

CITY OF SHEBOYGAN, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2008

CITY OF SHEBOYGAN, WISCONSIN
December 31, 2008

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CITY OF SHEBOYGAN, WISCONSIN

December 31, 2008

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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 Mayor Bob Ryan 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, 2008, 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, 2008, 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.

As described in Note D2 the City has implemented GASB statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, for the fiscal year ended December 31, 2008.



In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2009, 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 City has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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
September 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements (beginning on page 17).

GENERAL INFORMATION

The City of Sheboygan was incorporated as a City on April 5, 1853. The City of Sheboygan is located in Sheboygan County, approximately 52 miles north of Milwaukee. The City's boundary encompasses 14.19 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 2008, the Council had five standing committees with five aldermen on each committee. The standing committees are: Finance, Public Protection and Safety, Public Works, Salaries and Grievances and Law and Licensing.

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

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

FINANCIAL HIGHLIGHTS

- The City of Sheboygan's assets exceeded its liabilities by \$144 million (net assets) for the fiscal year reported, which remained steady from the previous year.
- Total net assets are comprised of the following:
 - (1) Capital assets of \$94 million include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Restricted assets of \$10.4 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws or regulations.
 - (3) Unrestricted net assets of \$40 million represent the portion available to maintain the City's continuing obligations to citizens and creditors, an increase of \$6 million from the previous year.
- At the end of the 2008 fiscal year, the City's ending fund balance for the governmental funds totaled \$28.4 million, a decrease of \$5.5 million in comparison to the previous year. The ending fund balance for the General Fund was \$12.8 million, a decrease of \$3.3 million from the previous year. The unreserved fund balance in the General Fund was \$9.8 million, which includes a designation of \$4 million for working capital and \$836,787 for the subsequent year's budget. The General Fund reserved fund balance was \$2.9 million. The total fund balance in the General Fund decreased \$3.3 million, primarily caused when the City funded its retirement obligation.
- The total General Fund revenues showed an unfavorable variance final budget to actual of \$430,928 and expenditures showed a favorable variance final budget to actual of \$512,724.
- In 2008, the City issued general obligation promissory notes of \$3,000,000 and taxable refunding bonds of \$850,000.
- In 2008, the City's general obligation debt totaled \$61.7 million, which is 2.1% of the City's equalized valuation.

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

USING THE FINANCIAL STATEMENTS

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The new financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

Government-Wide Financial Statements

The government-wide financial statements (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)**

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)**

GOVERNMENT-WIDE STATEMENT

Statement of Net Assets

The City of Sheboygan's net assets exceed liabilities by \$144.8 million. The unrestricted portion of the net assets was \$40.2 million, or 27.8 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 \$94 million or 65 percent. The restricted net assets reflect reserves and totaled \$10.5 million or 7.2 percent of the net assets.

The following table reflects the condensed Statement of Net Assets:

**CITY OF SHEBOYGAN
Statement of Net Assets
December 31, 2008
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 84,683	\$ 94,693	\$ 15,512	\$ 15,821	\$100,195	\$110,514
Capital assets	<u>97,823</u>	<u>93,127</u>	<u>68,682</u>	<u>69,805</u>	<u>166,505</u>	<u>162,932</u>
Total Assets	182,506	187,820	84,194	85,626	266,700	273,446
Long-term liabilities						
outstanding	67,844	75,760	14,388	15,326	82,232	91,086
Current and other liabilities	<u>36,904</u>	<u>34,631</u>	<u>2,795</u>	<u>3,345</u>	<u>39,699</u>	<u>37,976</u>
Total Liabilities	104,748	110,391	17,183	18,671	121,931	129,062
Net assets:						
Invested in capital assets, net of related debt	38,970	43,017	55,115	57,018	94,085	100,035
Restricted	10,201	10,546	253	255	10,454	10,801
Unrestricted	<u>28,587</u>	<u>23,866</u>	<u>11,643</u>	<u>9,682</u>	<u>40,230</u>	<u>33,548</u>
Total Net Assets	<u>\$ 77,758</u>	<u>\$ 77,429</u>	<u>\$ 67,011</u>	<u>\$ 66,955</u>	<u>\$144,769</u>	<u>\$144,384</u>

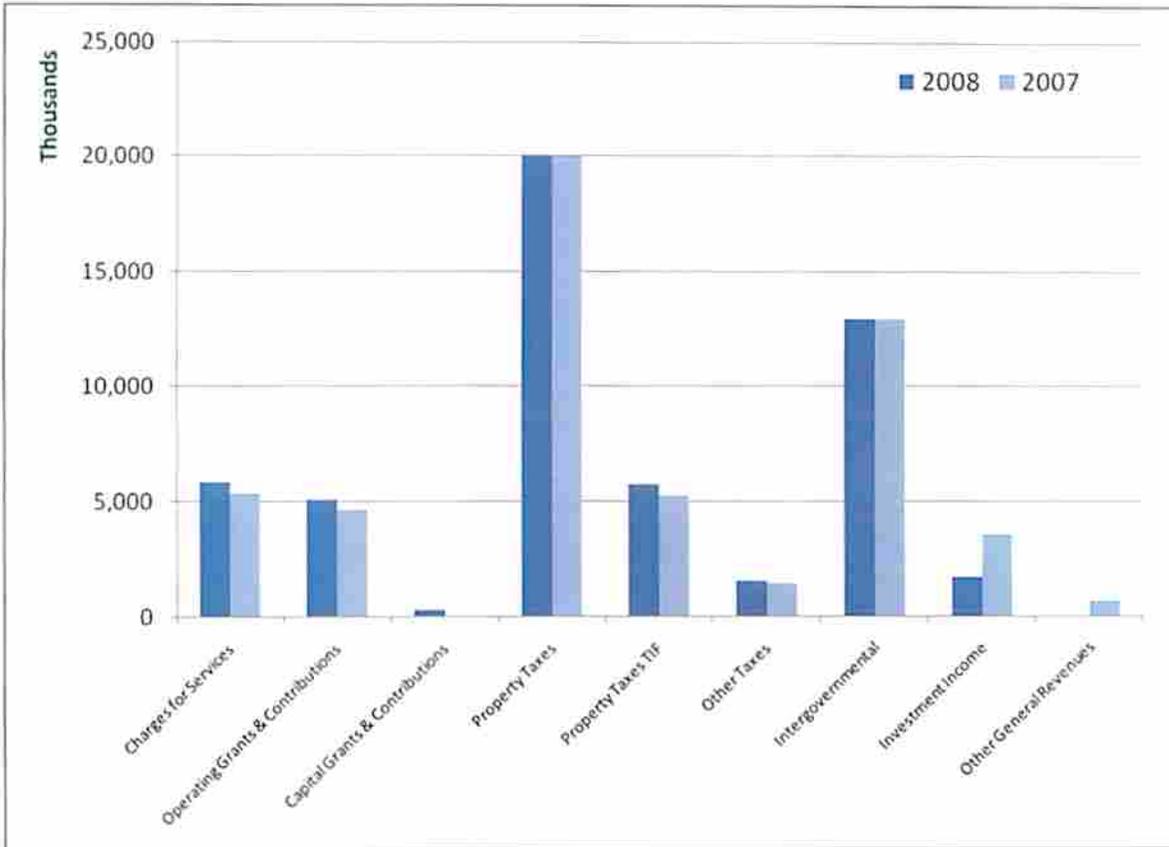
**CITY OF SHEBOYGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

<u>REVENUES</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program Revenues:						
Charges for Services	\$ 5,817	\$ 5,367	\$ 14,977	\$ 14,796	\$ 20,794	\$ 20,163
Operating Grants & contributions	5,093	4,645	2,432	2,565	7,525	7,210
Capital Grants & contributions	319	49	227	219	546	268
General Revenues:						
Property Taxes	20,043	19,981	659	658	20,702	20,639
Property Taxes TIF	5,713	5,210	-	-	5,713	5,210
Other taxes	1,540	1,474	-	-	1,540	1,474
Intergovernmental	12,976	12,967	-	-	12,967	12,967
Investment income	1,724	3,544	399	729	2,123	4,273
Miscellaneous	<u>50</u>	<u>675</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>675</u>
Total Revenues	53,275	53,912	18,694	18,967	71,969	72,879
 <u>EXPENSES</u>						
Governmental Activities:						
General Government	6,469	6,236	-	-	6,469	6,236
Public Protection/Safety	21,489	20,776	-	-	21,489	20,776
Public Works	12,244	9,088	-	-	12,244	9,088
Health/Human Services	805	451	-	-	805	451
Culture/Recreation	7,637	7,931	-	-	7,637	7,931
Conservation/Development	1,847	4,335	-	-	1,847	4,335
Debt Expense	3,192	2,834	-	-	3,192	2,834
Business-type Activities:						
Storm Water Fund	-	-	1,050	1,584	1,050	1,584
Wastewater System Fund	-	-	7,711	7,293	7,711	7,293
Water Utility Fund	-	-	4,267	4,367	4,267	4,367
Transit Funds	-	-	4,319	4,598	4,319	4,598
Parking Funds	-	-	486	393	486	393
Boat Facility Fund	<u>-</u>	<u>-</u>	<u>68</u>	<u>55</u>	<u>68</u>	<u>55</u>
Total expenses	<u>53,683</u>	<u>51,651</u>	<u>17,901</u>	<u>18,290</u>	<u>71,584</u>	<u>69,941</u>
Changes in net assets before						
Transfers	(408)	2,261	793	677	385	2,938
Transfers	<u>737</u>	<u>677</u>	<u>(737)</u>	<u>(677)</u>	<u>-</u>	<u>-</u>
Change in net assets	329	2,938	56	-	385	2,938
Prior Period Adjustment	-	-	-	-	-	-
Net Assets - January 1	<u>77,429</u>	<u>74,491</u>	<u>66,955</u>	<u>66,955</u>	<u>144,384</u>	<u>141,446</u>
Net Assets - December 31	<u>\$77,758</u>	<u>\$ 77,429</u>	<u>\$67,011</u>	<u>\$66,955</u>	<u>\$144,769</u>	<u>\$144,384</u>

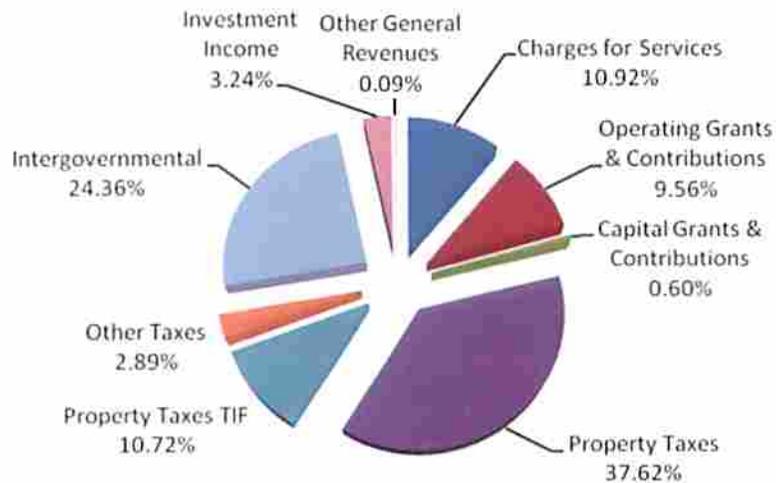
CITY OF SHEBOYGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Program and General Revenues by Source – Governmental Activities

