

CITY OF SHEBOYGAN, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2010

CITY OF SHEBOYGAN, WISCONSIN
December 31, 2010

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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, 2010, 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 44 percent and 34 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 2010, 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 A to the financial statements, the City of Sheboygan changed the financial reporting of the activities of the Storm Water Utility Fund from being reported as an Enterprise Fund to being reported as a Special Revenue Fund effective January 1, 2010.



In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2011, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress and employer contributions on pages 50 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sheboygan, Wisconsin's financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal awards and 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 Wisconsin Department of Administration, are also not a required part of the financial statements. The combining fund financial statements and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
Green Bay, Wisconsin
May 27, 2011

BASIC FINANCIAL STATEMENTS

CITY OF SHEBOYGAN, WISCONSIN

Statement of Net Assets

December 31, 2010

	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	\$ 40,769,940	\$ 12,514,707	\$ 53,284,647	\$ 4,461,051	\$ 116,637
Receivables					
Taxes	25,835,569	716,134	26,551,703	-	-
Accounts	683,342	1,780,373	2,463,715	-	19,638
Special assessments	306,111	319,877	625,988	-	-
Loans	14,333,400	-	14,333,400	-	-
Other	112,598	16,926	129,524	3,073	-
Internal balances	994,616	(994,616)	-	-	-
Due from other governments	1,001,745	170,062	1,171,807	-	-
Inventories and prepaid items	538,411	314,025	852,436	26,447	-
Deferred charges	358,493	-	358,493	-	-
Deposit with CVMIC	2,205,665	-	2,205,665	-	-
Restricted assets					
Cash and investments	-	965,437	965,437	244,364	-
Capital assets, nondepreciable					
Land	13,081,791	852,683	13,934,474	266,510	-
Construction in progress	-	5,610,148	5,610,148	-	-
Capital assets, depreciable					
Buildings and improvements	31,747,925	18,251,231	49,999,156	7,363,892	-
Improvements other than buildings	13,714,487	19,190,863	32,905,350	-	-
Machinery and equipment	22,400,741	31,103,261	53,504,002	619,244	2,791
Infrastructure	112,893,449	55,133,555	168,027,004	-	-
Less: Accumulated depreciation	(83,672,178)	(72,099,038)	(155,771,216)	(5,991,784)	(146)
TOTAL ASSETS	197,306,105	73,845,628	271,151,733	6,992,797	138,920
LIABILITIES					
Accounts payable	1,293,521	1,485,366	2,778,887	-	12,098
Accrued and other current liabilities	5,608,035	1,401,271	7,009,306	170,146	1,512
Accrued interest payable	651,499	98,674	750,173	-	-
Due to other governments	1,974,985	266,731	2,241,716	-	-
Unearned revenues	25,774,126	647,641	26,421,767	811	-
Long-term Obligations					
Due within one year	6,250,128	1,305,330	7,555,458	-	-
Due in more than one year	52,689,080	14,353,512	67,042,592	-	-
TOTAL LIABILITIES	94,241,374	19,558,525	113,799,899	170,957	13,610
NET ASSETS					
Invested in capital assets, net of related debt	58,606,360	43,048,680	101,655,040	2,257,862	-
Restricted for					
Debt service	2,145,027	224,414	2,369,441	-	-
Housing assistance	-	-	-	174,024	-
Community development loans	9,512,571	-	9,512,571	-	-
Unrestricted	32,800,773	11,014,009	43,814,782	4,389,954	125,310
TOTAL NET ASSETS	\$ 103,064,731	\$ 54,287,103	\$ 157,351,834	\$ 6,821,840	\$ 125,310

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

CITY OF SHEBOYGAN, WISCONSIN

Statement of Activities

Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 5,183,018	\$ 1,329,740	\$ 209,720	\$ -
Public safety	20,716,281	2,628,652	500,103	-
Public works	9,903,725	1,005,611	2,768,111	986,211
Health and human services	406,364	113,975	-	-
Culture and recreation	6,712,200	853,029	710,764	-
Conservation and development	3,315,157	19,177	2,001,395	-
Interest on debt	2,746,639	226,647	-	-
Total Governmental Activities	<u>48,983,384</u>	<u>6,176,831</u>	<u>6,190,093</u>	<u>986,211</u>
Business-type Activities				
Sewerage system	5,837,214	6,386,476	-	27,052
Water utility	5,089,016	6,774,103	-	67,161
Transit commission	4,492,552	783,319	2,746,915	1,985,317
Parking facility	400,498	424,829	-	-
Boat facility	77,220	114,165	-	-
Total Business-type Activities	<u>15,896,500</u>	<u>14,482,892</u>	<u>2,746,915</u>	<u>2,079,530</u>
Total Primary Government	<u>\$ 64,879,884</u>	<u>\$ 20,659,723</u>	<u>\$ 8,937,008</u>	<u>\$ 3,065,741</u>
Component Units				
Housing Authority of the City of Sheboygan	\$ 1,770,012	\$ 825,790	\$ 631,116	\$ 469,136
Harbor Centre Business Improvement District	144,862	143,010	17,000	-
	<u>\$ 1,914,874</u>	<u>\$ 968,800</u>	<u>\$ 648,116</u>	<u>\$ 469,136</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

Prior Period Adjustment

Net assets - January 1, restated

Net assets - December 31

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Totals	Housing Authority of the City of Sheboygan	Harbor Centre Business Improvement District
\$ (3,643,558)	\$ -	\$ (3,643,558)	\$ -	\$ -
(17,587,526)	-	(17,587,526)	-	-
(5,143,792)	-	(5,143,792)	-	-
(292,389)	-	(292,389)	-	-
(5,148,407)	-	(5,148,407)	-	-
(1,294,585)	-	(1,294,585)	-	-
(2,519,992)	-	(2,519,992)	-	-
(35,630,249)	-	(35,630,249)	-	-
-	576,314	576,314	-	-
-	1,752,248	1,752,248	-	-
-	1,022,999	1,022,999	-	-
-	24,331	24,331	-	-
-	36,945	36,945	-	-
-	3,412,837	3,412,837	-	-
(35,630,249)	3,412,837	(32,217,412)	-	-
-	-	-	156,030	-
-	-	-	-	15,148
-	-	-	156,030	15,148
20,205,150	638,595	20,843,745	-	-
5,917,089	-	5,917,089	-	-
1,666,692	-	1,666,692	-	-
12,715,780	-	12,715,780	-	-
1,130,629	220,511	1,351,140	22,707	530
294,826	69,508	364,334	93,116	-
16,696,586	(16,696,586)	-	-	-
58,626,752	(15,767,972)	42,858,780	115,823	530
22,996,503	(12,355,135)	10,641,368	271,853	15,678
80,068,228	66,960,852	147,029,080	6,549,987	109,632
-	(318,614)	(318,614)	-	-
80,068,228	66,642,238	146,710,466	6,549,987	109,632
\$ 103,064,731	\$ 54,287,103	\$ 157,351,834	\$ 6,821,840	\$ 125,310

