,042	1,345,530	-	-	-	11,630,737
76,491	-	-	-	-	-	300,000	376,491
1,723,107	6,120	358,042	1,347,755	1,730	28,301	321,199	16,966,322
56,543	-	-	-	-	-	-	58,821
-	-	-	-	-	-	-	-
2,404	-	-	-	210	-	-	484,787
-	-	-	-	-	-	-	-
-	-	-	-	49,950	-	-	49,950
-	-	-	-	-	-	-	384,385
(1,686,244)	19,086	1,219,523	153,472	-	(2,770)	(16,645)	1,730,509
-	-	-	-	-	-	-	-
(1,627,297)	19,086	1,219,523	153,472	50,160	(2,770)	(16,645)	2,708,452
<b>\$ 95,810</b>	<b>\$ 25,206</b>	<b>\$ 1,577,565</b>	<b>\$ 1,501,227</b>	<b>\$ 51,890</b>	<b>\$ 25,531</b>	<b>\$ 304,554</b>	<b>\$ 19,674,774</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**December 31, 2007**

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
<b>ASSETS</b>					
Cash and investments	\$ 1,418,619	\$ 751,923	\$ 1,157,382	\$ 1,909,305	\$ 7,898,862
Receivables					
Taxes	-	-	-	-	2,745,624
Accounts	9,454	4,554	96	4,650	320,472
Special assessments	-	-	-	-	273,621
Loans	-	-	-	-	10,762,242
Advance to other funds	1,862,536	-	-	-	2,439,628
Due from other governments	-	-	-	-	380,068
Inventories and prepaid items	-	-	-	-	58,821
<b>TOTAL ASSETS</b>	<b>\$ 3,290,609</b>	<b>\$ 756,477</b>	<b>\$ 1,157,478</b>	<b>\$ 1,913,955</b>	<b>\$ 24,879,338</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 94,468	\$ -	\$ -	\$ -	\$ 407,399
Accrued and other current liabilities					
liabilities	-	-	-	-	562,372
Due to other funds	-	-	314	314	1,933,658
Due to other governments	-	-	-	-	2,150,447
Deferred revenues	500	-	-	-	11,631,237
Advance from other funds	-	-	-	-	376,491
<b>Total Liabilities</b>	<b>94,968</b>	<b>-</b>	<b>314</b>	<b>314</b>	<b>17,061,604</b>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Inventories and prepaid items	-	-	-	-	58,821
Noncurrent assets	1,862,536	-	-	-	1,862,536
Encumbrances	135,937	-	-	-	620,724
Cemetery perpetual care	-	756,477	-	756,477	756,477
Trust activities	-	-	1,157,164	1,157,164	1,207,114
<b>Unreserved</b>					
Designated for					
Subsequent year's expenditures	697,420	-	-	-	1,081,805
Undesignated, reported in					
Special revenue funds	-	-	-	-	1,730,509
Capital projects funds	499,748	-	-	-	499,748
<b>Total Fund Balances</b>	<b>3,195,641</b>	<b>756,477</b>	<b>1,157,164</b>	<b>1,913,641</b>	<b>7,817,734</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,290,609</b>	<b>\$ 756,477</b>	<b>\$ 1,157,478</b>	<b>\$ 1,913,955</b>	<b>\$ 24,879,338</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2007**