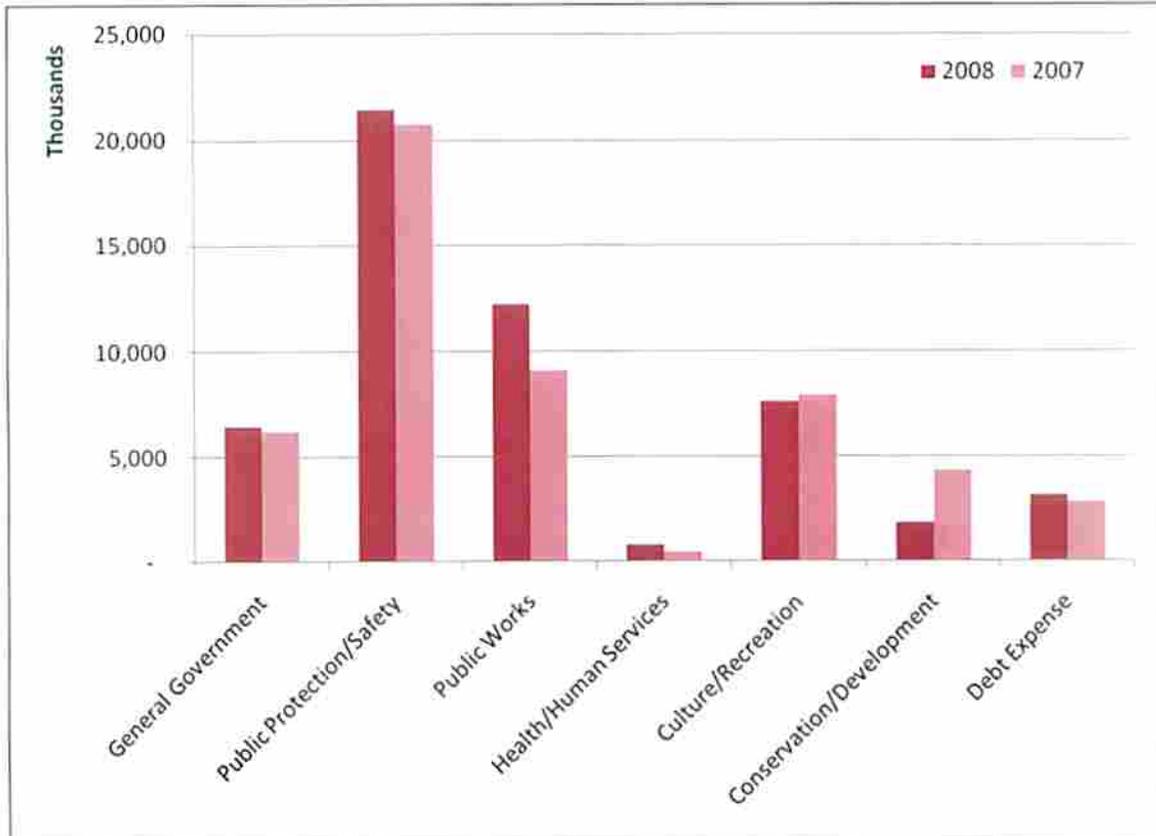


**2008 Governmental Activities
Program and General Revenues by Source**

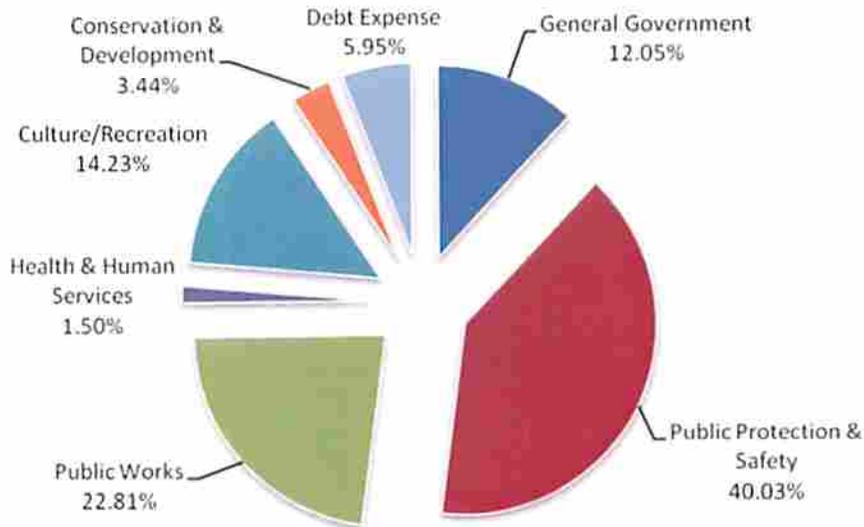


**CITY OF SHEBOYGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Expenses – Governmental Activities



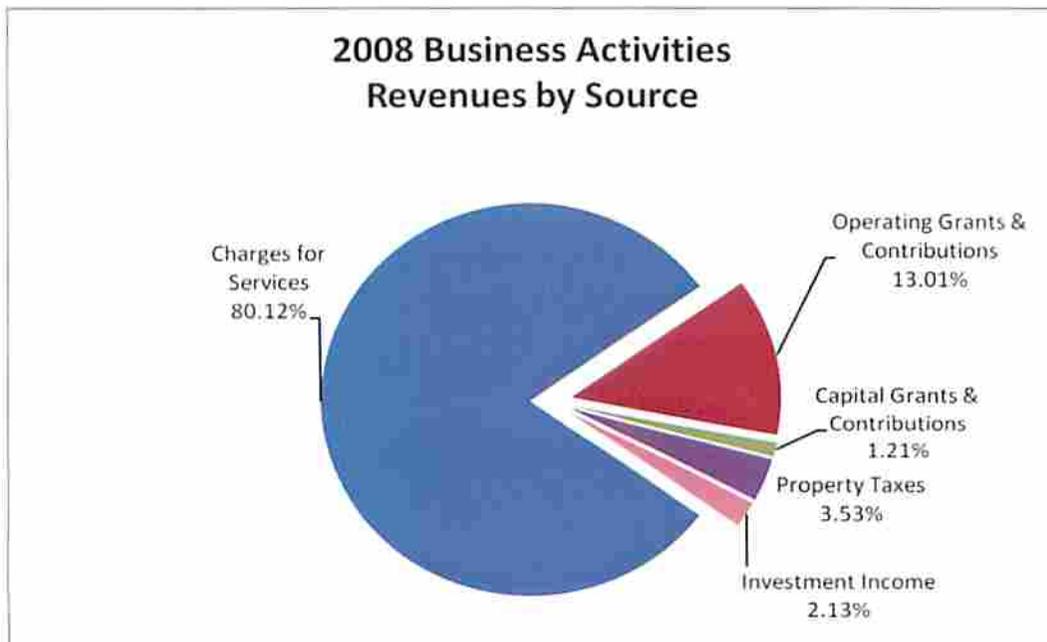
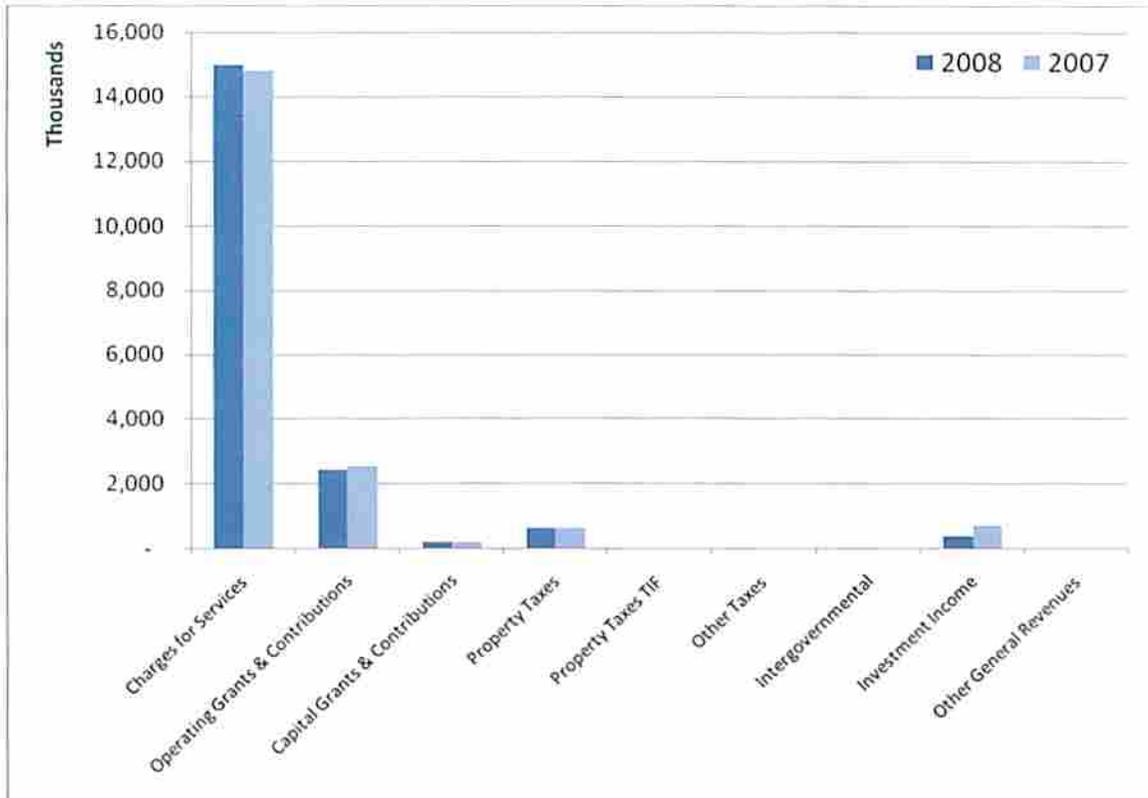
**2008 Governmental Activities
Expenditures by Function**



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

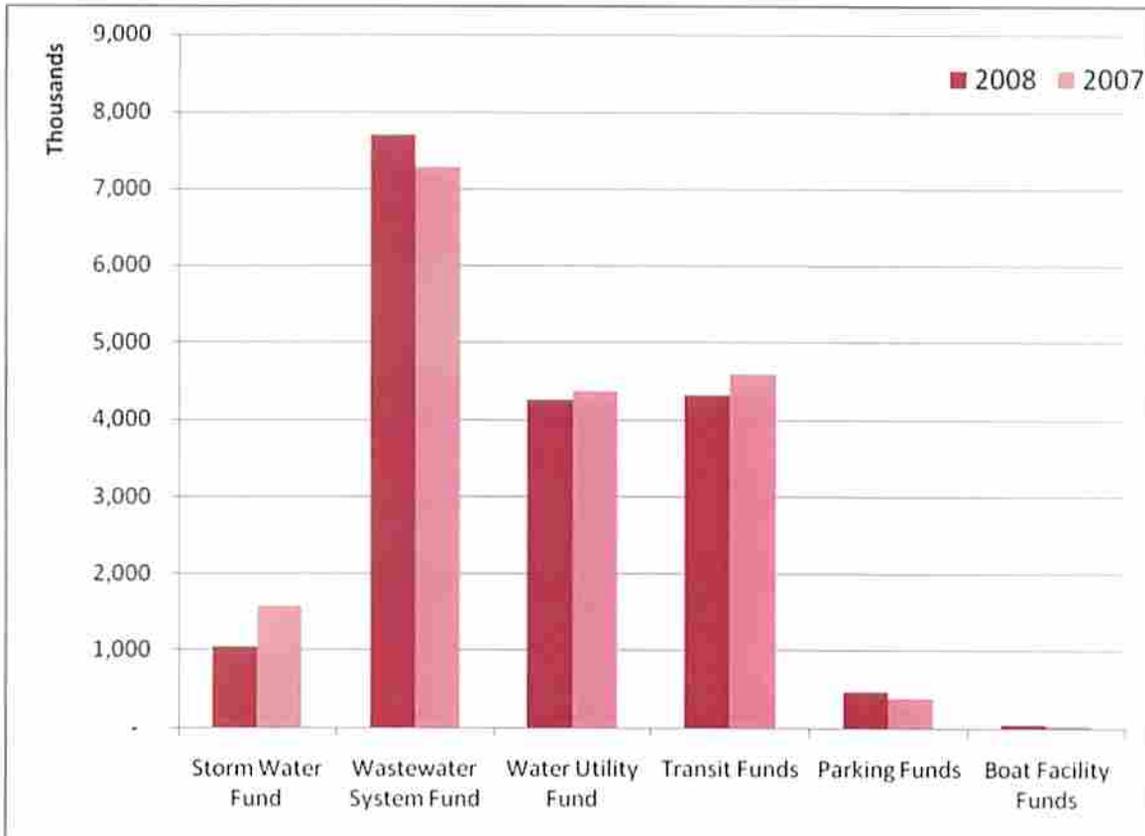
Business-type activities. Business-type activities accounted for 46% of the City of Sheboygan's net assets as of December 31, 2008. After transfers, the net assets for business-type activities remained stable at \$67 million.

Revenues by Source – Business-type Activities

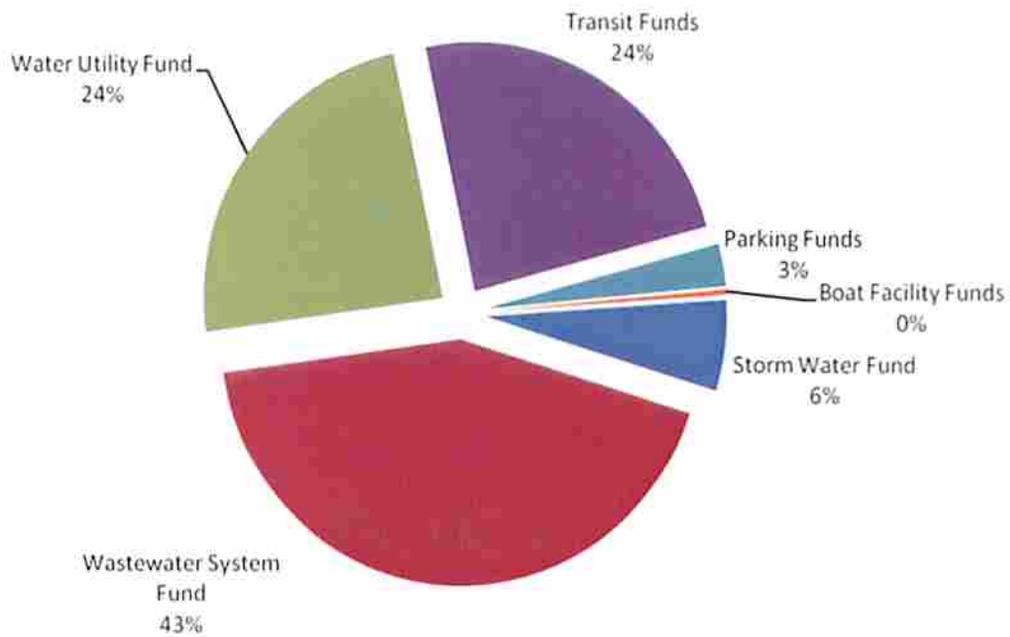


**CITY OF SHEBOYGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Expenses – Business-type Activities:



2008 Expenses by Business Type Activities



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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds:

Governmental funds reported ending fund balances of \$28 million. Forty-seven percent of this year-end total, or approximately \$13.4 million, is unreserved with \$1.9 million designated for the subsequent year's expenditures and budget and \$4 million designated for working capital. The reserved fund balances include \$4.4 million committed to debt service, \$3.9 million committed to encumbrances, \$4.7 million for non-current assets and \$2 million for assets in trusts. The total ending fund balance of governmental funds shows a decrease of \$5.5 million compared to the prior year.

Proprietary Funds:

Unrestricted net assets at the end of 2008 were \$5.7 million for the Sewerage System, \$609,564 for the Storm Water Utility and \$2.78 million for the Water Utility. The unrestricted net assets of the other enterprise funds, including the Transit Commission, the Parking Utility and the Boat Facility, amounted to \$2.7 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 16% for 2009. 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 \$12.9 million. The General Fund expenditures exceeded revenue by \$3 million. With the inclusion of operating transfers and prior period adjustments, the fund balance of the General Fund decreased \$3.3 million.

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

General Fund Budgetary Highlights:

Differences between the original budget and the final amended budget totaled \$1,550,877. The actual expenditures were \$512,724 under the final budget and \$1 million over the original budget.