CITY OF SHEBOYGAN, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2010

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
ASSETS				
Cash and investments	\$ 11,080,675	\$ 2,424,454	\$ 3,773,048	\$ 544,695
Receivables				
Taxes	15,336,469	2,877,659	5,139,867	-
Accounts	211,300	-	4,573	-
Special assessments	68,065	-	-	-
Loans	10,000	-	4,000,000	-
Other	47,042	6,113	15,147	1,461
Due from other funds	1,699,099	1,818,872	-	-
Advance to other funds	1,234,475	1,731,913	-	-
Due from other governments	105,595	-	-	-
Inventories and prepaid items	334,991	-	-	-
TOTAL ASSETS	\$ 30,127,711	\$ 8,859,011	\$ 12,932,635	\$ 546,156
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 666,980	\$ -	\$ 1,887	\$ -
Accrued and other current liabilities	2,225,163	-	-	-
Due to other funds	-	-	70,864	-
Due to other governments	1,080	-	-	-
Deferred revenues	15,278,914	3,163,199	9,139,867	-
Advance from other funds	262,617	-	3,333,185	-
Total Liabilities	18,434,754	3,163,199	12,545,803	-
Fund Balances				
Reserved for				
Inventories and prepaid items	334,991	-	-	-
Long-term accounts and interfund receivables	1,443,332	3,550,785	-	-
Encumbrances	236,225	-	-	546,156
Retirement of long-term debt	-	2,145,027	-	-
Cemetery perpetual care	-	-	-	-
Trust activities	-	-	-	-
Unreserved				
Designated for				
Subsequent year's expenditures	14,000	-	-	-
Subsequent year's working capital	4,000,000	-	-	-
Undesignated, reported in				
General fund	5,664,409	-	-	-
Special revenue funds	-	-	-	-
Debt service fund	-	-	386,832	-
Capital projects funds	-	-	-	-
Total Fund Balances	11,692,957	5,695,812	386,832	546,156
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,127,711	\$ 8,859,011	\$ 12,932,635	\$ 546,156

(Continued)

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

\$ 2,679,709 \$ 10,695,209 \$ 31,197,790

- 2,481,574 25,835,569
 - 465,498 681,371
 - 238,046 306,111
 - 10,323,400 14,333,400
 2,192 15,116 87,071
 - 70,000 3,587,971
 - 914,954 3,881,342
 - 896,150 1,001,745
 - 45,033 380,024

\$ 2,681,901 \$ 26,144,980 \$ 81,292,394

\$ 41,336 \$ 382,797 \$ 1,093,000

- 191,045 2,416,208
 1,708 2,452,941 2,525,513
 - 1,973,905 1,974,985
 - 11,218,668 38,800,648
 - 330,449 3,926,251

43,044 16,549,805 50,736,605

- 45,033 380,024
 - 652,337 5,646,454
 2,638,857 91,989 3,513,227
 - - 2,145,027
 - 791,220 791,220
 - 1,050,313 1,050,313

- 209,681 223,681
 - - 4,000,000

- - 5,664,409
 - 3,778,404 3,778,404
 - - 386,832

- 2,976,198 2,976,198

2,638,857 9,595,175 30,555,789

\$ 2,681,901 \$ 26,144,980 \$ 81,292,394

CITY OF SHEBOYGAN, WISCONSIN
 Balance Sheet (Continued)
 Governmental Funds
 December 31, 2010

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page		\$ 30,555,789
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.		105,431,000
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Special assessments		305,992
Accounts receivable		82,300
Loans receivable		12,352,690
Advance from other funds		285,540
Internal service funds reported in the statement of net assets as governmental activities (see page 15)		13,283,634
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	\$ (53,938,129)	
Capital leases payable	(846,130)	
Unfunded post employment benefits	(1,014,864)	
Compensated absences	(3,140,085)	
Deferred charges - bond issues	358,493	
Accrued interest on long-term obligations	(651,499)	(59,232,214)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 3)		<u>\$ 103,064,731</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, 2010

	General	Debt Service GO Debt	Debt Service TIF Districts	Capital Projects TIF Districts
Revenues				
Taxes	\$ 14,813,663	\$ 3,190,613	\$ 6,005,174	\$ -
Special assessments	-	-	-	-
Intergovernmental	15,300,104	-	44,907	-
Licenses and permits	707,928	-	-	-
Fines and forfeits	703,555	-	-	-
Public charges for services	646,969	-	-	-
Intergovernmental charges for services	247,733	-	-	-
Miscellaneous	598,037	780,007	172,332	20,968
Total Revenues	33,017,989	3,970,620	6,222,413	20,968
Expenditures				
Current				
General government	4,132,768	-	-	-
Public safety	19,733,043	-	-	-
Public works	7,321,721	-	-	-
Health and human services	393,618	-	-	-
Culture and recreation	2,527,118	-	-	-
Conservation and development	345,763	-	310,555	-
Debt service				
Principal	-	3,284,165	2,513,834	-
Interest and fiscal charges	840	1,762,868	1,205,374	1,800
Capital outlay	-	-	-	576
Total Expenditures	34,454,871	5,047,033	4,029,763	2,376
Excess of Revenues Over (Under)				
Expenditures	(1,436,882)	(1,076,413)	2,192,650	18,592
Other Financing Sources (Uses)				
Long-term debt issued	-	7,252,378	3,602,622	-
Refunding debt principal payments	-	(1,440,000)	-	-
Capital leases	455,736	-	-	-
Sale of capital assets	-	-	-	-
Payment to current noteholder	-	(5,765,052)	(3,559,948)	-
Transfers in	1,475,196	1,960,378	109,136	404,071
Transfers out	(248,065)	-	(552,862)	(109,136)
Total Other Financing Sources (Uses)	1,682,867	2,007,704	(401,052)	294,935
Net Change in Fund Balances	245,985	931,291	1,791,598	313,527
Fund Balances (Deficit) - January 1	11,446,972	4,764,521	(1,404,766)	232,629
Fund Balances - December 31	\$ 11,692,957	\$ 5,695,812	\$ 386,832	\$ 546,156

(Continued)

Capital Projects Bonded	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,779,481	\$ 27,788,931
-	210,612	210,612
-	2,927,506	18,272,517
-	578,844	1,286,772
-	1,006,695	1,710,250
-	1,889,179	2,536,148
-	-	247,733
22,723	850,742	2,444,809
<u>22,723</u>	<u>11,243,059</u>	<u>54,497,772</u>
-	1,026,480	5,159,248
-	842,754	20,575,797
-	809,175	8,130,896
-	388	394,006
-	3,735,776	6,262,894
-	2,493,466	3,149,784
-	69,861	5,867,860
-	17,867	2,988,749
276,832	1,087,313	1,364,721
<u>276,832</u>	<u>10,083,080</u>	<u>53,893,955</u>
<u>(254,109)</u>	<u>1,159,979</u>	<u>603,817</u>
2,045,000	-	12,900,000
-	-	(1,440,000)
-	-	455,736
-	29,374	29,374
-	-	(9,325,000)
-	341,645	4,290,426
<u>(739,130)</u>	<u>(1,475,621)</u>	<u>(3,124,814)</u>
<u>1,305,870</u>	<u>(1,104,602)</u>	<u>3,785,722</u>
1,051,761	55,377	4,389,539
<u>1,587,096</u>	<u>9,539,798</u>	<u>26,166,250</u>
<u>\$ 2,638,857</u>	<u>\$ 9,595,175</u>	<u>\$ 30,555,789</u>