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ -	\$ 2,608,335	\$ -	\$ 1,216,633
Special assessments	-	-	-	-	-	-
Intergovernmental	666,430	-	507,475	609,848	-	62,689
Licenses and permits	-	-	-	-	570,738	-
Fines and forfeits	-	-	-	-	-	-
Public charges for services	-	-	-	97,928	7,134	66,095
Miscellaneous	356,657	469,604	26,676	152,564	19,584	3,378
<b>Total Revenues</b>	<b>1,023,087</b>	<b>469,604</b>	<b>534,151</b>	<b>3,468,675</b>	<b>597,456</b>	<b>1,348,795</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	-	-	-	-	-	471,293
Public safety	-	-	-	-	-	24,926
Public works	-	-	-	-	-	-
Culture and recreation	2,962	-	-	3,394,225	179,188	49,719
Conservation and development	790,036	725,000	504,891	-	-	-
<b>Debt service</b>						
Interest and fiscal charges	-	-	-	-	-	-
<b>Capital outlay</b>	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>792,998</b>	<b>725,000</b>	<b>504,891</b>	<b>3,394,225</b>	<b>179,188</b>	<b>545,938</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>230,089</b>	<b>(255,396)</b>	<b>29,260</b>	<b>74,450</b>	<b>418,268</b>	<b>802,857</b>
<b>Other Financing Sources (Uses)</b>						
Capital leases	-	-	-	-	-	-
Transfers in	-	-	-	19,120	-	16,957
Transfers out	-	-	-	-	(369,120)	(838,766)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,120</b>	<b>(369,120)</b>	<b>(821,809)</b>
<b>Net Change in Fund Balances</b>	<b>230,089</b>	<b>(255,396)</b>	<b>29,260</b>	<b>93,570</b>	<b>49,148</b>	<b>(18,952)</b>
<b>Fund Balances (Deficits) - January 1</b>	<b>1,157,878</b>	<b>534,244</b>	<b>48,700</b>	<b>740,810</b>	<b>253,023</b>	<b>50,549</b>
<b>Fund Balances (Deficits) - December 31</b>	<b>\$ 1,387,967</b>	<b>\$ 278,848</b>	<b>\$ 77,960</b>	<b>\$ 834,380</b>	<b>\$ 302,171</b>	<b>\$ 31,597</b>

(Continued)

**Special Revenue Funds (Continued)**

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Ambulance	Total
\$ 187	\$ -	\$ -	\$ 16,639	\$ -	\$ -	\$ -	\$ 3,841,794
-	-	364,290	-	-	-	-	364,290
-	39,952	-	-	-	-	-	1,886,394
-	-	-	-	-	-	-	570,738
-	-	-	-	-	907,781	-	907,781
959,626	-	-	13,263	28,671	5,698	-	1,178,415
6,862	1,452	183,859	13,102	13,035	11,948	7,831	1,266,552
<b>966,675</b>	<b>41,404</b>	<b>548,149</b>	<b>43,004</b>	<b>41,706</b>	<b>925,427</b>	<b>7,831</b>	<b>10,015,964</b>
-	-	-	-	-	915,394	-	1,386,687
-	56,547	-	-	-	-	551,290	632,763
806,967	-	10,688	-	-	-	-	817,655
-	-	-	-	40,707	-	-	3,666,801
-	-	-	11,874	-	-	-	2,031,801
3,656	-	-	-	-	1,275	-	4,931
-	-	-	-	-	-	-	-
<b>810,623</b>	<b>56,547</b>	<b>10,688</b>	<b>11,874</b>	<b>40,707</b>	<b>916,669</b>	<b>551,290</b>	<b>8,540,638</b>
<b>156,052</b>	<b>(15,143)</b>	<b>537,461</b>	<b>31,130</b>	<b>999</b>	<b>8,758</b>	<b>(543,459)</b>	<b>1,475,326</b>
-	-	-	-	-	-	526,814	526,814
-	-	-	-	-	-	-	36,077
<b>(365,330)</b>	<b>-</b>	<b>(350,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,923,216)</b>
<b>(365,330)</b>	<b>-</b>	<b>(350,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>526,814</b>	<b>(1,360,325)</b>
<b>(209,278)</b>	<b>(15,143)</b>	<b>187,461</b>	<b>31,130</b>	<b>999</b>	<b>8,758</b>	<b>(16,645)</b>	<b>115,001</b>
<b>(1,418,019)</b>	<b>34,229</b>	<b>1,032,062</b>	<b>122,342</b>	<b>49,161</b>	<b>(11,528)</b>	<b>-</b>	<b>2,593,451</b>
<b>\$ (1,627,297)</b>	<b>\$ 19,086</b>	<b>\$ 1,219,523</b>	<b>\$ 153,472</b>	<b>\$ 50,160</b>	<b>\$ (2,770)</b>	<b>\$ (16,645)</b>	<b>\$ 2,708,452</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds (Continued)**  
**For the Year Ended December 31, 2007**