The total amendments included prior year appropriations for capital outlay and projects and appropriations in 2008 of \$914,882.

The actual General Fund revenues were less than the final revenue estimates by \$430,928.

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, 2008, amounts to \$166 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land & improvements	\$ 11,696	\$ 11,923	\$ 2,268	\$ 2,267	\$ 13,964	\$ 14,190
Improvements other than buildings	5,540	5,742	545	904	6,085	6,646
Buildings	19,357	14,143	7,147	7,535	26,504	21,678
Machinery & equipment	7,914	7,007	8,971	9,225	16,885	16,232
Infrastructure	52,767	54,312	48,009	48,758	100,776	103,070
Construction in progress	548	-	1,742	1,116	2,290	1,116
Total	<u>\$ 97,822</u>	<u>\$ 93,127</u>	<u>\$ 68,682</u>	<u>\$ 69,805</u>	<u>\$166,504</u>	<u>\$162,932</u>

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

Long-term debt. At the end of the 2008 fiscal year, the City of Sheboygan's total bonded debt outstanding was \$76 million. Of this amount, \$61.7 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, 2008 and 2007

(In thousands)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation bonds						
and notes	\$ 61,744	\$ 58,325	\$ -	\$ -	\$ 61,744	\$ 58,325
Revenue Bonds and						
Mortgage notes	<u>-</u>	<u>-</u>	<u>14,297</u>	<u>15,189</u>	<u>14,297</u>	<u>15,189</u>
Total	\$ <u>61,744</u>	\$ <u>58,325</u>	\$ <u>14,297</u>	\$ <u>15,189</u>	\$ <u>76,041</u>	\$ <u>73,514</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, 2008 was \$144 million. The City Council has established a debt limit of 3 percent of equalized valuation, or \$86.4 million as of December 31, 2008.

During 2008, the City issued general obligation promissory notes of \$3,000,000 and issued \$850,000 in general obligation taxable refunding bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's 2009 adopted budget for the General Fund increased from \$34,550,336 to \$36,223,590, an increase of 4.8%. The tax levy for the 2009 Budget increased 1.2% with a tax levy of \$14,507,682 for the General Fund, \$658,345 for the Transit Fund, \$3,132,556 for the Debt Service Fund and \$2,651,435 for the Library Fund for a total tax levy of \$20,950,018.

The total tax rate after the State tax credit increased from \$24.54 per thousand to \$25.52 per thousand, inclusive of the Sheboygan Area School District. The City's assessed tax rate remained stable at \$8.36 per thousand.

The applied fund balance in the General Fund budget increased from the previous year to \$836,787.

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

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, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District
ASSETS					
Cash and investments	\$ 38,195,154	\$ 12,089,863	\$ 50,285,017	\$ 4,459,346	\$ 90,895
Receivables					
Taxes	25,720,828	714,257	26,435,085	-	-
Accounts	745,541	1,819,543	2,565,084	653	4,250
Special assessments	261,823	296,207	558,030	-	-
Loans	14,346,565	-	14,346,565	-	-
Other	45,213	6,902	52,115	3,878	-
Internal balances	885,718	(885,718)	-	-	-
Due from other governments	1,312,587	189,286	1,501,873	-	-
Inventories and prepaid items	766,881	225,507	992,388	29,682	5,000
Deferred charges	197,292	-	197,292	-	-
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	1,056,414	1,056,414	276,890	-
Capital assets, nondepreciable					
Land	11,696,457	2,267,757	13,964,214	266,510	-
Construction in progress	547,611	1,742,031	2,289,642	-	-
Capital assets, depreciable					
Buildings and improvements	30,463,819	17,956,039	48,419,858	6,340,045	-
Improvements other than buildings	13,370,572	19,051,556	32,422,128	-	-
Machinery and equipment	21,869,770	34,376,928	56,246,698	511,003	-
Infrastructure	88,561,464	74,538,307	163,099,771	-	-
Less: Accumulated depreciation	(68,687,173)	(81,250,166)	(149,937,339)	(5,517,731)	-
TOTAL ASSETS	182,505,787	84,194,713	266,700,500	6,370,276	100,145
LIABILITIES					
Accounts payable	2,936,481	862,143	3,798,624	-	930
Accrued and other current liabilities	5,006,615	952,546	5,959,161	166,393	-
Accrued interest payable	1,035,140	87,727	1,122,867	-	-
Due to other governments	2,405,479	225,096	2,630,575	-	-
Unearned revenues	25,519,862	667,624	26,187,486	72	-
Long-term Obligations					
Due within one year	6,261,293	1,020,902	7,282,195	-	-
Due in more than one year	61,583,021	13,366,988	74,950,009	-	-
TOTAL LIABILITIES	104,747,891	17,183,026	121,930,917	166,465	930
NET ASSETS					
Invested in capital assets, net of related debt	38,970,270	55,115,451	94,085,721	1,599,827	-
Restricted for					
Debt service	909,559	253,405	1,162,964	-	-
Net assets	-	-	-	205,005	-
Community development loans	9,291,234	-	9,291,234	-	-
Unrestricted	28,586,833	11,642,831	40,229,664	4,398,979	99,215
TOTAL NET ASSETS	\$ 77,757,896	\$ 67,011,687	\$144,769,583	\$ 6,203,811	\$ 99,215

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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 6,469,360	\$ 1,462,751	\$ 37,496	\$ -
Public safety	21,489,185	2,465,096	316,554	-
Public works	12,244,009	998,376	2,235,392	319,161
Health and human services	805,281	86,872	-	-
Culture and recreation	7,636,722	784,388	806,678	-
Conservation and development	1,846,998	19,974	1,696,651	-
Interest on debt	3,192,276	-	-	-
Total Governmental Activities	<u>53,683,831</u>	<u>5,817,457</u>	<u>5,092,771</u>	<u>319,161</u>
Business-type Activities				
Sewerage system	7,711,056	6,685,901	-	27,052
Water utility	4,266,675	6,113,399	-	8,190
Storm water utility	1,049,752	541,393	-	98,419
Transit commission	4,318,999	1,047,532	2,414,296	93,331
Parking facility	485,803	463,543	-	-
Boat facility	68,371	125,338	17,750	-
Total Business-type Activities	<u>17,900,656</u>	<u>14,977,106</u>	<u>2,432,046</u>	<u>226,992</u>
Total Primary Government	<u>\$ 71,584,487</u>	<u>\$ 20,794,563</u>	<u>\$ 7,524,817</u>	<u>\$ 546,153</u>
Component Units				
Housing Authority of the City of Sheboygan	\$ 1,594,966	\$ 904,729	\$ 636,397	\$ 411,358
Harbor Centre Business Improvement District	123,640	127,808	17,000	-
	<u>\$ 1,718,606</u>	<u>\$ 1,032,537</u>	<u>\$ 653,397</u>	<u>\$ 411,358</u>

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

Change in net assets

Net assets - January 1

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

\$ (4,969,113)	\$ -	\$ (4,969,113)	\$ -	\$ -
(18,707,535)	-	(18,707,535)	-	-
(8,691,080)	-	(8,691,080)	-	-
(718,409)	-	(718,409)	-	-
(6,045,656)	-	(6,045,656)	-	-
(130,373)	-	(130,373)	-	-
(3,192,276)	-	(3,192,276)	-	-
<u>(42,454,442)</u>	<u>-</u>	<u>(42,454,442)</u>	<u>-</u>	<u>-</u>

-	(998,103)	(998,103)	-	-
-	1,854,914	1,854,914	-	-
-	(409,940)	(409,940)	-	-
-	(763,840)	(763,840)	-	-
-	(22,260)	(22,260)	-	-
-	74,717	74,717	-	-
-	<u>(264,512)</u>	<u>(264,512)</u>	<u>-</u>	<u>-</u>
<u>(42,454,442)</u>	<u>(264,512)</u>	<u>(42,718,954)</u>	<u>-</u>	<u>-</u>

-	-	-	357,518	-
-	-	-	-	21,168
-	-	-	<u>357,518</u>	<u>21,168</u>

20,043,294	658,345	20,701,639	-	-
5,713,628	-	5,713,628	-	-
1,539,881	-	1,539,881	-	-
12,975,866	-	12,975,866	-	-
1,724,495	399,080	2,123,575	206,299	1,658
49,906	-	49,906	30,163	-
736,606	(736,606)	-	-	-
<u>42,783,676</u>	<u>320,819</u>	<u>43,104,495</u>	<u>236,462</u>	<u>1,658</u>
329,234	56,307	385,541	593,980	22,826
<u>77,428,662</u>	<u>66,955,380</u>	<u>144,384,042</u>	<u>5,609,831</u>	<u>76,389</u>
<u>\$ 77,757,896</u>	<u>\$ 67,011,687</u>	<u>\$ 144,769,583</u>	<u>\$ 6,203,811</u>	<u>\$ 99,215</u>

CITY OF SHEBOYGAN, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2008

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
ASSETS				
Cash and investments	\$ 11,351,759	\$ 1,108,561	\$ 1,916,800	\$ 1,099,739
Receivables				
Taxes	14,604,291	3,132,556	5,227,474	-
Accounts	200,340	998	10,806	1,033
Special assessments	(1,927)	-	-	-
Loans	10,000	-	4,000,000	-
Due from other funds	1,612,272	1,973,746	-	-
Advance to other funds	2,122,516	1,510,857	-	-
Due from other governments	109,389	-	-	-
Inventories and prepaid items	506,018	-	-	-
TOTAL ASSETS	\$ 30,514,658	\$ 7,726,718	\$ 11,155,080	\$ 1,100,772
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 510,122	\$ -	\$ -	\$ 7,942
Accrued and other current liabilities	1,971,897	-	-	-
Due to other funds	-	-	-	7,503
Due to other governments	34,481	-	-	-
Deferred revenues	14,553,383	3,132,556	9,227,474	-
Advance from other funds	591,279	200,000	4,638,285	846,303
Total Liabilities	17,661,162	3,332,556	13,865,759	861,748
Fund Balances				
Reserved for				
Inventories and prepaid items	506,018	-	-	-
Long-term accounts and interfund receivables	2,305,783	3,484,603	-	-
Encumbrances	155,294	-	-	239,024
Retirement of long-term debt	-	909,559	-	-
Cemetery perpetual care	-	-	-	-
Trust activities	-	-	-	-
Unreserved				
Designated for				
Subsequent year's expenditures	14,000	-	-	-
Subsequent year's budget	836,787	-	-	-
Subsequent year's working capital	4,000,000	-	-	-
Undesignated, reported in				
General fund	5,035,614	-	-	-
Special revenue funds	-	-	-	-
Debt service fund	-	-	(2,710,679)	-
Capital projects funds	-	-	-	-
Total Fund Balances	12,853,496	4,394,162	(2,710,679)	239,024
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,514,658	\$ 7,726,718	\$ 11,155,080	\$ 1,100,772

(Continued)

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

\$ 3,550,717 \$ 10,732,132 \$ 29,759,708

-	2,756,507	25,720,828
1,378	518,058	732,613
-	263,750	261,823
-	10,336,565	14,346,565
-	-	3,586,018
-	2,442,494	6,075,867
-	1,198,172	1,307,561
-	88,617	594,635

\$ 3,552,095 \$ 28,336,295 \$ 82,385,618

\$ 702,454 \$ 606,029 \$ 1,826,547

-	590,822	2,562,719
-	2,809,601	2,817,104
-	2,370,998	2,405,479
-	11,068,913	37,982,326
-	78,372	6,354,239

702,454 17,524,735 53,948,414

-	88,617	594,635
-	1,851,215	7,641,601
2,849,641	620,724	3,864,683
-	-	909,559
-	763,415	763,415
-	1,224,797	1,224,797

-	1,081,626	1,095,626
-	-	836,787
-	-	4,000,000

-	-	5,035,614
-	3,164,874	3,164,874
-	-	(2,710,679)
-	2,016,292	2,016,292

2,849,641 10,811,560 28,437,204

\$ 3,552,095 \$ 28,336,295 \$ 82,385,618

CITY OF SHEBOYGAN, WISCONSIN
Balance Sheet (Continued)
Governmental Funds
December 31, 2008

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page		\$ 28,437,204
 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.		93,058,791
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		403,667
Accounts receivable		89,802
Loans receivable		11,968,995
Internal service funds reported in the statement of net assets as governmental activities (see page 29)		12,481,599
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	\$(62,975,892)	
Capital leases payable	(526,814)	
Unfunded post employment benefits	(611,877)	
Compensated absences	(3,729,731)	
Deferred charges - bond issues	197,292	
Accrued interest on long-term obligations	(1,035,140)	(68,682,162)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 17)		<u>\$ 77,757,896</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, 2008

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
Revenues				
Taxes	\$ 14,110,787	\$ 3,495,636	\$ 5,758,434	\$ -
Special assessments	1,191	-	-	-
Intergovernmental	15,374,960	-	87,575	-
Licenses and permits	601,625	-	-	-
Fines and forfeits	952,117	-	-	-
Public charges for services	358,212	-	1,146	-
Intergovernmental charges for services	219,764	-	-	-
Miscellaneous	892,262	205,948	106,708	32,790
Total Revenues	32,510,918	3,701,584	5,953,863	32,790
Expenditures				
Current				
General government	4,654,272	-	-	-
Public safety	19,256,892	-	-	-
Public works	7,522,642	-	-	-
Health and human services	407,003	-	-	-
Culture and recreation	3,378,643	-	-	-
Conservation and development	332,496	-	302,442	-
Other	14,625	-	-	-
Debt service				
Principal	-	3,908,500	2,292,098	-
Interest and fiscal charges	14,187	1,445,281	1,318,593	20,306
Retirement of unfunded pension liability	-	5,981,364	-	-
Capital outlay	-	-	-	1,045,531
Total Expenditures	35,580,760	11,335,145	3,913,133	1,065,837
Excess of Revenues Over (Under)				
Expenditures	(3,069,842)	(7,633,561)	2,040,730	(1,033,047)
Other Financing Sources (Uses)				
Long-term debt issued	-	6,750,000	-	720,000
Retirement of unfunded pension liability	-	(5,900,000)	-	-
Payment to current noteholder	-	(850,000)	-	-
Transfers in	1,385,668	7,568,090	51,875	357,430
Transfers out	(1,629,547)	(527,770)	(1,143,929)	-
Total Other Financing Sources (Uses)	(243,879)	7,040,320	(1,092,054)	1,077,430
Net Change in Fund Balances	(3,313,721)	(593,241)	948,676	44,383
Fund Balances (Deficit) - January 1	16,167,217	4,987,403	(3,659,355)	194,641
Fund Balances (Deficit) - December 31	\$ 12,853,496	\$ 4,394,162	\$ (2,710,679)	\$ 239,024