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds (Continued)
Year Ended December 31, 2010

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ 4,389,539

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

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

Capital assets reported as capital outlay in governmental fund statements	\$ (1,082,972)	
Net capital assets transfer		
Depreciation expense reported in the statement of activities	<u>2,946,087</u>	
Amount by which depreciation is greater than capital outlays in current period		(1,863,115)

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.		(29,375)
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Net capital assets of stormwater utility transferred to governmental activities		15,530,974
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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 decreased by:		401,419
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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	\$ 176,891	
Special assessment collections	<u>(210,612)</u>	(33,721)

Accounts receivable deferred and collected after the period of availability		22,301
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Water utility's portion of unfunded pension liability payoff established in 2009		(9,556)
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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	\$ 513,034	
Loan repayments received	<u>(444,536)</u>	68,498

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:		(13,355,736)
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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:		16,635,065
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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.		276,064
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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.		190,487
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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.		<u>773,659</u>
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Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 4 - 5)		<u>\$ 22,996,503</u>
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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, 2010

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 14,834,324	\$ 14,834,324	\$ 14,813,663	\$ (20,661)
Intergovernmental	15,064,489	15,248,243	15,300,104	51,861
Licenses and permits	533,680	533,680	707,928	174,248
Fines and forfeits	794,020	794,020	703,555	(90,465)
Public charges for services	673,016	673,016	646,969	(26,047)
Intergovernmental charges for services	205,000	205,000	247,733	42,733
Miscellaneous	1,020,027	1,034,860	598,037	(436,823)
Total Revenues	33,124,556	33,323,143	33,017,989	(305,154)
Expenditures				
General Government				
Council	120,402	136,592	118,452	18,140
Mayor	203,834	203,834	197,973	5,861
City clerk	379,616	395,616	348,851	46,765
Elections	110,651	126,021	83,885	42,136
Finance	1,027,890	1,143,435	1,020,826	122,609
Assessor	491,572	503,563	484,487	19,076
Personnel	248,857	253,213	257,229	(4,016)
City attorney	767,377	469,793	424,423	45,370
City insurance	159,060	159,060	180,990	(21,930)
City buildings	1,206,625	1,208,945	1,013,366	195,579
Board of review	2,073	2,073	2,286	(213)
Total General Government	4,717,957	4,602,145	4,132,768	469,377
Public Safety				
Police	11,595,354	12,011,918	11,636,559	375,359
Fire	7,270,513	7,738,499	7,537,284	201,215
Building inspection	457,016	487,790	548,388	(60,598)
Emergency operations	-	-	1,675	(1,675)
Civil defense	8,399	8,399	9,137	(738)
Total Public Safety	19,331,282	20,246,606	19,733,043	513,563
Public Works				
Department of public works	450,780	455,187	441,995	13,192
Engineering	504,913	505,951	489,232	16,719
Streets department	4,216,338	4,244,980	4,004,772	240,208
Sanitation department	2,390,042	2,454,083	2,369,760	84,323
Incinerator	19,241	19,241	15,962	3,279
Total Public Works	7,581,314	7,679,442	7,321,721	357,721

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)
General Fund
Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Health and Human Services				
Health	15,000	22,986	21,209	1,777
Cemetery	272,054	273,672	372,409	(98,737)
Total Health and Human Services	<u>287,054</u>	<u>296,658</u>	<u>393,618</u>	<u>(96,960)</u>
Culture and Recreation				
Park department	2,243,447	2,270,765	2,270,545	220
Celebrations	30,470	30,470	38,784	(8,314)
Senior citizen center	230,841	230,863	217,789	13,074
Total Culture and Recreation	<u>2,504,758</u>	<u>2,532,098</u>	<u>2,527,118</u>	<u>4,980</u>
Conservation and Development				
City development	<u>338,719</u>	<u>345,726</u>	<u>345,763</u>	<u>(37)</u>
Debt Service				
Debt issuance costs	<u>-</u>	<u>-</u>	<u>840</u>	<u>(840)</u>
Other				
Contingency	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Expenditures	<u>34,861,084</u>	<u>35,802,675</u>	<u>34,454,871</u>	<u>1,347,804</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,736,528)</u>	<u>(2,479,532)</u>	<u>(1,436,882)</u>	<u>1,042,650</u>
Other Financing Sources (Uses)				
Capital leases	-	455,736	455,736	-
Transfers in	1,373,734	1,373,734	1,475,196	101,462
Transfers out	(9,206)	(9,206)	(248,065)	(238,859)
Total Other Financing Sources (Uses)	<u>1,364,528</u>	<u>1,820,264</u>	<u>1,682,867</u>	<u>(137,397)</u>
Net Change in Fund Balance	(372,000)	(659,268)	245,985	905,253
Fund Balance - January 1	<u>11,446,972</u>	<u>11,446,972</u>	<u>11,446,972</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 11,074,972</u>	<u>\$ 10,787,704</u>	<u>\$ 11,692,957</u>	<u>\$ 905,253</u>

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

CITY OF SHEBOYGAN, WISCONSIN

Statement of Net Assets

Proprietary Funds

December 31, 2010

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
ASSETS			
Cash and investments	\$ 6,250,805	\$ 3,337,163	\$ -
Receivables			
Taxes	49,587	-	-
Accounts	672,696	1,062,248	-
Special assessments	380	184,385	-
Other	8,906	-	-
Due from other governments	-	-	-
Inventories and prepaid items	-	289,379	-
Restricted assets			
Cash and investments	-	965,437	-
Advance to other funds	-	-	-
Deposit with CVMIC	-	-	-
Capital assets, nondepreciable			
Land	2,000	98,671	-
Construction in progress	5,000,122	610,026	-
Capital assets, depreciable			
Buildings and improvements	12,371,095	5,127,722	-
Improvements other than buildings	16,436,286	-	-
Machinery and equipment	14,217,242	9,904,092	-
Infrastructure	23,692,447	31,441,108	-
Less: Accumulated depreciation	(53,228,850)	(12,592,747)	-
TOTAL ASSETS	25,472,716	40,427,484	-
LIABILITIES			
Accounts payable	1,273,939	125,872	-
Accrued and other current liabilities	436,236	616,706	-
Accrued interest payable	22,470	76,204	-
Due to other funds	-	921,912	-
Due to other governments	-	-	-
Unearned revenues	8,698	-	-
Advance from other funds	-	285,540	-
Long-term obligations			
Due within one year	778,752	526,578	-
Due in more than one year	5,224,261	9,129,251	-
TOTAL LIABILITIES	7,744,356	11,682,063	-
NET ASSETS			
Invested in capital assets, net of related debt	12,487,329	25,597,862	-
Restricted for			
Debt service	-	224,414	-
Unrestricted	5,241,031	2,923,145	-
TOTAL NET ASSETS	\$ 17,728,360	\$ 28,745,421	\$ -