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,841,794
Special assessments	-	-	-	-	364,290
Intergovernmental	-	-	-	-	1,886,394
Licenses and permits	-	-	-	-	570,738
Fines and forfeits	-	-	-	-	907,781
Public charges for services	-	14,621	-	14,621	1,193,036
Miscellaneous	215,437	38,470	330,637	369,107	1,851,096
<b>Total Revenues</b>	<b>215,437</b>	<b>53,091</b>	<b>330,637</b>	<b>383,728</b>	<b>10,615,129</b>
<b>Expenditures</b>					
Current					
General government	-	-	-	-	1,386,687
Public safety	-	-	-	-	632,763
Public works	-	-	-	-	817,655
Culture and recreation	-	-	83,798	83,798	3,750,599
Conservation and development	-	-	-	-	2,031,801
Debt service					
Interest and fiscal charges	-	-	-	-	4,931
Capital outlay	723,922	-	-	-	723,922
<b>Total Expenditures</b>	<b>723,922</b>	<b>-</b>	<b>83,798</b>	<b>83,798</b>	<b>9,348,358</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(508,485)</b>	<b>53,091</b>	<b>246,839</b>	<b>299,930</b>	<b>1,266,771</b>
<b>Other Financing Sources (Uses)</b>					
Capital leases	-	-	-	-	526,814
Transfers in	200,000	-	-	-	236,077
Transfers out	(8,196)	(38,092)	-	(38,092)	(1,969,504)
<b>Total Other Financing Sources (Uses)</b>	<b>191,804</b>	<b>(38,092)</b>	<b>-</b>	<b>(38,092)</b>	<b>(1,206,613)</b>
<b>Net Change in Fund Balances</b>	<b>(316,681)</b>	<b>14,999</b>	<b>246,839</b>	<b>261,838</b>	<b>60,158</b>
<b>Fund Balances (Deficits) - January 1</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>Fund Balances (Deficits) - December 31</b>	<b>\$ 3,195,641</b>	<b>\$ 756,477</b>	<b>\$ 1,157,164</b>	<b>\$ 1,913,641</b>	<b>\$ 7,817,734</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**December 31, 2007**

	Transit Commission	Parking Facility	Boat Facility	Totals
<b>ASSETS</b>				
Cash and investments	\$ 1,122,824	\$ 773,339	\$ 658,661	\$ 2,554,824
Receivables				
Taxes	658,345	7,471	-	665,816
Accounts	1,075	44,867	-	45,942
Special assessments	-	75,342	-	75,342
Other	5,146	3,367	2,818	11,331
Due from other governments	47,198	-	-	47,198
Inventories and prepaid items	5,234	-	-	5,234
Advance to other funds	-	-	76,491	76,491
Capital assets, nondepreciable				
Land	35,754	736,035	-	771,789
Capital assets, depreciable				
Buildings and improvements	738,173	14,241	-	752,414
Improvements other than buildings	872,007	1,354,229	225,962	2,452,198
Machinery and equipment	10,037,557	259,666	-	10,297,223
Less: Accumulated depreciation	(8,709,384)	(1,465,936)	(225,962)	(10,401,282)
<b>TOTAL ASSETS</b>	<b>4,813,929</b>	<b>1,802,621</b>	<b>737,970</b>	<b>7,354,520</b>
<b>LIABILITIES</b>				
Accounts payable	72,578	27,036	7,914	107,528
Accrued and other current liabilities	86,353	28,337	24	114,714
Due to other governments	94,011	1,594	-	95,605
Unearned revenues	658,345	57,593	-	715,938
<b>TOTAL LIABILITIES</b>	<b>911,287</b>	<b>114,560</b>	<b>7,938</b>	<b>1,033,785</b>
<b>NET ASSETS</b>				
Invested in capital assets	2,974,107	898,235	-	3,872,342
Unrestricted	928,535	789,826	730,032	2,448,393
<b>TOTAL NET ASSETS</b>	<b>\$ 3,902,642</b>	<b>\$ 1,688,061</b>	<b>\$ 730,032</b>	<b>\$ 6,320,735</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Nonmajor Enterprise Funds  
Year Ended December 31, 2007