(Continued)

Capital Projects Bonded	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,931,946	\$ 27,296,803
-	343,789	344,980
-	2,427,736	17,890,271
-	528,658	1,130,283
-	1,091,213	2,043,330
-	1,836,771	2,196,129
-	-	219,764
209,016	2,493,598	3,940,322
<u>209,016</u>	<u>12,653,711</u>	<u>55,061,882</u>

-	1,580,698	6,234,970
-	493,677	19,750,569
-	783,040	8,305,682
-	-	407,003
-	3,669,462	7,048,105
-	2,008,571	2,643,509
-	-	14,625
-	-	6,200,598
22,900	1,880	2,823,147
-	-	5,981,364
<u>8,771,426</u>	<u>174,645</u>	<u>9,991,602</u>
<u>8,794,326</u>	<u>8,711,973</u>	<u>69,401,174</u>

(8,585,310) 3,941,738 (14,339,292)

3,000,000	-	10,470,000
-	-	(5,900,000)
-	-	(850,000)
-	838,742	10,201,805
<u>(20,663)</u>	<u>(1,786,654)</u>	<u>(5,108,563)</u>
<u>2,979,337</u>	<u>(947,912)</u>	<u>8,813,242</u>

(5,605,973) 2,993,826 (5,526,050)

8,455,614 7,817,734 33,963,254

\$ 2,849,641 \$ 10,811,560 \$ 28,437,204

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
Year Ended December 31, 2008

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (5,526,050)

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	\$ 7,628,749	
Depreciation expense reported in the statement of activities	<u>3,559,104</u>	
Amount by which capital outlays are greater than depreciation in current period		4,069,645

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	\$ 848,505	
Gain on disposition reported on the statement of activities	<u>571,369</u>	
Cost of assets disposed of		(277,136)

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: 11,881,375

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: (551,826)

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	\$ 319,161	
Special assessment collections	<u>(343,789)</u>	(24,628)

Accounts receivable deferred and collected after the period of availability 89,802

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	\$ 489,898	
Loan repayments received	<u>(1,256,637)</u>	(766,739)

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: (10,470,000)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is: 7,050,601

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. (372,397)

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: 3,254

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	\$ (4,904,352)	
Portion allocated to business-type activities	<u>127,685</u>	(4,776,667)

Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 18 - 19) \$ 329,234

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, 2008

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 14,142,196	\$ 14,142,196	\$ 14,110,787	\$ (31,409)
Special assessments	-	-	1,191	1,191
Intergovernmental	15,249,290	15,249,290	15,374,960	125,670
Licenses and permits	627,812	627,812	601,625	(26,187)
Fines and forfeits	1,132,239	1,132,239	952,117	(180,122)
Public charges for services	341,935	341,935	358,212	16,277
Intergovernmental charges for services	181,930	181,930	219,764	37,834
Miscellaneous	1,266,444	1,266,444	892,262	(374,182)
Total Revenues	32,941,846	32,941,846	32,510,918	(430,928)
Expenditures				
General Government				
Council	120,453	132,041	121,874	10,167
Mayor	252,227	256,213	250,432	5,781
City clerk	349,900	358,794	322,841	35,953
Elections	175,703	171,230	123,263	47,967
Finance	902,491	971,707	847,729	123,978
Assessor	503,600	503,600	502,985	615
Information technology	598,103	617,372	647,573	(30,201)
Personnel	244,662	244,662	258,112	(13,450)
City attorney	372,630	390,061	381,059	9,002
City insurance	162,475	437,333	162,855	274,478
City buildings	851,374	946,776	1,004,530	(57,754)
Board of review	1,323	1,323	869	454
Employee benefits	475,411	127,180	150	127,030
Total General Government	5,010,352	5,158,292	4,624,272	534,020
Public Safety				
Police	11,098,270	12,093,541	11,572,768	520,773
Fire	6,846,401	7,133,034	7,084,160	48,874
Building inspection	606,742	597,742	587,453	10,289
Emergency operations	1,700	1,700	1,231	469
Civil defense	7,977	11,737	11,280	457
Total Public Safety	18,561,090	19,837,754	19,256,892	580,862
Public Works				
Department of public works	232,233	232,764	248,942	(16,178)
Engineering	733,199	744,890	711,210	33,680
Streets department	4,030,605	4,054,177	4,452,884	(398,707)
Sanitation department	2,256,826	2,256,826	2,090,365	166,461
Incinerator	17,500	17,500	19,241	(1,741)
Total Public Works	7,270,363	7,306,157	7,522,642	(216,485)

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)
General Fund
Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Health and Human Services				
Health	66,504	66,504	65,905	599
Cemetery	292,726	298,281	341,098	(42,817)
Total Health and Human Services	359,230	364,785	407,003	(42,218)
Culture and Recreation				
Park department	2,668,386	2,701,515	3,073,853	(372,338)
Celebrations	32,427	94,605	94,049	556
Senior citizen center	202,422	212,388	210,741	1,647
Total Culture and Recreation	2,903,235	3,008,508	3,378,643	(370,135)
Conservation and Development				
City development	316,917	322,468	332,496	(10,028)
Debt Service				
Debt issuance costs	-	-	14,187	(14,187)
Other				
Receivable adjustments	6,420	(4,027)	14,625	(18,652)
Contingency	115,000	99,547	30,000	69,547
Total Other	121,420	95,520	44,625	50,895
Total Expenditures	34,542,607	36,093,484	35,580,760	512,724
Excess of Revenues Over (Under) Expenditures	(1,600,761)	(3,151,638)	(3,069,842)	81,796
Other Financing Sources (Uses)				
Transfers in	1,175,051	1,175,051	1,385,668	210,617
Transfers out	(7,729)	(7,729)	(1,629,547)	(1,621,818)
Total Other Financing Sources (Uses)	1,167,322	1,167,322	(243,879)	(1,411,201)
Net Change in Fund Balance	(433,439)	(1,984,316)	(3,313,721)	(1,329,405)
Fund Balance - January 1	16,167,217	16,167,217	16,167,217	-
Fund Balance - December 31	\$ 15,733,778	\$ 14,182,901	\$ 12,853,496	\$ (1,329,405)

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, 2008

	Business-type Activities - Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
ASSETS			
Cash and investments	\$ 5,919,557	\$ 2,900,137	\$ 561,777
Receivables			
Taxes	36,074	-	13,998
Accounts	788,131	957,236	56,302
Special assessments	920	155,979	-
Other	2,990	-	661
Due from other funds	-	-	-
Due from other governments	-	-	-
Inventories and prepaid items	4,382	200,484	-
Restricted assets			
Cash and investments	-	1,056,414	-
Advance to other funds	-	-	-
Deposit with CVMIC	-	-	-
Capital assets, nondepreciable			
Land	2,000	98,859	1,395,109
Construction in progress	-	1,742,031	-
Capital assets, depreciable			
Buildings and improvements	12,371,095	4,832,530	-
Improvements other than buildings	16,436,286	-	-
Machinery and equipment	14,207,315	9,751,187	-
Infrastructure	23,692,447	29,307,869	21,537,991
Less: Accumulated depreciation	(51,600,784)	(10,923,778)	(7,913,896)
TOTAL ASSETS	21,860,413	40,078,948	15,651,942
LIABILITIES			
Accounts payable	620,125	106,368	16,667
Accrued and other current liabilities	296,615	556,795	6,507
Accrued interest payable	18,618	69,109	-
Due to other funds	-	768,914	-
Due to other governments	-	-	-
Unearned revenues	9,279	-	-
Long-term obligations			
Due within one year	477,515	543,387	-
Due in more than one year	3,148,435	10,218,553	-
TOTAL LIABILITIES	4,570,587	12,263,126	23,174
NET ASSETS			
Invested in capital assets, net of related debt	11,569,398	24,780,658	15,019,204
Restricted for			
Debt service	-	253,405	-
Unrestricted	5,720,428	2,781,759	609,564
TOTAL NET ASSETS	\$ 17,289,826	\$ 27,815,822	\$ 15,628,768

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
\$ 2,708,392	\$ 12,089,863	\$ 8,435,446
664,185	714,257	-
17,874	1,819,543	45,803
139,308	296,207	-
3,251	6,902	9,755
-	-	-
189,286	189,286	7,609
20,641	225,507	172,246
-	1,056,414	-
78,372	78,372	200,000
-	-	2,205,665
771,789	2,267,757	-
-	1,742,031	172,337
752,414	17,956,039	-
2,615,270	19,051,556	-
10,418,426	34,376,928	11,542,988
-	74,538,307	-
<u>(10,811,708)</u>	<u>(81,250,166)</u>	<u>(6,951,596)</u>
<u>7,567,500</u>	<u>85,158,803</u>	<u>15,840,253</u>
118,983	862,143	1,109,934
92,629	952,546	2,443,896
-	87,727	-
-	768,914	-
225,096	225,096	-
658,345	667,624	-
-	1,020,902	-
-	13,366,988	-
<u>1,095,053</u>	<u>17,951,940</u>	<u>3,553,830</u>
3,746,191	55,115,451	4,763,729
-	253,405	-
<u>2,726,256</u>	<u>11,838,007</u>	<u>7,522,694</u>
<u>\$ 6,472,447</u>	67,206,863	12,286,423
	<u>(195,176)</u>	<u>195,176</u>
	<u>\$ 67,011,687</u>	<u>\$ 12,481,599</u>

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2008

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
Operating Revenues			
Charges for services	\$ 6,609,519	\$ 6,003,287	\$ 537,616
Other	99,249	106,696	3,777
Total Operating Revenues	<u>6,708,768</u>	<u>6,109,983</u>	<u>541,393</u>
Operating Expenses			
Personal services	2,198,334	1,425,085	311,169
Contractual services	1,821,768	1,302,412	93,186
Supplies and materials	485,896	254,585	101,729
Insurance	31,820	110,070	-
Other	1,136,877	259,617	136,392
Depreciation	1,906,203	792,434	411,068
Total Operating Expenses	<u>7,580,898</u>	<u>4,144,203</u>	<u>1,053,544</u>
Operating Income (Loss)	<u>(872,130)</u>	<u>1,965,780</u>	<u>(512,151)</u>
Nonoperating Revenues (Expenses)			
Property taxes	-	-	-
Intergovernmental	-	-	-
Investment income	195,951	96,754	28,019
Miscellaneous revenues (expense)	-	3,416	-
Interest expense	(111,134)	(122,669)	-
Amortization of premium	-	197	-
Total Nonoperating Revenues (Expenses)	<u>84,817</u>	<u>(22,302)</u>	<u>28,019</u>
Income (Loss) Before Contributions and Transfers	<u>(787,313)</u>	<u>1,943,478</u>	<u>(484,132)</u>
Capital contributions	27,052	8,190	98,419
Transfers in	-	-	-
Transfers out	(4,500)	(768,914)	-
Change in Net Assets	<u>(764,761)</u>	<u>1,182,754</u>	<u>(385,713)</u>
Net Assets - January 1	<u>18,054,587</u>	<u>26,633,068</u>	<u>16,014,481</u>
Net Assets - December 31	<u>\$ 17,289,826</u>	<u>\$ 27,815,822</u>	<u>\$ 15,628,768</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
\$ 1,528,599	\$ 14,679,021	\$ 10,993,306
107,801	317,523	6,087
<u>1,636,400</u>	<u>14,996,544</u>	<u>10,999,393</u>
3,116,945	7,051,533	711,023
856,602	4,073,968	1,754,746
186,120	1,028,330	21,777
160,312	302,202	8,619,442
53,182	1,586,068	51,752
410,426	3,520,131	640,773
<u>4,783,587</u>	<u>17,562,232</u>	<u>11,799,513</u>
<u>(3,147,187)</u>	<u>(2,565,688)</u>	<u>(800,120)</u>
658,345	658,345	-
2,525,390	2,525,390	-
78,356	399,080	252,404
-	3,416	-
-	(233,803)	-
-	197	-
<u>3,262,091</u>	<u>3,352,625</u>	<u>252,404</u>
114,904	786,937	(547,716)
-	133,661	-
36,808	36,808	-
-	(773,414)	(4,356,636)
151,712	183,992	(4,904,352)
<u>6,320,735</u>	<u>67,022,871</u>	<u>17,190,775</u>
<u>\$ 6,472,447</u>	<u>\$ 67,206,863</u>	<u>\$ 12,286,423</u>
	\$ 183,992	\$ (4,904,352)
	<u>(127,685)</u>	<u>127,685</u>
	<u>\$ 56,307</u>	<u>\$ (4,776,667)</u>

CITY OF SHEBOYGAN, WISCONSIN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2008