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
\$ 2,926,739	\$ 12,514,707	\$ 9,572,150
666,547	716,134	-
45,429	1,780,373	1,971
135,112	319,877	-
8,020	16,926	25,527
170,062	170,062	-
24,646	314,025	158,387
-	965,437	-
330,449	330,449	-
-	-	2,205,665
752,012	852,683	-
-	5,610,148	-
752,414	18,251,231	-
2,754,577	19,190,863	-
6,981,927	31,103,261	12,082,580
-	55,133,555	-
<u>(6,277,441)</u>	<u>(72,099,038)</u>	<u>(7,347,365)</u>
<u>9,270,493</u>	<u>75,170,693</u>	<u>16,698,915</u>
85,555	1,485,366	200,521
348,329	1,401,271	3,191,827
-	98,674	-
-	921,912	140,546
266,731	266,731	-
638,943	647,641	-
-	285,540	-
-	1,305,330	-
-	14,353,512	-
<u>1,339,558</u>	<u>20,765,977</u>	<u>3,532,894</u>
4,963,489	43,048,680	4,735,215
-	224,414	-
<u>2,967,446</u>	<u>11,131,622</u>	<u>8,430,806</u>
<u>\$ 7,930,935</u>	<u>54,404,716</u>	<u>13,166,021</u>
	<u>(117,613)</u>	<u>117,613</u>
	<u>\$ 54,287,103</u>	<u>\$ 13,283,634</u>

CITY OF SHEBOYGAN, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2010

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
Operating Revenues			
Charges for services	\$ 6,319,622	\$ 6,657,955	\$ -
Other	66,854	116,148	-
Total Operating Revenues	<u>6,386,476</u>	<u>6,774,103</u>	<u>-</u>
Operating Expenses			
Personal services	2,057,457	1,796,208	-
Contractual services	2,102,388	1,178,425	-
Supplies and materials	730,149	358,449	-
Insurance	24,074	89,394	-
Other	47,349	240,164	-
Depreciation	783,642	1,026,699	-
Total Operating Expenses	<u>5,745,059</u>	<u>4,689,339</u>	<u>-</u>
Operating Income (Loss)	<u>641,417</u>	<u>2,084,764</u>	<u>-</u>
Nonoperating Revenues (Expenses)			
Property taxes	-	-	-
Intergovernmental	-	-	-
Investment income	108,870	44,913	-
Miscellaneous revenues	-	1,392	-
Interest expense	(102,673)	(399,677)	-
Amortization of premium	-	197	-
Sale of capital assets	-	-	-
Total Nonoperating Revenues (Expenses)	<u>6,197</u>	<u>(353,175)</u>	<u>-</u>
Income Before Contributions and Transfers	647,614	1,731,589	-
Capital contributions	27,052	67,161	-
Transfers in	-	-	-
Transfers out	<u>(242,769)</u>	<u>(904,144)</u>	<u>(15,559,619)</u>
Change in Net Assets	431,897	894,606	(15,559,619)
Prior Period Adjustment	-	-	-
Net Assets - January 1	<u>17,296,463</u>	<u>27,850,815</u>	<u>15,559,619</u>
Net Assets - December 31	<u>\$ 17,728,360</u>	<u>\$ 28,745,421</u>	<u>\$ -</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
\$ 1,241,966	\$ 14,219,543	\$ 11,256,121
80,347	263,349	96,295
<u>1,322,313</u>	<u>14,482,892</u>	<u>11,352,416</u>
3,261,155	7,114,820	1,197,499
460,427	3,741,240	1,068,042
511,110	1,599,708	515,006
160,407	273,875	7,048,568
175,688	463,201	98,318
486,095	2,296,436	840,116
<u>5,054,882</u>	<u>15,489,280</u>	<u>10,767,549</u>
<u>(3,732,569)</u>	<u>(1,006,388)</u>	<u>584,867</u>
638,595	638,595	-
4,732,232	4,732,232	-
66,728	220,511	215,075
67,918	69,310	-
-	(502,350)	-
-	197	-
-	-	68,848
<u>5,505,473</u>	<u>5,158,495</u>	<u>283,923</u>
1,772,904	4,152,107	868,790
-	94,213	-
9,946	9,946	-
-	(16,706,532)	-
<u>1,782,850</u>	<u>(12,450,266)</u>	<u>868,790</u>
(318,614)	(318,614)	-
<u>6,466,699</u>	<u>67,173,596</u>	<u>12,297,231</u>
<u>\$ 7,930,935</u>	<u>\$ 54,404,716</u>	<u>\$ 13,166,021</u>
	\$ (12,450,266)	\$ 868,790
	<u>95,131</u>	<u>(95,131)</u>
	<u>\$ (12,355,135)</u>	<u>\$ 773,659</u>

CITY OF SHEBOYGAN, WISCONSIN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2010

	Enterprise Funds		
	Sewerage System	Water Utility	Storm Water Utility
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,505,490	\$ 6,746,903	\$ 8,521
Payments to suppliers	(1,838,590)	(2,294,801)	(585)
Payments to employees	(1,986,524)	(1,427,192)	-
Net Cash Provided (Used) by Operating Activities	2,680,376	3,024,910	7,936
Cash Flows from Noncapital and Related Financing Activities			
Property taxes	-	-	-
Intergovernmental grants	-	-	-
Transfers	(242,769)	(790,079)	(28,645)
Advances to (from) other funds	-	(9,556)	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(242,769)	(799,635)	(28,645)
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(4,973,070)	(524,601)	-
Proceeds from sale of capital assets	3,313,026	1,390	-
Principal payments on capital debt	(491,661)	(562,330)	-
Interest payments on capital debt	(96,558)	(403,421)	-
Salvage on retirement of plant	-	1,109	-
Special assessment collections	-	77,074	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,248,263)	(1,410,779)	-
Cash Flows from Investing Activities			
Interest received	108,870	44,913	-
Change in Cash and Cash Equivalents	298,214	859,409	(20,709)
Cash and Cash Equivalents - January 1	5,952,591	3,443,191	20,709
Cash and Cash Equivalents - December 31	\$ 6,250,805	\$ 4,302,600	\$ -
Reconciliation to Statement of Net Assets			
Unrestricted cash and investments	\$ 6,250,805	\$ 3,337,163	\$ -
Restricted cash and investments	-	965,437	-
	\$ 6,250,805	\$ 4,302,600	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 641,417	\$ 2,084,764	\$ -
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	783,642	1,026,699	-
Depreciation charged to clearing and other funds	-	116,620	-
Miscellaneous income	-	-	-
Changes in assets and liabilities			
Receivables	127,500	(88,390)	8,521
Due from other governments	-	-	-
Inventories and prepaid items	-	(90,629)	-
Accounts payable	1,065,370	(46,329)	(585)
Accrued and other liabilities	70,933	22,175	-
Due to other governments	-	-	-
Unearned revenues	(8,486)	-	-
Net Cash Provided (Used) by Operating Activities	\$ 2,680,376	\$ 3,024,910	\$ 7,936
Noncash Investing, Capital and Financing Activities			
Capital contributions	\$ 27,052	\$ 67,161	\$ -
Net book value of stormwater assets transferred	\$ -	\$ -	\$ 15,530,974