	Transit Commission	Parking Facility	Boat Facility	Totals
<b>Operating Revenues</b>				
Charges for services	\$ 963,251	\$ 425,609	\$ 134,570	\$ 1,523,430
Other	113,478	8,454	46	121,978
<b>Total Operating Revenues</b>	<u>1,076,729</u>	<u>434,063</u>	<u>134,616</u>	<u>1,645,408</u>
<b>Operating Expenses</b>				
Personal services	3,131,121	158,274	409	3,289,804
Contractual services	584,849	158,552	52,113	795,514
Supplies and materials	156,537	27,252	-	183,789
Insurance	201,917	608	-	202,525
Other	46,090	474	2,243	48,807
Depreciation	469,208	45,526	-	514,734
<b>Total Operating Expenses</b>	<u>4,589,722</u>	<u>390,686</u>	<u>54,765</u>	<u>5,035,173</u>
<b>Operating Income (Loss)</b>	<u>(3,512,993)</u>	<u>43,377</u>	<u>79,851</u>	<u>(3,389,765)</u>
<b>Nonoperating Revenues</b>				
Property taxes	658,345	-	-	658,345
Intergovernmental	2,567,307	-	-	2,567,307
Investment income	46,413	35,240	33,118	114,771
<b>Total Nonoperating Revenues</b>	<u>3,272,065</u>	<u>35,240</u>	<u>33,118</u>	<u>3,340,423</u>
<b>Income (Loss) Before Transfers</b>	<u>(240,928)</u>	<u>78,617</u>	<u>112,969</u>	<u>(49,342)</u>
<b>Transfers in</b>	<u>-</u>	<u>12,770</u>	<u>-</u>	<u>12,770</u>
<b>Change in Net Assets</b>	<u>(240,928)</u>	<u>91,387</u>	<u>112,969</u>	<u>(36,572)</u>
<b>Net Assets - January 1</b>	<u>4,143,570</u>	<u>1,596,674</u>	<u>617,063</u>	<u>6,357,307</u>
<b>Net Assets - December 31</b>	<u>\$ 3,902,642</u>	<u>\$ 1,688,061</u>	<u>\$ 730,032</u>	<u>\$ 6,320,735</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**Year Ended December 31, 2007**

	Transit Commission	Parking Facility	Boat Facility	Totals
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,501,795	\$ 437,672	\$ 134,669	\$ 2,074,136
Payments to suppliers	(1,056,435)	(178,127)	(52,297)	(1,286,859)
Payments to employees	(3,131,121)	(158,274)	(409)	(3,289,804)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(2,685,761)</b>	<b>101,271</b>	<b>81,963</b>	<b>(2,502,527)</b>
<b>Cash Flows from Noncapital and Related Financing Activities</b>				
Property taxes	658,345	-	-	658,345
Intergovernmental grants	2,520,109	-	-	2,520,109
Transfers	-	12,770	-	12,770
Advances to (from) other funds	-	-	(3,656)	(3,656)
<b>Net Cash Provided (Used) by Noncapital and Related Financing Activities</b>	<b>3,178,454</b>	<b>12,770</b>	<b>(3,656)</b>	<b>3,187,568</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of capital assets	(33,401)	(33,762)	-	(67,163)
Proceeds from sale of capital assets	-	97,127	-	97,127
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(33,401)</b>	<b>63,365</b>	<b>-</b>	<b>29,964</b>
<b>Cash Flows from Investing Activities</b>				
Interest received	45,570	35,344	33,562	114,476
<b>Change in Cash and Cash Equivalents</b>	<b>504,862</b>	<b>212,750</b>	<b>111,869</b>	<b>829,481</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>617,962</b>	<b>560,589</b>	<b>546,792</b>	<b>1,725,343</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 1,122,824</b>	<b>\$ 773,339</b>	<b>\$ 658,661</b>	<b>\$ 2,554,824</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ (3,512,993)	\$ 43,377	\$ 79,851	\$ (3,389,765)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	469,208	45,526	-	514,734
Changes in assets and liabilities				
Receivables	436,060	(53,864)	53	382,249
Inventories and prepaid items	(129)	-	-	(129)
Accounts payable	(67,045)	7,920	2,101	(57,024)
Accrued and other liabilities	132	(89)	(42)	1
Due to other governments	-	928	-	928
Unearned revenues	(10,994)	57,473	-	46,479
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (2,685,761)</b>	<b>\$ 101,271</b>	<b>\$ 81,963</b>	<b>\$ (2,502,527)</b>
<b>Noncash Investing, Capital and Financing Activities</b>				
None	\$ -	\$ -	\$ -	\$ -