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,685,943	\$ 6,080,267	\$ 607,194
Payments to suppliers	(3,082,324)	(2,208,117)	(324,578)
Payments to employees	(2,198,334)	(1,301,292)	(311,169)
Net Cash Provided (Used) by Operating Activities	1,405,285	2,570,858	(28,553)
Cash Flows from Noncapital and Related Financing Activities			
Property taxes	-	-	-
Intergovernmental grants	-	-	-
Transfers	(4,500)	(671,566)	-
Advances to (from) other funds	-	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(4,500)	(671,566)	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(684,684)	(1,310,039)	-
Principal payments on capital debt	(463,424)	(474,549)	-
Interest payments on capital debt	(113,327)	(422,851)	-
Salvage on retirement of plant	-	1,800	-
Special assessment collections	540	18,833	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,260,895)	(2,186,806)	-
Cash Flows from Investing Activities			
Investments sold and matured	-	410,000	-
Interest received	202,501	100,104	29,925
Change in Cash and Cash Equivalents	342,391	222,590	1,372
Cash and Cash Equivalents - January 1	5,577,166	3,733,961	560,405
Cash and Cash Equivalents - December 31	\$ 5,919,557	\$ 3,956,551	\$ 561,777
Reconciliation to Statement of Net Assets			
Unrestricted cash and investments	\$ 5,919,557	\$ 2,900,137	\$ 561,777
Restricted cash and investments	-	1,056,414	-
	\$ 5,919,557	\$ 3,956,551	\$ 561,777
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (872,130)	\$ 1,965,780	\$ (512,151)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,906,203	792,434	411,068
Depreciation charged to clearing and other funds	-	123,474	-
Miscellaneous revenues (expenses)	-	3,416	-
Changes in assets and liabilities			
Receivables	(19,094)	(105,496)	65,801
Due from other governments	-	-	-
Inventories and prepaid items	(4,382)	7,952	-
Accounts payable	391,802	(246,770)	8,730
Accrued and other liabilities	6,617	48,134	(2,001)
Due to other governments	-	-	-
Unearned revenues	(3,731)	-	-
Net Cash Provided (Used) by Operating Activities	\$ 1,405,285	\$ 2,588,924	\$ (28,553)
Noncash Investing, Capital and Financing Activities			
Capital contributions	\$ 27,052	\$ 8,190	\$ 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
\$ 1,544,540	\$ 14,917,944	\$ 10,958,539
(1,280,715)	(6,895,734)	(9,381,710)
(3,116,945)	(6,927,740)	(699,959)
<u>(2,853,120)</u>	<u>1,094,470</u>	<u>876,870</u>
658,345	658,345	-
2,511,255	2,511,255	-
36,808	(639,258)	(4,356,636)
(1,881)	(1,881)	(204,995)
<u>3,204,527</u>	<u>2,528,461</u>	<u>(4,561,631)</u>
(284,275)	(2,278,998)	(1,543,691)
-	(937,973)	-
-	(536,178)	-
-	1,800	-
-	19,373	-
<u>(284,275)</u>	<u>(3,731,976)</u>	<u>(1,543,691)</u>
-	410,000	-
86,436	418,966	295,834
153,568	719,921	(4,932,618)
2,554,824	12,426,356	13,368,064
<u>\$ 2,708,392</u>	<u>\$ 13,146,277</u>	<u>\$ 8,435,446</u>
\$ 2,708,392	\$ 12,089,863	\$ 8,435,446
-	1,056,414	-
<u>\$ 2,708,392</u>	<u>\$ 13,146,277</u>	<u>\$ 8,435,446</u>
\$ (3,147,187)	\$ (2,565,688)	\$ (800,120)
410,426	3,520,131	640,773
-	123,474	-
-	3,416	-
(34,267)	(93,056)	(40,854)
-	-	(7,609)
(15,407)	(11,837)	(98,917)
11,455	165,217	849,793
(22,085)	30,665	333,804
1,538	1,538	-
(57,593)	(61,324)	-
<u>\$ (2,853,120)</u>	<u>\$ 1,112,536</u>	<u>\$ 876,870</u>
\$ -	\$ 213,236	\$ -

CITY OF SHEBOYGAN, WISCONSIN
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2008

	Property Tax Collection	Business Improvement District	Totals
ASSETS			
Cash and investments	\$ 6,788,167	\$ 5,155	\$ 6,793,322
Receivables			
Taxes	36,304,246	125,369	36,429,615
Special assessments	-	15,403	15,403
TOTAL ASSETS	<u>\$ 43,092,413</u>	<u>\$ 145,927</u>	<u>\$ 43,238,340</u>
LIABILITIES			
Liabilities			
Due to other governments	<u>\$ 43,092,413</u>	<u>\$ 145,927</u>	<u>\$ 43,238,340</u>

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

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, 2008 for the Housing Authority and December 31, 2008 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, 2008

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, 2008

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 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, 2008

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, 2008

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, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 (non-infrastructure) or \$5,000 (infrastructure) or higher and an estimated useful life in excess of one (1) year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

g. Compensated Absences

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

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2008 are determined on the basis of current salary rates and include salary related payments.

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, 2008

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, 2008

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, 2008.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2008:

Funds	Deficit Fund Balance
Major Governmental Fund	
Debt Service TIF Districts	\$2,710,679
Other Governmental Funds	
Tourism Promotion	22,427
Harbor Center Marina	1,884,460
Police Meg Unit	2,970

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, 2008

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 \$58,134,753 on December 31, 2008 as summarized below:

Petty cash funds	\$ 6,411
Deposits with financial institutions	2,024,201
Investments	
Repurchase agreements	2,750,407
Federal agency securities	21,540,035
Wisconsin local government investment pool	31,813,699
	\$ 58,134,753

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 50,285,017
Restricted cash and investments	1,056,414
Fiduciary funds	
Agency funds	6,793,322
	\$ 58,134,753

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.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian through December 31, 2013. In addition, the City's non-interest bearing transaction accounts are fully insured under the Temporary Liquidity Guarantee Program through December 31, 2009. On January 1, 2014, the coverage limit for all accounts will return to \$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.

As of December 31, 2008, \$820,678 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, 2008, the City held repurchase agreement investments of \$2,750,407 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 yearend for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Repurchase agreements	\$ 2,750,407	\$ 2,750,407	\$ -	\$ -	\$ -
Federal agency securities	21,540,035	-	21,540,035	-	-
Wisconsin local government investment pool	31,813,699	-	-	-	31,813,699
Totals	\$ 56,104,141	\$ 2,750,407	\$ 21,540,035	\$ -	\$ 31,813,699

Concentration of Credit Risk

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

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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 National Mortgage Association	Federal Agency Securities	\$ 6,839,194
Federal Home Loan Mortgage	Federal Agency Securities	6,430,371
Federal Home Loan Bank	Federal Agency Securities	8,270,470

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	\$ 2,750,407	\$ 2,750,407	\$ -	\$ -	\$ -
Federal agency securities	21,540,035	5,583,460	-	14,190,833	1,765,742
Wisconsin local government investment pool	31,813,699	31,813,699	-	-	-
Totals	\$ 56,104,141	\$ 40,147,566	\$ -	\$ 14,190,833	\$ 1,765,742

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.	\$21,540,035

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$31,813,699 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, 2008, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. which is in effect through February 15, 2009. 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.

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	\$ 322,514
Reserve account	664,819
Construction Fund	69,081
Total Restricted Assets	\$ 1,056,414

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. **Capital Assets**

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,922,967	\$ -	\$ 226,510	\$ 11,696,457
Construction in progress	-	547,611	-	547,611
Total capital assets, not being depreciated	11,922,967	547,611	226,510	12,244,068
Capital assets, being depreciated:				
Buildings and improvements	24,653,445	5,810,374	-	30,463,819
Improvements other than buildings	13,126,811	294,387	50,626	13,370,572
Machinery and equipment	21,898,424	2,333,964	2,362,618	21,869,770
Infrastructure	88,375,361	186,103	-	88,561,464
Subtotals	148,054,041	8,624,828	2,413,244	154,265,625
Less accumulated depreciation for:				
Buildings and improvements	10,510,588	596,295	-	11,106,883
Improvements other than buildings	7,384,999	445,512	-	7,830,511
Machinery and equipment	14,891,252	1,397,539	2,332,776	13,956,015
Infrastructure	34,063,076	1,730,688	-	35,793,764
Subtotals	66,849,915	4,170,034	2,332,776	68,687,173
Total capital assets, being depreciated, net	81,204,126	4,454,794	80,468	85,578,452
Governmental activities capital assets, net	\$ 93,127,093	\$ 5,002,405	\$ 306,978	97,822,520
Less: General obligation debt outstanding				61,743,862
Less: Mortgage notes				225,000
Less: Capital lease				526,814
Less: Sheboygan County				1,000,000
Less: Bond premium				7,030
Plus: Unspent capital related debt proceeds				(4,650,456)
Invested in capital assets, net of related debt				\$ 38,970,270

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,267,757	\$ -	\$ -	\$ 2,267,757
Construction in progress	1,116,045	1,951,126	1,325,140	1,742,031
Total capital assets, not being depreciated	3,383,802	1,951,126	1,325,140	4,009,788
Capital assets, being depreciated:				
Buildings and improvements	17,947,941	11,985	3,887	17,956,039
Improvements other than buildings	18,191,739	859,817	-	19,051,556
Machinery and equipment	33,984,074	457,423	64,569	34,376,928
Infrastructure	74,043,860	565,912	71,465	74,538,307
Subtotals	144,167,614	1,895,137	139,921	145,922,830
Less accumulated depreciation for:				
Buildings and improvements	10,413,350	399,695	3,887	10,809,158
Improvements other than buildings	17,287,394	1,218,779	-	18,506,173
Machinery and equipment	24,759,557	711,174	64,569	25,406,162
Infrastructure	25,286,182	1,313,956	71,465	26,528,673
Subtotals	77,746,483	3,643,604	139,921	81,250,166
Total capital assets, being depreciated, net	66,421,131	(1,748,467)	-	64,672,664
Business-type activities capital assets net	\$ 69,804,933	\$ 202,659	\$ 1,325,140	68,682,452
Less: Related long-term debt outstanding				14,297,457
Less: Bond premium				3,444
Plus: Unspent capital related debt proceeds				(733,900)
Invested in capital assets, net of related debt				\$ 55,115,451

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities			
General government		\$	76,427
Public safety			754,623
Public works			11,749
Health and human services			1,731,116
Culture and recreation			525,547
Conservation and development			429,799
Internal service funds allocated to other activities			640,773
Total depreciation expense - governmental activities		<u>\$</u>	<u>4,170,034</u>
Business-type activities			
Sewerage system		\$	1,906,203
Water utility			
Depreciation expense			792,434
Depreciation expense allocated to clearing accounts			123,474
Storm water utility			411,068
Transit commission			369,502
Parking facility			40,923
Total depreciation expense - business-type activities		<u>\$</u>	<u>3,643,604</u>

5. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2008 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 790,539	\$ -
	Special revenue fund - Lead based abatement program	45,316	-
	Capital projects fund - TIF districts	7,503	-
	Water Utility Fund	768,914	-
Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	1,848,825	1,848,825
	Special revenue fund - Tourism promotion	124,921	124,921
		<u>3,586,018</u>	<u>1,973,746</u>
Less: Fund eliminations		(2,817,104)	(1,973,746)
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ 768,914</u>	<u>\$ -</u>

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

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Debt service fund - TIF districts	\$ 1,299,578	\$ 1,299,578
	Capital projects fund - TIF districts	822,938	822,938
Special revenue fund - Special assessments fund	General fund	591,279	591,279
Debt service fund - GO debt	Debt service fund - TIF districts	1,510,857	1,510,857
Capital projects fund - Tax levy	Debt service fund - TIF districts	1,827,850	1,827,850
	Capital projects fund - TIF districts	23,365	23,365
Internal service fund - Motor vehicle	Debt service fund - GO debt	200,000	200,000
		<u>6,275,867</u>	<u>6,275,867</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	<u>78,372</u>	<u>78,372</u>
Subtotal - Fund Financial Statements		6,354,239	6,354,239
Less: Fund eliminations		(6,275,867)	(6,275,867)
Less: Enterprise portion of advance		(156,744)	(156,744)
Internal service fund allocation to business-type activities		<u>195,176</u>	<u>195,176</u>
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ 116,804</u>	<u>\$ 116,804</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, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended December 31, 2008 were as follows:

Fund Transferred To	Fund Transferred From	Amount
General fund	Enterprise fund - Water utility	\$ 768,914
	Enterprise fund - Sewerage System	4,500
	Debt service fund - TIF districts	205,857
	Permanent fund - Cemetery perpetual care	19,067
	Special revenue fund - Cable TV	342,106
	Special revenue fund - Tourism promotion	45,224
Debt service fund - GO debt	General fund	1,624,739
	Special revenue fund - Special assessment	125,000
	Special revenue fund - Tourism promotion	804,745
	Special revenue fund - Harbor Center marina	312,300
	Special revenue fund - Cable TV	50,000
	Debt service fund - TIF districts	294,670
	Internal service fund - Motor vehicle fund	4,356,636
	Special revenue fund - Harbor Center marina	51,875
Debt service fund - TIF districts	357,430	
Capital projects fund - TIF districts	Special revenue fund - Special assessment	25,000
	Debt service fund - GO debt	527,770
	Debt service fund - TIF districts	285,972
		<u>10,201,805</u>
Enterprise fund - Transit Parking facility	Capital projects fund - Bonds	20,663
	General fund	4,808
	Capital projects fund - Tax levy	11,337
		<u>36,808</u>
Subtotal - Fund Financial Statements		<u>\$ 10,238,613</u>
Government fund transfers in		\$ 10,201,805
Less: Fund eliminations		<u>(9,465,199)</u>
Total Transfers - Government-wide Statement of Activities		<u>\$ 736,606</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, 2008