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

Total Nonmajor Enterprise Funds	Totals	Governmental Activities - Internal Service Funds
\$ 1,359,573	\$ 14,620,487	\$ 11,340,264
(4,737,185)	(8,871,161)	(9,953,377)
-	(3,413,716)	-
<u>(3,377,612)</u>	<u>2,335,610</u>	<u>1,386,887</u>
638,595	638,595	-
4,562,170	4,562,170	-
9,946	(1,051,547)	-
(698)	(10,254)	341,513
<u>5,210,013</u>	<u>4,138,964</u>	<u>341,513</u>
(1,963,433)	(7,461,104)	(598,974)
19,777	3,334,193	68,848
-	(1,053,991)	-
-	(499,979)	-
-	1,109	-
-	77,074	-
<u>(1,943,656)</u>	<u>(5,602,698)</u>	<u>(530,126)</u>
66,728	220,511	215,075
(44,527)	1,092,387	1,413,349
<u>2,971,266</u>	<u>12,387,757</u>	<u>8,158,801</u>
<u>\$ 2,926,739</u>	<u>\$ 13,480,144</u>	<u>\$ 9,572,150</u>
\$ 2,926,739	\$ 12,514,707	\$ 9,572,150
-	965,437	-
<u>\$ 2,926,739</u>	<u>\$ 13,480,144</u>	<u>\$ 9,572,150</u>
\$ (3,732,569)	\$ (1,006,388)	\$ 584,867
486,095	2,296,436	840,116
-	116,620	-
67,918	67,918	-
(30,635)	16,996	(12,152)
-	-	454
(8,275)	(98,904)	(29,420)
(50,271)	968,185	(87,192)
(108)	93,000	90,214
(109,744)	(109,744)	-
(23)	(8,509)	-
<u>\$ (3,377,612)</u>	<u>\$ 2,335,610</u>	<u>\$ 1,386,887</u>
\$ -	\$ 94,213	\$ -
\$ -	\$ 15,530,974	\$ -

CITY OF SHEBOYGAN, WISCONSIN

Statement of Fiduciary Net Assets

Agency Funds

December 31, 2010

	Property Tax Collection	Business Improvement District	Totals
ASSETS			
Cash and investments	\$ 5,334,288	\$ 7,019	\$ 5,341,307
Receivables			
Taxes	40,602,347	129,818	40,732,165
Special assessments	-	18,766	18,766
TOTAL ASSETS	<u>\$ 45,936,635</u>	<u>\$ 155,603</u>	<u>\$ 46,092,238</u>
LIABILITIES			
Liabilities			
Due to other governments	<u>\$ 45,936,635</u>	<u>\$ 155,603</u>	<u>\$ 46,092,238</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, 2010

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, 2010 for the Housing Authority and December 31, 2010 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, 2010

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, 2010

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. During 2009, the City eliminated user charges for the system and the assets and operations of the fund were transferred to governmental funds in 2010.

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	Storm Water

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

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

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

Transit Commission	Boat Facility
Parking Facility	

Additionally, the government reports the following fund types:

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

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

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

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

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, 2010

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, 2010

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:

	Governmental	Business-type
	Activities	Activities
	Years	
<u>Assets</u>		
Buildings and improvements	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 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, 2010

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, 2010

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, 2010.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2010:

Funds	Deficit Fund Balance
Other Governmental Funds	
Harbor Center Marina	\$ 2,291,755
Internal Service Funds	
Workers Compensation Self Insurance	202,121

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

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

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 \$59,591,391 on December 31, 2010 as summarized below:

Petty cash funds	\$ 6,941
Deposits with financial institutions	8,241,993
Investments	
Cash held by brokerage firm	1,281,440
Repurchase agreements	1,704,971
Federal agency securities	39,901,410
Wisconsin local government investment pool	8,454,636
	<u>\$ 59,591,391</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 53,284,647
Restricted cash and investments	965,437
Fiduciary funds	
Agency funds	5,341,307
	<u>\$ 59,591,391</u>

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

Custodial Credit Risk

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

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 per official custodian per depository institution. In addition, the City's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, 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, 2010, none of the City's deposits with financial institutions were 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, 2010, the City held repurchase agreement investments of \$1,704,971 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	AAA	AA	Not Rated
Cash held by brokerage firm	\$ 1,281,440	\$ -	\$ -	\$ 1,281,440
Federal National Mortgage Association	21,896,477	21,896,477	-	-
Federal Home Loan Mortgage	986,300	986,300	-	-
Federal Home Loan Bank	17,018,633	17,018,633	-	-
Wisconsin local government investment pool	8,454,636	-	-	8,454,636
Totals	\$ 49,637,486	\$ 39,901,410	\$ -	\$ 9,736,076

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, 2010

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	Percent of Total
Federal National Mortgage Association	Federal Agency Securities	\$ 21,896,477	43%
Federal Home Loan Bank	Federal Agency Securities	17,018,633	33%

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	\$ -	\$ 1,704,971	\$ -	\$ -	\$ -
Cash held by brokerage firm	1,281,440	1,281,440	-	-	-
Federal agency securities	39,901,410	-	-	14,155,069	25,746,341
Wisconsin local government investment pool	8,454,636	8,454,636	-	-	-
Totals	\$ 49,637,486	\$ 11,441,047	\$ -	\$ 14,155,069	\$ 25,746,341

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.	\$39,901,410

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$8,454,636 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, 2010, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