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**December 31, 2007**

	Motor Vehicle	Data Processing	Health Self Insurance
<b>ASSETS</b>			
Cash and investments	\$ 8,463,964	\$ 648,455	\$ 3,073,754
Receivables			
Accounts	537	163	3,490
Other	33,893	2,723	11,792
Inventories and prepaid items	-	7,570	30,209
Deposit with CVMIC	-	-	-
Capital assets, depreciable			
Machinery and equipment	9,954,513	727,258	-
Less: Accumulated depreciation	(6,187,027)	(633,933)	-
<b>TOTAL ASSETS</b>	<b>12,265,880</b>	<b>752,236</b>	<b>3,119,245</b>
<b>LIABILITIES</b>			
Accounts payable	98,636	26,967	92,962
Accrued and other current liabilities	124,117	-	1,750,000
Due to other governments	-	-	4,995
<b>TOTAL LIABILITIES</b>	<b>222,753</b>	<b>26,967</b>	<b>1,847,957</b>
<b>NET ASSETS</b>			
Invested in capital assets	3,767,486	93,325	-
Unrestricted	8,275,641	631,944	1,271,288
<b>TOTAL NET ASSETS</b>	<b>\$ 12,043,127</b>	<b>\$ 725,269</b>	<b>\$ 1,271,288</b>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 911,495	\$ 270,396	\$ 13,368,064
759	-	4,949
3,970	807	53,185
-	35,550	73,329
-	2,205,665	2,205,665
-	-	10,681,771
-	-	(6,820,960)
<b>916,224</b>	<b>2,512,418</b>	<b>19,566,003</b>
7,030	34,546	260,141
50,272	185,703	2,110,092
-	-	4,995
<b>57,302</b>	<b>220,249</b>	<b>2,375,228</b>
-	-	3,860,811
858,922	2,292,169	13,329,964
<b>\$ 858,922</b>	<b>\$ 2,292,169</b>	<b>\$ 17,190,775</b>

**CITY OF SHEBOYGAN, WISCONSIN**  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Internal Service Funds  
Year Ended December 31, 2007

	Motor Vehicle	Data Processing	Health Self Insurance
<b>Operating Revenues</b>			
Charges for services	\$ 2,498,221	\$ 198,073	\$ 8,175,640
Other	17,655	-	-
<b>Total Operating Revenues</b>	<u>2,515,876</u>	<u>198,073</u>	<u>8,175,640</u>
<b>Operating Expenses</b>			
Personal services	587,430	2,169	-
Contractual services	1,106,875	51,151	187,938
Supplies and materials	7,401	4,001	1,523
Insurance	35,591	-	7,621,817
Other	9,763	81,029	3,122
Depreciation	625,528	48,370	-
<b>Total Operating Expenses</b>	<u>2,372,588</u>	<u>186,720</u>	<u>7,814,400</u>
<b>Operating Income (Loss)</b>	<u>143,288</u>	<u>11,353</u>	<u>361,240</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	441,015	29,961	117,863
Interest expense	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>441,015</u>	<u>29,961</u>	<u>117,863</u>
<b>Income (Loss) Before Transfers</b>	584,303	41,314	479,103
<b>Transfers out</b>	<u>(190,000)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Assets</b>	394,303	41,314	479,103
<b>Net Assets - January 1</b>	<u>11,648,824</u>	<u>683,955</u>	<u>792,185</u>
<b>Net Assets - December 31</b>	<u>\$ 12,043,127</u>	<u>\$ 725,269</u>	<u>\$ 1,271,288</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 44,219	\$ 170,225	\$ 11,086,378
-	-	17,655
<u>44,219</u>	<u>170,225</u>	<u>11,104,033</u>
61,942	-	651,541
29,707	43,203	1,418,874
9,491	-	22,416
390,596	161,703	8,209,707
-	-	93,914
-	-	673,898
<u>491,736</u>	<u>204,906</u>	<u>11,070,350</u>
<u>(447,517)</u>	<u>(34,681)</u>	<u>33,683</u>
53,969	259,570	902,378
-	(5,183)	(5,183)
<u>53,969</u>	<u>254,387</u>	<u>897,195</u>
(393,548)	219,706	930,878
-	-	(190,000)
<u>(393,548)</u>	<u>219,706</u>	<u>740,878</u>
<u>1,252,470</u>	<u>2,072,463</u>	<u>16,449,897</u>
<u>\$ 858,922</u>	<u>\$ 2,292,169</u>	<u>\$ 17,190,775</u>