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
Governmental Funds		
Subsequent year tax levy receivable		
Major governmental funds		
General fund	\$ -	\$ 14,507,682
Debt service general obligation debt	-	3,132,556
Debt service tax increment financing districts	-	5,227,474
Nonmajor governmental funds		
Mead library	-	2,651,435
Special assessments		
Major governmental funds		
General fund	44,986	-
Nonmajor governmental funds		
Special assessments	358,681	-
Accounts receivable		
Ambulance	89,802	-
Loans receivable		
Major governmental fund		
Debt service tax increment financing districts	4,000,000	-
Nonmajor governmental funds		
Community development block grant	3,473,296	-
Revolving loan funds	3,155,695	-
Redevelopment authority	1,340,004	-
Revenue received prior to meeting all eligibility requirements		
Major governmental fund		
General fund	-	715
Total Governmental Funds	12,462,464	25,519,862
Proprietary Funds		
Subsequent year tax levy receivable		
Nonmajor proprietary fund		
Transit commission	-	658,345
Revenue received prior to meeting all eligibility requirements		
Major proprietary fund		
Sewerage system	-	9,279
Total Proprietary Funds	-	667,624
Totals	\$ 12,462,464	\$ 26,187,486

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

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, 2008:

	Outstanding 1/1/08	Issued	Retired	Outstanding 12/31/08	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 34,095,000	\$ 850,000	\$ 3,460,000	\$ 31,485,000	\$ 2,485,000
Notes	24,229,463	9,620,000	3,590,601	30,258,862	3,709,734
Total General Obligation Debt	58,324,463	10,470,000	7,050,601	61,743,862	6,194,734
Bond premium	12,614	-	5,584	7,030	-
Mortgage notes	225,000	-	-	225,000	-
Capital lease	526,814	-	-	526,814	66,559
Sheboygan County	1,000,000	-	-	1,000,000	-
Unfunded pension liability	11,881,375	-	11,881,375	-	-
Unfunded post employment benefits	-	611,877	-	611,877	-
Compensated absences	3,789,782	-	60,051	3,729,731	-
Governmental activities Long-term obligations	\$ 75,760,048	\$ 11,081,877	\$ 18,997,611	\$ 67,844,314	\$ 6,261,293
Business-type activities:					
Revenue bonds	\$ 15,189,287	\$ -	\$ 891,830	\$ 14,297,457	\$ 973,828
Unamortized bond premium	3,641	-	197	3,444	-
Alliant Energy note	133,132	-	46,143	86,989	47,074
Business-type activities Long-term obligations	\$ 15,326,060	\$ -	\$ 938,170	\$ 14,387,890	\$ 1,020,902

Total interest paid during the year on long-term debt totaled \$2,631,558.

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, 2008

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, 2008 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/08
General Obligation Debt					
General Obligation Bonds					
Development Bonds	03/15/01	4.40-5.00%	10/01/19	\$ 1,900,000	\$ 1,300,000
Refunding Bonds	09/01/05	3.25-3.50%	10/01/10	3,595,000	1,610,000
Refunding Bonds	09/01/05	3.25-3.50%	10/01/09	3,140,000	385,000
Refunding Bonds	07/01/06	4.00-4.25%	10/01/22	5,155,000	4,725,000
Refunding Bonds	07/01/06	5.30-6.00%	10/01/22	8,575,000	8,140,000
Refunding Bonds	07/01/06	5.50-5.80%	11/01/18	7,150,000	6,475,000
General Obligation Bonds	09/01/07	4.50-5.00%	10/01/26	8,000,000	8,000,000
Taxable Refunding Bonds	05/15/08	4.00-4.20%	04/01/13	850,000	850,000
Total General Obligation Bonds					31,485,000
General Obligation Notes					
State Trust Fund Notes	04/17/00	6.00%	03/15/17	350,000	239,900
State Trust Fund Notes	05/17/00	6.00%	03/15/17	254,000	174,101
Promissory Notes	03/15/01	4.25-4.375%	10/01/10	2,915,000	1,340,000
State Trust Fund Notes	10/17/01	5.75%	03/15/18	430,000	318,503
State Trust Fund Notes	06/19/02	4.50%	03/15/12	300,000	134,545
State Trust Fund Notes	07/03/02	4.50%	03/15/12	2,700,000	134,342
Promissory Notes	10/15/02	2.45-3.35%	10/01/12	1,685,000	775,000
Promissory Notes	10/15/02	3.50-4.50%	10/01/12	3,940,000	2,530,000
State Trust Fund Notes	11/20/02	5.00%	03/15/18	1,088,480	894,830
Land Recycling Loan	12/23/02	0%	05/01/22	2,700,000	1,121,808
Promissory Notes	07/01/03	2.35-2.80%	12/01/12	7,010,000	2,795,000
State Trust Fund Notes	07/30/03	5.00%	03/15/18	163,584	134,479
State Trust Fund Notes	01/13/04	5.00%	03/15/18	302,117	263,231
Promissory Notes	03/15/04	2.50-3.10%	12/01/13	1,500,000	1,015,000
Promissory Notes	03/15/04	1.75-3.25%	12/01/13	1,065,000	740,000
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	597,336
State Trust Fund Notes	09/29/04	5.00%	03/15/20	25,000	21,813
State Trust Fund Notes	11/21/05	4.00%	03/15/15	500,000	408,497
Promissory Notes	04/15/06	3.75-4.00%	10/01/15	3,000,000	2,750,000
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	180,477
Promissory Notes	04/15/07	3.85-4.00%	10/01/16	3,000,000	2,550,000
State Trust Fund Notes	08/23/07	5.25%	03/15/17	120,000	120,000
State Trust Fund Notes	01/30/08	6.00%	03/15/27	5,900,000	5,900,000
Promissory Notes	05/15/08	3.00-3.50%	10/01/17	3,000,000	3,000,000
State Trust Fund Notes	06/11/08	5.25%	03/15/18	300,000	300,000
State Trust Fund Notes	08/22/08	5.25%	03/15/17	420,000	420,000
Total General Obligation Notes					30,258,862
Total					\$ 61,743,862

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$61,743,862 on December 31, 2008 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2009	\$ 6,194,734	\$ 2,854,461	\$ 9,049,195
2010	6,108,582	2,548,100	8,656,682
2011	5,703,647	2,308,602	8,012,249
2012	5,865,229	2,076,427	7,941,656
2013	4,305,490	1,830,707	6,136,197
2014-2018	18,645,145	6,385,656	25,030,801
2019-2023	10,675,834	2,620,842	13,296,676
2024-2027	4,245,201	519,166	4,764,367
	<u>\$ 61,743,862</u>	<u>\$ 21,143,961</u>	<u>\$ 82,887,823</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2008 was \$83,170,877 as follows:

Equalized valuation of the City	\$ 2,880,103,600
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	144,005,180
Total outstanding general obligation debt applicable to debt limitation	\$ 61,743,862
Less: Amounts available for financing general obligation debt	
Debt service funds	<u>909,559</u>
Net outstanding general obligation debt applicable to debt limitation	<u>60,834,303</u>
Legal Margin for New Debt	<u>\$ 83,170,877</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, 2008.

Capital Lease

In December of 2008, 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	\$ 20,470	\$ 87,029
2010	69,861	17,169	87,030
2011	72,467	14,563	87,030
2012	75,170	11,860	87,030
2013	77,974	9,056	87,030
2014-2015	164,783	9,277	174,060
	<u>\$ 526,814</u>	<u>\$ 82,395</u>	<u>\$ 609,209</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, 2008

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, 2008 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/08
Sewerage System					
Clean Water Fund Loan	11/30/95	3.124%	05/01/15	\$ 4,375,561	\$ 1,920,098
Clean Water Fund Loan	11/26/96	3.195%	05/01/16	3,250,000	1,618,863
Total Sewerage System					<u>3,538,961</u>
Water Utility					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	2,618,496
Refunding Revenue Bonds	09/01/95	3.75 -4.25%	06/01/25	4,900,000	4,140,000
Revenue Bonds	04/01/07	4.00-5.00%	05/01/27	4,000,000	4,000,000
Total Water Utility					<u>10,758,496</u>
Total Revenue Bonds					<u>\$ 14,297,457</u>

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$14,297,457 on December 31, 2008 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
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	1,062,189	369,253	1,431,442
2014-2018	4,239,153	1,315,620	5,554,773
2019-2023	3,328,529	682,800	4,011,329
2024-2025	1,675,000	127,538	1,802,538
	<u>\$ 14,297,457</u>	<u>\$ 4,331,411</u>	<u>\$ 18,628,868</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 \$86,989 on December 31, 2008 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2009	\$ 47,074	\$ 1,310	\$ 48,384
2010	39,915	405	40,320
	<u>\$ 86,989</u>	<u>\$ 1,715</u>	<u>\$ 88,704</u>

Other Debt Information

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

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 5.0% 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, 2008 was \$27,270,092; the employer's total payroll was \$28,551,253. The total required contribution for the year ended December 31, 2008 was \$3,205,601, which consisted of \$1,744,947, or 6.4% of covered payroll from the employer and \$1,460,654, or 5.4% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2008 was financed by the City. Total contributions for the years ending December 31, 2007 and 2006 were \$3,499,160 and \$3,326,794 respectively, equal to the required contributions for each year.

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 are 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 are 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

Plan Description - The City provides health care insurance coverage for employees who retire. The retired employee contributes 100% of the premium for family coverage or 100% of the premium for single coverage. There are 462 active and 128 retired employees in the plan.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE D - OTHER INFORMATION (Continued)

Component	Amount
Annual required contribution	\$ 611,877
Interest on net OPEB	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>611,877</u>
Contributions made	-
Change in net OPEB obligation	-
OPEB obligation - beginning of year	-
OPEB obligation - end of year	<u>\$ 611,877</u>

The annual required contribution for the current year was determined as part of the January 1, 2008 actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 5.0% discount rate, and (b) projected salary increases at 3%.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll. The remaining amortization period at December 31, 2008 is 29 years, and the remaining amount is \$4,947,341.

Trend Information - The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$ 611,877	-	\$ 611,877

Funded Status and Funding Progress - As of January 1, 2008, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$5,291,565. The annual payroll for active employees covered by the plan for the 2008 fiscal year was \$27,270,092 for a ratio of the UAAL to covered payroll of 19.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008 actuarial valuation, the unit credit method was used. The actuarial assumptions included a rate of 5% to discount expected liabilities to the valuation date. The initial healthcare trend rate was 10%, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized as a level dollar amount. The remaining amortization period at December 31, 2008 was 29 years.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE D - OTHER INFORMATION (Continued)

3. Risk Management

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

a. Self Insurance

For health insurance claims, the uninsured risk of loss is \$125,000 per person and a minimum annual aggregate deductible of \$7,040,727 for the 2008 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. \$2,321,284 was designated for that reserve at year end, and is included in unreserved net assets of the internal service fund.

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

Year	Balance Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Balance End of Year
Health Insurance				
2008	\$1,300,000	\$8,096,342	\$8,096,342	\$1,300,000
2007	1,050,000	7,621,817	\$7,621,817	1,300,000
Workers Compensation				
2008	50,000	320,001	320,001	50,000
2007	50,000	390,596	390,596	50,000

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE D - OTHER INFORMATION (Continued)

- b. Public Entity Risk Pool
Wisconsin Municipal Insurance Commission (WMIC)
Cities and Villages Mutual Insurance company (CVMIC)

WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. They also have \$8,000,000 of excess coverage. Losses paid by CVMIC, plus administrative expenses, will be recovered through premiums to the participating pool of municipalities. The City's share of such losses is approximately 4.8 percent.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, Wisconsin 53005.

The 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.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

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
2008	\$185,703	\$141,750	\$141,750	\$185,703
2007	185,703	161,703	161,703	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 effect on the city's financial statements.

NOTE E - COMPONENT UNITS

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

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE E - COMPONENT UNITS (Continued)

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	\$ 4,451,504	\$ -	\$ -	\$ 4,451,504	\$ 4,429,616
Associated Bank	100,000	-	-	100,000	100,000
Community Bank	100,000	-	-	100,000	100,000
US Bank	106,620	-	-	106,620	106,620
Total	\$ 4,758,124	\$ -	\$ -	\$ 4,758,124	\$ 4,736,236

Per statement of net assets

Unrestricted	\$ 4,459,346
Restricted	\$ 276,890
Total	\$ 4,736,236

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	6,115,420	224,625	-	6,340,045
Machinery and equipment	305,281	220,399	14,677	511,003
Total Capital Assets Being Depreciated	6,420,701	445,024	14,677	6,851,048
Less: Accumulated Depreciation	5,326,606	205,666	14,541	5,517,731
Net Capital Assets being Depreciated	1,094,095	239,358	136	1,333,317
Total Capital Assets, Net of Accumulated Depreciation	\$ 1,360,605	\$ 239,358	\$ 136	\$ 1,599,827

Accumulated depreciation is not available by class or function.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE E - COMPONENT UNITS (Continued)

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 \$90,895, and the bank balance was \$91,053. The entire bank balance was covered by Federal depository insurance.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF SHEBOYGAN, WISCONSIN
 SCHEDULE OF FUNDING PROGRESS
 OTHER POST-EMPLOYMENT BENEFIT PLAN
 December 31, 2008**

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ -	\$ 5,291,565	0.00%	\$ 5,291,565	\$ 27,270,092	19.40%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.

**CITY OF SHEBOYGAN, WISCONSIN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 OTHER POST-EMPLOYMENT BENEFIT PLAN
 December 31, 2008**

Year Ended December 31,	Employer Contributions	Annual Required Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ -	\$ 611,877	0.00%

The City implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.