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	\$ 300,618
Reserve account	664,819
Total Restricted Assets	<u>\$ 965,437</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Adjustment	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 11,687,357	\$ 28,699	\$ 1,395,109	\$ 29,374	\$ 13,081,791
Construction in progress	547,611	-	-	547,611	-
Total capital assets, not being depreciated	<u>12,234,968</u>	<u>28,699</u>	<u>1,395,109</u>	<u>576,985</u>	<u>13,081,791</u>
Capital assets, being depreciated:					
Buildings and improvements	31,441,819	306,106	-	-	31,747,925
Improvements other than buildings	13,370,572	343,915	-	-	13,714,487
Machinery and equipment	22,862,144	786,912	-	1,248,315	22,400,741
Infrastructure	89,627,720	809,320	22,456,409	-	112,893,449
Subtotals	<u>157,302,255</u>	<u>2,246,253</u>	<u>22,456,409</u>	<u>1,248,315</u>	<u>180,756,602</u>
Less accumulated depreciation for:					
Buildings and improvements	11,745,537	649,932	-	-	12,395,469
Improvements other than buildings	8,321,177	507,492	-	-	8,828,669
Machinery and equipment	15,098,176	1,440,531	-	1,174,094	15,364,613
Infrastructure	37,603,460	1,159,423	8,320,544	-	47,083,427
Subtotals	<u>72,768,350</u>	<u>3,757,378</u>	<u>8,320,544</u>	<u>1,174,094</u>	<u>83,672,178</u>
Total capital assets, being depreciated, net	<u>84,533,905</u>	<u>(1,511,125)</u>	<u>14,135,865</u>	<u>74,221</u>	<u>97,084,424</u>
Governmental activities capital assets, net	<u>\$ 96,768,873</u>	<u>\$ (1,482,426)</u>	<u>\$ 15,530,974</u>	<u>\$ 651,206</u>	<u>110,166,215</u>
Less: General obligation debt outstanding					52,713,129
Less: Mortgage notes					225,000
Less: Capital lease					846,130
Less: Sheboygan County					1,000,000
Plus: Unspent capital related debt proceeds					<u>(3,224,404)</u>
Invested in capital assets, net of related debt					<u>\$ 58,606,360</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Adjustment	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,267,757	\$ -	\$ (1,395,109)	\$ 19,965	\$ 852,683
Construction in progress	673,109	5,455,261	-	518,222	5,610,148
Total capital assets, not being depreciated	2,940,866	5,455,261	(1,395,109)	538,187	6,462,831
Capital assets, being depreciated:					
Buildings and improvements	18,162,845	144,792	-	56,406	18,251,231
Improvements other than buildings	19,190,863	-	-	-	19,190,863
Machinery and equipment	34,502,021	2,167,704	-	5,566,464	31,103,261
Infrastructure	77,448,982	263,972	(22,456,409)	122,990	55,133,555
Subtotals	149,304,711	2,576,468	(22,456,409)	5,745,860	123,678,910
Less accumulated depreciation for:					
Buildings and improvements	11,224,948	471,607	-	56,407	11,640,148
Improvements other than buildings	18,633,569	77,708	-	-	18,711,277
Machinery and equipment	26,097,165	838,737	-	5,565,545	21,370,357
Infrastructure	27,795,784	1,025,004	(8,320,544)	122,988	20,377,256
Subtotals	83,751,466	2,413,056	(8,320,544)	5,744,940	72,099,038
Total capital assets, being depreciated, net	65,553,245	163,412	(14,135,865)	920	51,579,872
Business-type activities capital assets net	<u>\$ 68,494,111</u>	<u>\$ 5,618,673</u>	<u>\$(15,530,974)</u>	<u>\$ 539,107</u>	58,042,703
Less: Related long-term debt outstanding					15,655,792
Less: Bond premium					3,050
Plus: Unspent capital related debt proceeds					<u>(664,819)</u>
Invested in capital assets, net of related debt					<u>\$ 43,048,680</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
General government	\$ 88,010
Public safety	682,238
Public works	1,173,309
Health and human services	9,854
Culture and recreation	534,173
Conservation and development	429,678
Internal service funds allocated to other activities	840,116
Total depreciation expense - governmental activities	\$ 3,757,378
Business-type activities	
Sewerage system	\$ 783,642
Water utility	
Depreciation expense	1,026,699
Depreciation expense allocated to clearing accounts	116,620
Transit commission	437,510
Parking facility	27,107
Boat facility	21,478
Total depreciation expense - business-type activities	\$ 2,413,056

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, 2010 are detailed below:

Receivable Fund	Payable Fund	Amount	Amount not Due Within One Year
General fund	Special revenue fund - Community development block grant	\$ 244,286	\$ -
	Special revenue fund - Lead based abatement program	312,965	-
	Special revenue fund - Tourism promotion	6,818	-
	Debt service fund - TIF districts	70,864	-
	Capital projects fund - Bonded	1,708	-
	Internal service fund - Workers Compensation Self Insurance	140,546	-
	Enterprise fund - Water utility	921,912	-
	Debt service fund - GO debt	Special revenue fund - Harbor Center Marina	1,818,872
Mead library fund	Permanent fund - Library trust	70,000	-
Subtotal - Fund Financial Statements		3,587,971	1,818,872
Less: Fund eliminations		(2,666,059)	(1,818,872)
Total Internal Balances - Government-wide Statement of Net Assets		\$ 921,912	\$ -

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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.

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	\$ 1,234,475	\$ 1,234,475
Special revenue fund - Special assessments fund	General fund	262,617	-
Debt service fund - GO debt	Debt service fund - TIF districts	1,446,373	1,446,373
	Enterprise fund - Water utility	285,540	285,540
Capital projects fund - Tax levy	Debt service fund - TIF districts	652,337	652,337
		<u>3,881,342</u>	<u>3,618,725</u>
Enterprise fund - Boat facility	Special revenue fund - Harbor Center Marina	330,449	330,449
Subtotal - Fund Financial Statements		4,211,791	3,949,174
Less: Fund eliminations		(3,595,802)	(3,333,185)
Less: Enterprise portion of advance		<u>(660,898)</u>	<u>(660,898)</u>
Total Internal Balances - Government-wide Statement of Net Assets		<u>\$ (44,909)</u>	<u>\$ (44,909)</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. A reconciliation to the statement of net assets follows:

Due from other funds	\$ 921,912
Interfund advances	(44,909)
Internal service fund allocation to business-type activities	<u>117,613</u>
Total Internal Balances - Government-wide Statement of Net Assets	<u>\$ 994,616</u>

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended December 31, 2010 were as follows:

Fund Transferred To	Fund Transferred From	Amount
General fund	Enterprise fund - Water utility	\$ 904,144
	Enterprise fund - Sewerage system	242,769
	Debt service fund - TIF districts	5,125
	Permanent fund - Cemetery perpetual care	1,853
	Special revenue fund - Cable TV	275,000
	Special revenue fund - Tourism promotion	46,305
Special revenue fund - Mead library	General fund	228,000
	Permanent fund - Library Trust	70,000
Special revenue fund - storm water	Enterprise fund - Storm Water utility	28,645
Special revenue fund - Meg unit	General fund	15,000
Debt service fund - GO debt	Special revenue fund - Tourism promotion	887,512
	Special revenue fund - Harbor Center marina	190,070
	Debt service fund - TIF districts	143,666
	Capital projects fund - Bonded	739,130
Debt service fund - TIF districts	Capital projects fund - TIF districts	109,136
Capital projects fund - TIF districts	Debt service fund - TIF districts	404,071
		<u>4,290,426</u>
Enterprise fund - Parking facility	General fund	5,065
	Capital projects tax levy fund	4,881
		<u>9,946</u>
Subtotal - Fund Financial Statements		<u>\$ 4,300,372</u>
Government fund transfers in		\$ 4,290,426
Less: Fund eliminations		(3,124,814)
Less: Fund eliminations		15,530,974
Total Transfers - Government-wide Statement of Activities		<u>\$ 16,696,586</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, 2010

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	\$ -	\$ 15,191,503
Debt service general obligation debt	-	2,877,659
Debt service tax increment financing districts	-	5,139,867
Nonmajor governmental funds		
Mead library	-	2,476,488
Special assessments		
Major governmental funds		
General fund	87,411	-
Nonmajor governmental funds		
Special assessments	218,581	-
Accounts receivable		
Ambulance	82,300	-
Loans receivable		
Major governmental fund		
Debt service tax increment financing districts	4,000,000	-
Nonmajor governmental funds		
Community development block grant	3,700,735	-
Revolving loan funds	3,311,951	-
Redevelopment authority	1,340,004	-
Debt service general obligation debt	285,540	-
Revenue received prior to meeting all eligibility requirements		
Nonmajor governmental fund		
Harbor Center Marina	-	88,609
Total Governmental Funds	<u>13,026,522</u>	<u>25,774,126</u>
Proprietary Funds		
Subsequent year tax levy receivable		
Nonmajor proprietary fund		
Transit commission	-	638,595
Revenue received prior to meeting all eligibility requirements		
Major proprietary fund		
Sewerage system	-	8,698
Nonmajor proprietary funds		
Parking facility	-	348
Total Proprietary Funds	<u>-</u>	<u>647,641</u>
Totals	<u>\$ 13,026,522</u>	<u>\$ 26,421,767</u>