**CITY OF SHEBOYGAN, WISCONSIN**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended December 31, 2007**

	Motor Vehicle	Data Processing	Health Self Insurance
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 2,515,752	\$ 199,150	\$ 8,375,021
Payments to suppliers	(1,144,771)	(116,274)	(7,853,373)
Payments to employees	(577,319)	(2,169)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>793,662</u>	<u>80,707</u>	<u>521,648</u>
<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)	(190,000)	-	-
Advances to other funds	86,725	-	-
<b>Net Cash Provided by Noncapital and Related Financing Activities</b>	<u>(103,275)</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Acquisition of capital assets	(709,649)	(45,576)	-
<b>Cash Flows from Investing Activities</b>			
Interest received	454,854	30,644	117,934
<b>Change in Cash and Cash Equivalents</b>	435,592	65,775	639,582
<b>Cash and Cash Equivalents - January 1</b>	<u>8,028,372</u>	<u>582,680</u>	<u>2,434,172</u>
<b>Cash and Cash Equivalents - December 31</b>	<u>\$ 8,463,964</u>	<u>\$ 648,455</u>	<u>\$ 3,073,754</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 143,288	\$ 11,353	\$ 361,240
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	625,528	48,370	-
Changes in assets and liabilities			
Receivables	(124)	1,077	199,381
Inventories and prepaid items	-	-	(30,209)
Accounts payable	15,094	19,907	18,761
Accrued and other liabilities	9,876	-	(27,525)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 793,662</u>	<u>\$ 80,707</u>	<u>\$ 521,648</u>
<b>Noncash Investing, Capital and Financing Activities</b>			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 43,460	\$ 170,225	\$ 11,303,608
(437,666)	(175,552)	(9,727,636)
(61,907)	-	(641,395)
<u>(456,113)</u>	<u>(5,327)</u>	<u>934,577</u>

-	(238,315)	(238,315)
-	(10,366)	(10,366)
-	248,836	248,836
-	-	(190,000)
-	-	86,725
-	155	(103,120)

-                      -                      (755,225)

58,020                      11,047                      672,499

(398,093)                      5,875                      748,731

1,309,588                      264,521                      12,619,333

\$ 911,495                      \$ 270,396                      \$ 13,368,064

\$ (447,517)                      \$ (34,681)                      \$ 33,683

-                      -                      673,898

(759)                      -                      199,575

6,854                      2,291                      (21,064)

(14,963)                      27,063                      65,862

272                      -                      (17,377)

\$ (456,113)                      \$ (5,327)                      \$ 934,577

\$ -                      \$ -                      \$ -

**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 City of Sheboygan, Wisconsin, as of and for the year ended December 31, 2007, which collectively comprise the City of Sheboygan's basic financial statements and have issued our report thereon dated July 29, 2008. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Water Utility enterprise fund and the Housing Authority of the City of Sheboygan as described in our report on the City of Sheboygan's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 July 29, 2008.

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  
July 29, 2008

## **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, 2007. 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, 2007.