SUPPLEMENTAL INFORMATION

CITY OF SHEBOYGAN, WISCONSIN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2008

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
ASSETS						
Cash and investments	\$ 1,434,426	\$ 1,340,713	\$ -	\$ 1,499,882	\$ 183,775	\$ 6
Receivables						
Taxes	-	-	-	2,651,435	-	-
Accounts	-	1,577	-	3,389	132,740	110,469
Special assessments	-	-	-	-	-	-
Loans	3,473,292	3,155,695	2,367,574	-	-	-
Advance to other funds	-	-	-	-	-	-
Due from other governments	983,138	-	215,009	-	-	-
Inventories and prepaid items	-	-	5,619	5,128	-	200
TOTAL ASSETS	\$ 5,890,856	\$ 4,497,985	\$ 2,588,202	\$ 4,159,834	\$ 316,515	\$ 110,675
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 307,064	\$ -	\$ 80,321	\$ 38,052	\$ 682	\$ 6,527
Accrued and other current liabilities	-	-	-	485,216	13,841	1,654
Due to other funds	790,539	-	45,316	-	-	124,921
Due to other governments	-	-	2,367,574	-	-	-
Deferred revenues	3,473,296	3,155,695	-	2,651,435	-	-
Advance from other funds	-	-	-	-	-	-
Total Liabilities	4,570,899	3,155,695	2,493,211	3,174,703	14,523	133,102
Fund Balances						
Reserved for						
Inventories and prepaid items	-	-	5,619	5,128	-	200
Long-term interfund receivables	-	-	-	-	-	-
Encumbrances	211,742	245,267	-	21,306	1,380	2,478
Cemetery perpetual care	-	-	-	-	-	-
Trust activities	-	-	-	-	-	-
Unreserved						
Designated for						
Subsequent year's expenditures	-	-	-	83,594	300,612	-
Undesignated, reported in						
Special revenue funds	1,108,215	1,097,023	89,372	875,103	-	(25,105)
Capital projects funds	-	-	-	-	-	-
Total Fund Balances	1,319,957	1,342,290	94,991	985,131	301,992	(22,427)
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,890,856	\$ 4,497,985	\$ 2,588,202	\$ 4,159,834	\$ 316,515	\$ 110,675

(Continued)

Special Revenue Funds (Continued)

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Ambulance	Total
\$ 46,033	\$ 18,555	\$ 907,673	\$ 173,355	\$ 58,939	\$ 39,422	\$ 210,052	\$ 5,912,831
-	-	105,072	-	-	-	-	2,756,507
47,136	4,701	1,201	5,645	72	5,740	196,266	508,936
-	-	263,750	-	-	-	-	263,750
-	-	-	1,340,004	-	-	-	10,336,565
-	-	591,279	-	-	-	-	591,279
-	25	-	-	-	-	-	1,198,172
76,120	-	-	-	-	-	1,080	88,147
<hr/>							
\$ 169,289	\$ 23,281	\$ 1,868,975	\$ 1,519,004	\$ 59,011	\$ 45,162	\$ 407,398	\$ 21,656,187
<hr/>							
\$ 49,626	\$ 16,359	\$ 500	\$ 2,570	\$ 1,875	\$ 40,563	\$ 14,402	\$ 558,541
73,502	9,892	-	-	-	3,264	3,453	590,822
1,848,825	-	-	-	-	-	-	2,809,601
3,424	-	-	-	-	-	-	2,370,998
-	-	358,681	1,340,004	-	-	89,802	11,068,913
78,372	-	-	-	-	-	-	78,372
2,053,749	26,251	359,181	1,342,574	1,875	43,827	107,657	17,477,247
<hr/>							
76,120	-	-	-	-	-	1,080	88,147
-	-	-	-	-	-	-	-
2,404	-	-	-	210	-	-	484,787
-	-	-	-	-	-	-	-
-	-	-	-	56,926	-	-	56,926
<hr/>							
-	-	-	-	-	-	-	384,206
(1,962,984)	(2,970)	1,509,794	176,430	-	1,335	298,661	3,164,874
-	-	-	-	-	-	-	-
(1,884,460)	(2,970)	1,509,794	176,430	57,136	1,335	299,741	4,178,940
<hr/>							
\$ 169,289	\$ 23,281	\$ 1,868,975	\$ 1,519,004	\$ 59,011	\$ 45,162	\$ 407,398	\$ 21,656,187

CITY OF SHEBOYGAN, WISCONSIN
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
December 31, 2008

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects	Cemetery Perpetual Care	Library Trust	Total	
ASSETS					
Cash and investments	\$ 2,893,170	\$ 762,029	\$ 1,164,102	\$ 1,926,131	\$ 10,732,132
Receivables					
Taxes	-	-	-	-	2,756,507
Accounts	3,468	1,386	4,268	5,654	518,058
Special assessments	-	-	-	-	263,750
Loans	-	-	-	-	10,336,565
Advance to other funds	1,851,215	-	-	-	2,442,494
Due from other governments	-	-	-	-	1,198,172
Inventories and prepaid items	-	-	470	470	88,617
TOTAL ASSETS	\$ 4,747,853	\$ 763,415	\$ 1,168,840	\$ 1,932,255	\$ 28,336,295
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 46,989	\$ -	\$ 499	\$ 499	\$ 606,029
Accrued and other current liabilities					
liabilities	-	-	-	-	590,822
Due to other funds	-	-	-	-	2,809,601
Due to other governments	-	-	-	-	2,370,998
Deferred revenues	-	-	-	-	11,068,913
Advance from other funds	-	-	-	-	78,372
Total Liabilities	46,989	-	499	499	17,524,735
Fund Balances					
Reserved for					
Inventories and prepaid items	-	-	470	470	88,617
Noncurrent assets	1,851,215	-	-	-	1,851,215
Encumbrances	135,937	-	-	-	620,724
Cemetery perpetual care	-	763,415	-	763,415	763,415
Trust activities	-	-	1,167,871	1,167,871	1,224,797
Unreserved					
Designated for					
Subsequent year's expenditures	697,420	-	-	-	1,081,626
Undesignated, reported in					
Special revenue funds	-	-	-	-	3,164,874
Capital projects funds	2,016,292	-	-	-	2,016,292
Total Fund Balances	4,700,864	763,415	1,168,341	1,931,756	10,811,560
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,747,853	\$ 763,415	\$ 1,168,840	\$ 1,932,255	\$ 28,336,295

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2008

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 2,651,435	\$ -	\$ 1,256,984
Special assessments	-	-	-	-	-	-
Intergovernmental	1,259,754	-	436,731	654,677	-	31,971
Licenses and permits	-	-	-	-	528,658	-
Fines and forfeits	-	-	-	-	-	-
Public charges for services	-	-	-	108,261	6,626	71,814
Miscellaneous	232,043	1,063,442	17,030	126,295	4,522	27
Total Revenues	1,491,797	1,063,442	453,761	3,540,668	539,806	1,360,796
Expenditures						
Current						
General government	-	-	-	-	-	481,511
Public safety	-	-	-	-	-	15,095
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	3,389,917	147,879	68,245
Conservation and development	1,559,807	-	436,730	-	-	-
Debt service						
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	1,559,807	-	436,730	3,389,917	147,879	564,851
Excess of Revenues Over (Under) Expenditures	(68,010)	1,063,442	17,031	150,751	391,927	795,945
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(392,106)	(849,969)
Total Other Financing Sources (Uses)	-	-	-	-	(392,106)	(849,969)
Net Change in Fund Balances	(68,010)	1,063,442	17,031	150,751	(179)	(54,024)
Fund Balances (Deficits) - January 1	1,387,967	278,848	77,960	834,380	302,171	31,597
Fund Balances (Deficits) - December 31	\$ 1,319,957	\$ 1,342,290	\$ 94,991	\$ 985,131	\$ 301,992	\$ (22,427)

(Continued)

Special Revenue Funds (Continued)

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Ambulance	Total
\$ 176	\$ -	\$ -	\$ 23,351	\$ -	\$ -	\$ -	\$ 3,931,946
-	-	343,789	-	-	-	-	343,789
-	34,901	-	-	-	-	9,702	2,427,736
-	-	-	-	-	-	-	528,658
-	-	-	-	-	1,091,213	-	1,091,213
886,987	-	-	4,421	24,635	5,158	721,683	1,829,585
1,206	622	100,045	7,220	10,967	6,921	6,004	1,576,344
888,369	35,523	443,834	34,992	35,602	1,103,292	737,389	11,729,271
-	-	-	-	-	1,099,187	-	1,580,698
-	57,579	-	-	-	-	421,003	493,677
779,477	-	3,563	-	-	-	-	783,040
-	-	-	-	28,626	-	-	3,634,667
-	-	-	12,034	-	-	-	2,008,571
1,880	-	-	-	-	-	-	1,880
-	-	-	-	-	-	-	-
781,357	57,579	3,563	12,034	28,626	1,099,187	421,003	8,502,533
107,012	(22,056)	440,271	22,958	6,976	4,105	316,386	3,226,738
-	-	-	-	-	-	-	-
(364,175)	-	(150,000)	-	-	-	-	(1,756,250)
(364,175)	-	(150,000)	-	-	-	-	(1,756,250)
(257,163)	(22,056)	290,271	22,958	6,976	4,105	316,386	1,470,488
(1,627,297)	19,086	1,219,523	153,472	50,160	(2,770)	(16,645)	2,708,452
\$ (1,884,460)	\$ (2,970)	\$ 1,509,794	\$ 176,430	\$ 57,136	\$ 1,335	\$ 299,741	\$ 4,178,940

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended December 31, 2008

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects	Cemetery Perpetual Care	Library Trust	Total	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,931,946
Special assessments	-	-	-	-	343,789
Intergovernmental	-	-	-	-	2,427,736
Licenses and permits	-	-	-	-	528,658
Fines and forfeits	-	-	-	-	1,091,213
Public charges for services	-	7,186	-	7,186	1,836,771
Miscellaneous	852,463	18,819	45,972	64,791	2,493,598
Total Revenues	852,463	26,005	45,972	71,977	12,653,711
Expenditures					
Current					
General government	-	-	-	-	1,580,698
Public safety	-	-	-	-	493,677
Public works	-	-	-	-	783,040
Culture and recreation	-	-	34,795	34,795	3,669,462
Conservation and development	-	-	-	-	2,008,571
Debt service					
Interest and fiscal charges	-	-	-	-	1,880
Capital outlay	174,645	-	-	-	174,645
Total Expenditures	174,645	-	34,795	34,795	8,711,973
Excess of Revenues Over (Under) Expenditures	677,818	26,005	11,177	37,182	3,941,738
Other Financing Sources (Uses)					
Transfers in	838,742	-	-	-	838,742
Transfers out	(11,337)	(19,067)	-	(19,067)	(1,786,654)
Total Other Financing Sources (Uses)	827,405	(19,067)	-	(19,067)	(947,912)
Net Change in Fund Balances	1,505,223	6,938	11,177	18,115	2,993,826
Fund Balances (Deficits) - January 1	3,195,641	756,477	1,157,164	1,913,641	7,817,734
Fund Balances (Deficits) - December 31	\$ 4,700,864	\$ 763,415	\$ 1,168,341	\$ 1,931,756	\$ 10,811,560

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2008

	Transit Commission	Parking Facility	Boat Facility	Totals
ASSETS				
Cash and investments	\$ 1,331,095	\$ 780,796	\$ 596,501	\$ 2,708,392
Receivables				
Taxes	658,345	5,840	-	664,185
Accounts	6,675	11,199	-	17,874
Special assessments	-	139,308	-	139,308
Other	1,591	947	713	3,251
Due from other governments	189,286	-	-	189,286
Inventories and prepaid items	20,641	-	-	20,641
Advance to other funds	-	-	78,372	78,372
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	389,034	2,615,270
Machinery and equipment	10,155,613	262,813	-	10,418,426
Less: Accumulated depreciation	(9,078,886)	(1,506,860)	(225,962)	(10,811,708)
TOTAL ASSETS	4,930,294	1,798,548	838,658	7,567,500
LIABILITIES				
Accounts payable	50,077	56,768	12,138	118,983
Accrued and other current liabilities	63,729	28,898	2	92,629
Due to other governments	221,964	3,132	-	225,096
Unearned revenues	658,345	-	-	658,345
TOTAL LIABILITIES	994,115	88,798	12,140	1,095,053
NET ASSETS				
Invested in capital assets	2,722,661	860,458	163,072	3,746,191
Unrestricted	1,213,518	849,292	663,446	2,726,256
TOTAL NET ASSETS	\$ 3,936,179	\$ 1,709,750	\$ 826,518	\$ 6,472,447

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
Year Ended December 31, 2008

	Transit Commission	Parking Facility	Boat Facility	Totals
Operating Revenues				
Charges for services	\$ 945,520	\$ 457,741	\$ 125,338	\$ 1,528,599
Other	101,999	5,802	-	107,801
Total Operating Revenues	<u>1,047,519</u>	<u>463,543</u>	<u>125,338</u>	<u>1,636,400</u>
Operating Expenses				
Personal services	2,956,671	157,885	2,389	3,116,945
Contractual services	591,937	206,947	57,718	856,602
Supplies and materials	150,083	36,037	-	186,120
Insurance	159,653	659	-	160,312
Other	6,106	38,812	8,264	53,182
Depreciation	369,503	40,923	-	410,426
Total Operating Expenses	<u>4,233,953</u>	<u>481,263</u>	<u>68,371</u>	<u>4,783,587</u>
Operating Income (Loss)	<u>(3,186,434)</u>	<u>(17,720)</u>	<u>56,967</u>	<u>(3,147,187)</u>
Nonoperating Revenues				
Property taxes	658,345	-	-	658,345
Intergovernmental	2,507,640	-	17,750	2,525,390
Investment income	33,323	23,264	21,769	78,356
Total Nonoperating Revenues	<u>3,199,308</u>	<u>23,264</u>	<u>39,519</u>	<u>3,262,091</u>
Income (Loss) Before Transfers	12,874	5,544	96,486	114,904
Transfers in	<u>20,663</u>	<u>16,145</u>	<u>-</u>	<u>36,808</u>
Change in Net Assets	33,537	21,689	96,486	151,712
Net Assets - January 1	<u>3,902,642</u>	<u>1,688,061</u>	<u>730,032</u>	<u>6,320,735</u>
Net Assets - December 31	<u>\$ 3,936,179</u>	<u>\$ 1,709,750</u>	<u>\$ 826,518</u>	<u>\$ 6,472,447</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended December 31, 2008