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.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2010:

	Outstanding 1/1/10	Issued	Retired	Outstanding 12/31/10	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 29,000,000	\$ 10,855,000	\$ 3,190,000	\$ 36,665,000	\$ 2,810,000
Notes	27,376,126	2,045,000	13,372,997	16,048,129	3,331,276
Total General Obligation Debt	<u>56,376,126</u>	<u>12,900,000</u>	<u>16,562,997</u>	<u>52,713,129</u>	<u>6,141,276</u>
Bond premium	2,207	-	2,207	-	-
Mortgage notes	225,000	-	-	225,000	-
Capital lease	460,255	455,736	69,861	846,130	108,852
Sheboygan County	1,000,000	-	-	1,000,000	-
Unfunded post employment benefits	937,343	569,424	491,903	1,014,864	-
Compensated absences	3,619,025	-	478,940	3,140,085	-
Governmental activities Long-term obligations	<u>\$ 62,619,956</u>	<u>\$ 13,925,160</u>	<u>\$ 17,605,908</u>	<u>\$ 58,939,208</u>	<u>\$ 6,250,128</u>
Business-type activities:					
Revenue bonds	\$ 13,323,629	\$ 2,113,026	\$ 1,006,347	\$ 14,430,308	\$ 1,067,956
Unamortized bond premium	3,247	-	197	3,050	197
Alliant Energy note	73,128	1,200,000	47,644	1,225,484	237,177
Business-type activities Long-term obligations	<u>\$ 13,400,004</u>	<u>\$ 3,313,026</u>	<u>\$ 1,054,188</u>	<u>\$ 15,658,842</u>	<u>\$ 1,305,330</u>

Total interest paid during the year on long-term debt totaled \$2,734,312.

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, 2010

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, 2010 is detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/10
General Obligation Debt					
General Obligation Bonds					
Development Bonds	03/15/01	4.40-5.00%	10/01/19	\$ 1,900,000	\$ 100,000
Refunding Bonds	07/01/06	4.00-4.25%	10/01/22	5,155,000	4,350,000
Refunding Bonds	07/01/06	5.50-6.00%	10/01/22	8,575,000	7,550,000
Refunding Bonds	07/01/06	5.50-5.80%	11/01/18	7,150,000	5,475,000
General Obligation Bonds	09/01/07	4.50-5.00%	10/01/26	8,000,000	7,800,000
Taxable Refunding Bonds	05/15/08	4.00-4.20%	04/01/13	850,000	535,000
Taxable Refunding Bonds	06/23/10	2.00-5.25%	04/01/27	8,325,000	8,325,000
Refunding Bonds	11/09/10	0.60-2.40%	10/01/19	2,530,000	2,530,000
Total General Obligation Bonds					<u>36,665,000</u>
General Obligation Notes					
State Trust Fund Notes	06/19/02	4.50%	03/15/12	300,000	70,266
State Trust Fund Notes	07/03/02	4.50%	03/15/12	2,700,000	70,124
Promissory Notes	10/15/02	2.45-3.35%	10/01/12	1,685,000	350,000
Promissory Notes	10/15/02	3.50-4.50%	10/01/12	3,940,000	2,165,000
Land Recycling Loan	12/23/02	0%	05/01/22	2,700,000	961,550
Promissory Notes	03/15/04	2.50-3.10%	12/01/13	1,500,000	675,000
Promissory Notes	03/15/04	1.75-3.25%	12/01/13	1,065,000	450,000
Land Recycling Loan	04/14/04	0%	05/01/23	756,625	517,691
State Trust Fund Notes	11/21/05	4.00%	03/15/15	500,000	302,982
Promissory Notes	04/15/06	3.75-4.00%	10/01/15	3,000,000	2,250,000
Promissory Notes	04/15/06	3.75-4.00%	10/01/15	1,400,000	1,050,000
State Trust Fund Notes	07/05/06	4.00%	03/15/16	220,000	140,516
Promissory Notes	04/15/07	3.85-4.00%	10/01/16	3,000,000	1,675,000
Promissory Notes	05/15/08	3.00-3.50%	10/01/17	3,000,000	2,525,000
State Trust Fund Notes	12/30/09	3.50%	03/15/14	800,000	800,000
Promissory Notes (Build America Bonds)	06/23/10	1.10-4.20%	04/01/20	2,045,000	2,045,000
Total General Obligation Notes					<u>16,048,129</u>
Total					<u><u>\$ 52,713,129</u></u>

Build America Bond

The general obligation debt issued on June 23, 2010 qualifies as Build America Bonds, as described in Section 54AA of the Internal Revenue Code. The interest on the debt is taxable as set forth in the regulations. The City is eligible to receive a 35% subsidy of the annual interest payment from the Federal government. In order to receive this subsidy it is necessary for the City to file a claim form annually.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$52,713,129 on December 31, 2010 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2011	\$ 6,141,276	\$ 2,157,069	\$ 8,298,345
2012	6,349,667	1,876,657	8,226,324
2013	4,783,121	1,666,063	6,449,184
2014	4,553,626	1,498,885	6,052,511
2015	4,375,182	1,332,698	5,707,880
2016-2020	16,315,532	4,309,622	20,625,154
2021-2025	8,439,725	1,444,312	9,884,037
2026-2027	1,755,000	89,504	1,844,504
	<u>\$ 52,713,129</u>	<u>\$ 14,374,810</u>	<u>\$ 67,087,939</u>

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2010 was \$88,883,760 as follows:

Equalized valuation of the City		\$ 2,710,284,900
Statutory limitation percentage		<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		135,514,245
Total outstanding general obligation debt applicable to debt limitation	\$ 52,713,129	
Less: Amounts available for financing general obligation debt		
Debt service funds	<u>6,082,644</u>	
Net outstanding general obligation debt applicable to debt limitation		46,630,485
Legal Margin for New Debt		<u>\$ 88,883,760</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, 2010.

Capital Leases

The City has entered into multiple capital lease agreements to finance the acquisition of machinery and equipment. Annual principal and interest maturities are as follows:

Year Ended December 31	Principal	Interest	Total
2011	\$ 108,852	\$ 36,939	\$ 145,791
2012	113,342	32,450	145,792
2013	118,020	27,771	145,791
2014	122,895	22,896	145,791
2015	127,975	17,816	145,791
2016 - 2020	255,046	38,767	293,813
	<u>\$ 846,130</u>	<u>\$ 176,639</u>	<u>\$ 1,022,769</u>

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Amount due to Sheboygan County, Wisconsin

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

Revenue Bonds

Revenue bond debt service requirements are financed by income derived from the acquired or constructed assets of the enterprise funds. Enterprise fund revenue bonds currently outstanding on December 31, 2010 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/10
Sewerage System					
Clean Water Fund Loan	11/30/95	3.124%	05/01/15	\$ 4,375,561	\$ 1,413,008
Clean Water Fund Loan	11/25/96	3.195%	05/01/16	3,250,000	1,251,495
Clean Water Fund Loan	05/26/10	2.400%	05/01/30	2,113,026	2,113,026
Total Sewerage System					<u>4,777,529</u>
Water Utility					
Revenue Bonds	03/10/04	2.75%	05/15/23	3,152,000	2,327,779
Refunding Revenue Bonds	09/01/05	3.75 -4.25%	06/01/25	4,900,000	3,425,000
Revenue Bonds	04/01/07	4.00-5.00%	05/01/27	4,000,000	3,900,000
Total Water Utility					<u>9,652,779</u>
Total Revenue Bonds					<u><u>\$ 14,430,308</u></u>