**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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.



Certified Public Accountants  
Green Bay, Wisconsin  
July 29, 2008

**CITY OF SHEBOYGAN, WISCONSIN**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2007**

Grantor Agency/Passthrough Agency/ Grant Title, Award or Project Number	Federal CFDA Number	(Accrued) Deferred Revenue 1/1/07	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/07	Total Revenues	Total Expenditures
<b>FEDERAL PROGRAMS</b>						
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>						
<b>Direct Programs</b>						
<b>Community Development Block Grant</b>						
1978	14.218	\$ (182,987)	\$ 370,044	\$ 264,697	\$ 451,754	\$ 451,754
1999	14.218	(2,195)	144,873	-	142,678	142,678
2000	14.218	(74,466)	78,861	-	4,395	4,395
2001	14.218	(12,804)	13,199	-	395	395
2002	14.218	(1,138)	1,938	-	800	800
2003	14.218	(29,505)	37,602	11,370	19,467	19,467
2004	14.218	(67,727)	72,749	-	5,022	5,022
2005	14.218	(48,830)	219,526	-	170,696	170,696
Lead Hazard Control Grant Program	14.900	(203,015)	606,489	104,001	507,475	507,475
<b>Total U.S. Department of Housing and Urban Development</b>		<b>(622,667)</b>	<b>1,545,281</b>	<b>380,068</b>	<b>1,302,682</b>	<b>1,302,682</b>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>						
<b>Passed through Wisconsin Department of Administration</b>						
Bryne Formula Grant - Task Force	16.579	(3,351)	3,351	-	-	-
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>						
<b>Direct Program</b>						
Urban Mass Transportation Operating Assistance	20.507	-	1,406,708	-	1,406,708	1,406,708
<b>Passed through Wisconsin Department of Transportation</b>						
Recreational Trails Program	20.219	(85,741)	85,741	-	-	-
<b>Total U.S. Department of Transportation</b>		<b>(85,741)</b>	<b>1,492,449</b>	<b>-</b>	<b>1,406,708</b>	<b>1,406,708</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ (711,759)</b>	<b>\$ 3,041,081</b>	<b>\$ 380,068</b>	<b>\$ 2,709,390</b>	<b>\$ 2,709,390</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, 2007**

Grantor Agency/Passthrough Agency/ Grant Title, Award or Project Number	State I.D. Number	(Accrued) Deferred Revenue 1/1/07	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/07	Total Revenues	Total Expenditures
<b>STATE PROGRAMS</b>						
<b><u>DEPARTMENT OF TRANSPORTATION</u></b>						
Transit Operating Aid - 2005	395.104	\$ 81,560	\$ (81,560)	\$ -	\$ -	\$ -
Transit Operating Aid - 2006	395.104	94,011	-	(94,011)	-	-
Transit Operating Aid - 2007	395.104	-	1,016,543	24,427	1,040,970	1,040,970
<b>Total Department of Transportation</b>		<u>175,571</u>	<u>934,983</u>	<u>(69,584)</u>	<u>1,040,970</u>	<u>1,040,970</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u>\$ 175,571</u>	<u>\$ 934,983</u>	<u>\$ (69,584)</u>	<u>\$ 1,040,970</u>	<u>\$ 1,040,970</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, 2007

**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 2007 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 2007.

**NOTE C - OVERSIGHT AGENCY**

The federal oversight agency for the City is the U.S. Department of Transportation. The state oversight agency for the City is the State of Wisconsin Department of Transportation.

**CITY OF SHEBOYGAN, WISCONSIN**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2007**

**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(ies) 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 and state programs:

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

State ID Number	Name of State Programs/Cluster
395.104	Transit Operating Aid

Audit threshold used to determine between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee Yes

**Section II - Financial Statement Findings**

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2007.

**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, 2007.

**CITY OF SHEBOYGAN, WISCONSIN**  
**Schedule of Prior Year Audit Findings and Corrective Action Plan**  
**For the Year Ended December 31, 2007**

**Prior Year Audit Findings**

There were no findings or questioned costs for federal awards for the year ended December 31, 2006.

**Corrective Action Plan**

No corrective action plan is required.