	Transit Commission	Parking Facility	Boat Facility	Totals
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,041,919	\$ 377,283	\$ 125,338	\$ 1,544,540
Payments to suppliers	(968,311)	(250,624)	(61,780)	(1,280,715)
Payments to employees	(2,956,671)	(157,885)	(2,389)	(3,116,945)
Net Cash Provided (Used) by Operating Activities	(2,883,063)	(31,226)	61,169	(2,853,120)
Cash Flows from Noncapital and Related Financing Activities				
Property taxes	658,345	-	-	658,345
Intergovernmental grants	2,493,505	-	17,750	2,511,255
Transfers	20,663	16,145	-	36,808
Advances to (from) other funds	-	-	(1,881)	(1,881)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	3,172,513	16,145	15,869	3,204,527
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(118,057)	(3,146)	(163,072)	(284,275)
Cash Flows from Investing Activities				
Interest received	36,878	25,684	23,874	86,436
Change in Cash and Cash Equivalents	208,271	7,457	(62,160)	153,568
Cash and Cash Equivalents - January 1	1,122,824	773,339	658,661	2,554,824
Cash and Cash Equivalents - December 31	\$ 1,331,095	\$ 780,796	\$ 596,501	\$ 2,708,392
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (3,186,434)	\$ (17,720)	\$ 56,967	\$ (3,147,187)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	369,503	40,923	-	410,426
Changes in assets and liabilities				
Receivables	(5,600)	(28,667)	-	(34,267)
Inventories and prepaid items	(15,407)	-	-	(15,407)
Accounts payable	(22,501)	29,732	4,224	11,455
Accrued and other liabilities	(22,624)	561	(22)	(22,085)
Due to other governments	-	1,538	-	1,538
Unearned revenues	-	(57,593)	-	(57,593)
Net Cash Provided (Used) by Operating Activities	\$ (2,883,063)	\$ (31,226)	\$ 61,169	\$ (2,853,120)
Noncash Investing, Capital and Financing Activities				
None	\$ -	\$ -	\$ -	\$ -

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Net Assets
Internal Service Funds
December 31, 2008

	Motor Vehicle	Data Processing	Health Self Insurance
ASSETS			
Cash and investments	\$ 4,529,274	\$ 466,899	\$ 2,586,276
Receivables			
Accounts	-	428	-
Other	5,395	550	2,892
Due from other governments	371	7,238	-
Inventories and prepaid items	28,854	7,570	78,194
Advance to other funds	200,000	-	-
Deposit with CVMIC	-	-	-
Capital assets, nondepreciable			
Construction in progress	-	172,337	-
Capital assets, depreciable			
Machinery and equipment	10,767,275	775,713	-
Less: Accumulated depreciation	<u>(6,287,480)</u>	<u>(664,116)</u>	<u>-</u>
TOTAL ASSETS	<u>9,243,689</u>	<u>766,619</u>	<u>2,667,362</u>
LIABILITIES			
Accounts payable	1,010,800	16,589	15,513
Accrued and other current liabilities	<u>135,085</u>	<u>-</u>	<u>2,072,293</u>
TOTAL LIABILITIES	<u>1,145,885</u>	<u>16,589</u>	<u>2,087,806</u>
NET ASSETS			
Invested in capital assets	4,479,795	283,934	-
Unrestricted	<u>3,618,009</u>	<u>466,096</u>	<u>579,556</u>
TOTAL NET ASSETS	<u>\$ 8,097,804</u>	<u>\$ 750,030</u>	<u>\$ 579,556</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 627,387	\$ 225,610	\$ 8,435,446
-	45,375	45,803
753	165	9,755
-	-	7,609
7,333	50,295	172,246
-	-	200,000
-	2,205,665	2,205,665
-	-	172,337
-	-	11,542,988
-	-	(6,951,596)
<u>635,473</u>	<u>2,527,110</u>	<u>15,840,253</u>
46,909	20,123	1,109,934
<u>50,815</u>	<u>185,703</u>	<u>2,443,896</u>
<u>97,724</u>	<u>205,826</u>	<u>3,553,830</u>
-	-	4,763,729
<u>537,749</u>	<u>2,321,284</u>	<u>7,522,694</u>
<u>\$ 537,749</u>	<u>\$ 2,321,284</u>	<u>\$ 12,286,423</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
Year Ended December 31, 2008

	Motor Vehicle	Data Processing	Health Self Insurance
Operating Revenues			
Charges for services	\$ 2,876,501	\$ 134,088	\$ 7,689,267
Other	6,087	-	-
Total Operating Revenues	<u>2,882,588</u>	<u>134,088</u>	<u>7,689,267</u>
Operating Expenses			
Personal services	646,457	-	-
Contractual services	1,273,961	51,467	350,698
Supplies and materials	6,131	4,380	1,516
Insurance	61,349	-	8,096,343
Other	10,018	38,828	2,906
Depreciation	610,590	30,183	-
Total Operating Expenses	<u>2,608,506</u>	<u>124,858</u>	<u>8,451,463</u>
Operating Income (Loss)	<u>274,082</u>	<u>9,230</u>	<u>(762,196)</u>
Nonoperating Revenues (Expenses)			
Investment income	<u>137,231</u>	<u>15,531</u>	<u>70,464</u>
Income (Loss) Before Transfers	411,313	24,761	(691,732)
Transfers out	<u>(4,356,636)</u>	-	-
Change in Net Assets	(3,945,323)	24,761	(691,732)
Net Assets - January 1	<u>12,043,127</u>	<u>725,269</u>	<u>1,271,288</u>
Net Assets - December 31	<u>\$ 8,097,804</u>	<u>\$ 750,030</u>	<u>\$ 579,556</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 77,177	\$ 216,273	\$ 10,993,306
-	-	6,087
<u>77,177</u>	<u>216,273</u>	<u>10,999,393</u>
64,566	-	711,023
26,391	52,229	1,754,746
9,750	-	21,777
320,000	141,750	8,619,442
-	-	51,752
-	-	640,773
<u>420,707</u>	<u>193,979</u>	<u>11,799,513</u>
<u>(343,530)</u>	<u>22,294</u>	<u>(800,120)</u>
22,357	6,821	252,404
<u>(321,173)</u>	<u>29,115</u>	<u>(547,716)</u>
-	-	(4,356,636)
<u>(321,173)</u>	<u>29,115</u>	<u>(4,904,352)</u>
<u>858,922</u>	<u>2,292,169</u>	<u>17,190,775</u>
<u>\$ 537,749</u>	<u>\$ 2,321,284</u>	<u>\$ 12,286,423</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2008

	Motor Vehicle	Data Processing	Health Self Insurance
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,883,125	\$ 133,823	\$ 7,692,757
Payments to suppliers	(468,568)	(112,291)	(8,254,604)
Payments to employees	(635,441)	-	-
Net Cash Provided (Used) by Operating Activities	<u>1,779,116</u>	<u>21,532</u>	<u>(561,847)</u>
Cash Flows from Noncapital and Related Financing Activities			
Transfer in (out)	(4,356,636)	-	-
Advances to other funds	(200,000)	-	(4,995)
Net Cash Provided by Noncapital and Related Financing Activities	<u>(4,556,636)</u>	<u>-</u>	<u>(4,995)</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(1,322,899)	(220,792)	-
Cash Flows from Investing Activities			
Interest received	165,729	17,704	79,364
Change in Cash and Cash Equivalents	<u>(3,934,690)</u>	<u>(181,556)</u>	<u>(487,478)</u>
Cash and Cash Equivalents - January 1	<u>8,463,964</u>	<u>648,455</u>	<u>3,073,754</u>
Cash and Cash Equivalents - December 31	<u>\$ 4,529,274</u>	<u>\$ 466,899</u>	<u>\$ 2,586,276</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 274,082	\$ 9,230	\$ (762,196)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	610,590	30,183	-
Changes in assets and liabilities			
Receivables	537	(265)	3,490
Due from other governments	(371)	(7,238)	-
Inventories and prepaid items	(28,854)	-	(47,985)
Accounts payable	912,164	(10,378)	(77,449)
Accrued and other liabilities	10,968	-	322,293
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,779,116</u>	<u>\$ 21,532</u>	<u>\$ (561,847)</u>
Noncash Investing, Capital and Financing Activities			
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 77,936	\$ 170,898	\$ 10,958,539
(323,100)	(223,147)	(9,381,710)
(64,518)	-	(699,959)
<u>(309,682)</u>	<u>(52,249)</u>	<u>876,870</u>
-	-	(4,356,636)
-	-	<u>(204,995)</u>
-	-	<u>(4,561,631)</u>
-	-	<u>(1,543,691)</u>
25,574	7,463	295,834
(284,108)	(44,786)	(4,932,618)
911,495	270,396	13,368,064
<u>\$ 627,387</u>	<u>\$ 225,610</u>	<u>\$ 8,435,446</u>
\$ (343,530)	\$ 22,294	\$ (800,120)
-	-	640,773
759	(45,375)	(40,854)
-	-	(7,609)
(7,333)	(14,745)	(98,917)
39,879	(14,423)	849,793
543	-	333,804
<u>\$ (309,682)</u>	<u>\$ (52,249)</u>	<u>\$ 876,870</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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



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

To Mayor Bob Ryan 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, 2008, which collectively comprise the City of Sheboygan's basic financial statements and have issued our report thereon dated September 30, 2009. 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 September 30, 2009.

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
September 30, 2009

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 Mayor Bob Ryan 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, 2008. 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, 2008.

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.

This report is intended solely for the information and use of the County Board, management, federal and state awarding agencies and the Federal Aviation Administration, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Green Bay, Wisconsin
September 30, 2009

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

Grantor Agency/Federal Program Title	Pass-through Agency	Federal CFDA Number
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FEDERAL PROGRAMS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grant		14.218
1978	Direct Program	
1999	Direct Program	
2003	Direct Program	
2004	Direct Program	
2005	Direct Program	
2008	Direct Program	
Total Community Development Block Grant		
Lead Hazard Control Grant Program	Direct Program	14.900
Total U.S. Department of Housing and Urban Development		

U.S. DEPARTMENT OF JUSTICE

Edward Byrne Memorial Justice Assistance Grant Program	WI Department of Administration	16.738
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U.S. DEPARTMENT OF TRANSPORTATION

<i>Federal Transit Cluster</i>		
Federal Transit Capital Investment Grant		20.500
2002 Section 5309 Capital Assistance	WI Department of Transportation	
2005 Section 5309 Capital Assistance	WI Department of Transportation	
Total Federal Transit Capital Investment Grants		
Federal Transit Formula Grants	Direct Program	20.507
Total U.S. Department of Transportation and Federal Transit Cluster		

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Children's Justice Grants to States	WI Department of Justice	93.643
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U.S. DEPARTMENT OF HOMELAND SECURITY

State Domestic Preparedness Equipment Support Program	WI Department of Administration	97.004
Disaster Grants - Public Assistance	WI Department of Military Affairs	97.036
Total U.S. Department of Homeland Security		

TOTAL EXPENDITURES OF FEDERAL AWARDS

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

(Accrued) Deferred Revenue 1/1/08	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/08	Total Revenues	Total Expenditures
\$ (264,697)	\$ 485,020	\$ 566,071	\$ 786,394	\$ 786,394
-	536	2,430	2,966	2,966
(11,370)	6,408	16,261	11,299	11,299
-	-	3,881	3,881	3,881
-	55,718	-	55,718	55,718
-	-	394,495	394,495	394,495
(276,067)	547,682	983,138	1,254,753	1,254,753
(104,001)	325,723	215,009	436,731	436,731
(380,068)	873,405	1,198,147	1,691,484	1,691,484
-	13,872	25	13,897	13,897
-	-	84,287	84,287	84,287
-	-	9,044	9,044	9,044
-	-	93,331	93,331	93,331
-	1,273,647	65,333	1,338,980	1,338,980
-	1,273,647	158,664	1,432,311	1,432,311
-	-	2,641	2,641	2,641
-	4,376	-	4,376	4,376
-	-	99,049	99,049	99,049
-	4,376	99,049	103,425	103,425
<u>\$ (380,068)</u>	<u>\$ 2,165,300</u>	<u>\$ 1,458,526</u>	<u>\$ 3,243,758</u>	<u>\$ 3,243,758</u>

CITY OF SHEBOYGAN, WISCONSIN
Schedule of State Financial Assistance
For the Year Ended December 31, 2008

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

DEPARTMENT OF TRANSPORTATION

Transit Operating Aid - 2006	Direct Program	395.104
Transit Operating Aid - 2007	Direct Program	395.104
Transit Operating Aid - 2008	Direct Program	395.104
Total Department of Transportation		

DEPARTMENT OF MILITARY AFFAIRS

Division of Emergency Government		
Disaster Recovery Aids	Direct Program	465.305

TOTAL STATE FINANCIAL ASSISTANCE

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

(Accrued) Deferred Revenue 1/1/08	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/08	Total Revenues	Total Expenditures
\$ 94,011 (24,427)	\$ - -	\$ (94,011) 24,427	\$ - -	\$ - -
-	1,103,097	(127,953)	975,144	975,144
<u>69,584</u>	<u>1,103,097</u>	<u>(197,537)</u>	<u>975,144</u>	<u>975,144</u>
-	-	16,508	16,508	16,508
<u>\$ 69,584</u>	<u>\$ 1,103,097</u>	<u>\$ (181,029)</u>	<u>\$ 991,652</u>	<u>\$ 991,652</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
December 31, 2008

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 2008 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 2008.

NOTE C - OVERSIGHT AGENCY

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

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

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
20.500	Federal Transit Cluster
20.507	Federal Transit - Capital Improvement Grants Federal Transit - Formula Grants (Urbanized Area Formula 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, 2008.

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, 2008.

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended December 31, 2008

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2007.

Corrective Action Plan

No corrective action plan is required.