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$14,430,308 on December 31, 2010 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2011	\$ 1,067,956	\$ 492,245	\$ 1,560,201
2012	1,113,570	454,455	1,568,025
2013	1,149,803	414,856	1,564,659
2014	1,181,671	373,859	1,555,530
2015	1,204,196	331,996	1,536,192
2016-2020	3,809,690	1,213,113	5,022,803
2021-2025	3,677,838	545,718	4,223,556
2026-2030	1,225,584	65,247	1,290,831
	<u>\$ 14,430,308</u>	<u>\$ 3,891,489</u>	<u>\$ 18,321,797</u>

Utility Revenues Pledged

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the water and sewer system revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used with the systems. The bonds are payable solely from water and sewer customer net revenues and are payable through 2030. The total principal and interest remaining to be paid on the bonds is \$18,321,797. Principal and interest paid for the current year and net customer revenues for the water utility were \$948,045 and \$3,156,373, respectively. Principal and interest paid for the current year and net customer revenues for the sewer utility were \$588,219 and \$1,533,929, respectively.

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Alliant Energy Note

Debt service requirements of the Alliant Energy Notes are financed by the City's sewerage system. Alliant Energy Notes currently outstanding on December 31, 2010 are detailed as follows:

	Date of Issue	Interest Rate	Final Maturity	Issue Amount	Balance Outstanding 12/31/10
Sewerage System					
Alliant Energy Note	8/2009	2.000%	7/2014	\$ 36,725	\$ 25,484
Alliant Energy Note	12/2010	2.000%	12/2015	1,200,000	1,200,000
					\$ 1,225,484

Annual principal and interest maturities of the above outstanding Alliant Energy Notes of \$1,225,484 on December 31, 2010 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2011	\$ 237,177	\$ 22,306	\$ 259,483
2012	242,577	17,551	260,128
2013	247,473	12,654	260,127
2014	248,570	7,694	256,264
2015	249,687	2,713	252,400
	\$ 1,225,484	\$ 62,918	\$ 1,288,402

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.

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, defined benefit, multiple-employer public employee retirement system. All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% 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, 2010 was \$25,536,076; the employer's total payroll was \$26,536,527. The total required contribution for the year ended December 31, 2010 was \$3,158,686, which consisted of \$1,721,370, or 6.7% of covered payroll from the employer and \$1,437,316, or 5.6% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2010 was financed by the City. Total contributions for the years ending December 31, 2009 and 2008 were \$3,144,288 and \$3,205,601 respectively, equal to the required contributions for each year.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE D - OTHER INFORMATION (Continued)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings 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 or single coverage. There are 475 active and 88 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.

Component	Amount
Annual required contribution	\$ 583,533
Interest on net OPEB	46,867
Adjustment to annual required contribution	<u>(60,976)</u>
Annual OPEB cost (expense)	569,424
Contributions made	<u>(491,903)</u>
Change in net OPEB obligation	77,521
OPEB obligation - beginning of year	937,343
OPEB obligation - end of year	<u><u>\$ 1,014,864</u></u>

The annual required contribution for the current year was determined as part of the January 1, 2010 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.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE D - OTHER INFORMATION (Continued)

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 2010 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 569,424	86%	\$ 1,014,864

Funded Status and Funding Progress - As of January 1, 2010, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$6,126,869. The annual payroll for active employees covered by the plan for the 2010 fiscal year was \$25,536,076 for a ratio of the UAAL to covered payroll of 24.0%.

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, 2010 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.

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

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 \$7,198,971 for the 2010 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. \$4,713,705 was designated for that reserve at year end, and is included in unreserved net assets of the internal service funds.

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.

	Balance Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Balance End of Year
Year				
Health Insurance				
2010	\$1,300,000	\$6,552,512	\$6,552,512	\$1,300,000
2009	1,300,000	8,185,695	8,185,695	1,300,000
Workers Compensation				
2010	50,000	346,552	346,552	50,000
2009	50,000	289,616	289,616	50,000

CITY OF SHEBOYGAN, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

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 \$5,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$100,000 per occurrence and an annual aggregate limit of \$400,000.

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 liability insurance 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
2010	\$185,703	\$149,504	\$149,504	\$185,703
2009	185,703	172,047	172,047	185,703

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2010

NOTE D - OTHER INFORMATION (Continued)

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.

5. Prior Period Adjustment

The City determined that the Transit nonmajor enterprise fund understated accrued liabilities for outstanding tokens in the amount of \$318,614. As a result, net assets decreased and liabilities increased by \$318,614 at December 31, 2009.

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.

2. Deposits and Investments

The carrying amount of the Authority's cash and investments totaled \$4,705,415 on March 31, 2010 as summarized below:

Deposits with financial institutions	<u>\$ 4,705,415</u>
Reconciliation to the basic financial statements:	
Basic financial statements	
Cash and investments	\$ 4,461,051
Restricted cash and investments	244,364
	<u>\$ 4,705,415</u>

CITY OF SHEBOYGAN, WISCONSIN
Notes to Basic Financial Statements
December 31, 2010

NOTE E - COMPONENT UNITS (Continued)

3. Capital Assets

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 266,510	\$ -	\$ -	\$ 266,510
Capital assets being depreciated				
Buildings and improvements	6,842,834	521,058	-	7,363,892
Machinery and equipment	598,455	37,060	16,271	619,244
Total Capital Assets Being Depreciated	7,441,289	558,118	16,271	7,983,136
Less: Accumulated Depreciation	5,743,833	264,221	16,270	5,991,784
Net Capital Assets being Depreciated	1,697,456	293,897	1	1,991,352
Total Capital Assets, Net of Accumulated Depreciation	\$ 1,963,966	\$ 293,897	\$ 1	\$ 2,257,862

Accumulated depreciation is not available by class or function.

Information related to the Business Improvement District is as follows:

a) Significant Accounting Policies

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

b) Deposits and Investments

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to the statutory amount for demand deposits and time deposits. At year end, the carrying amount of the District's deposits was \$116,637 and the bank balance was \$114,188. 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, 2010

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)
2010	\$ -	\$ 6,126,869	0.0%	\$ 6,126,869	\$ 25,536,076	24.0%
2008	-	5,291,565	0.0%	5,291,565	27,270,092	19.4%

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, 2010

Year Ended December 31,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2010	\$ 491,903	\$ 583,533	84.30%
2009	317,005	651,682	48.64%

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

Year Ended December 31, 2010

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
ASSETS						
Cash and investments	\$ 1,064,833	\$ 1,435,845	\$ -	\$ 967,012	\$ 174,164	\$ 1,543
Receivables						
Taxes	-	-	-	2,476,488	-	-
Accounts	-	-	-	1,170	147,574	91,323
Special assessments	-	-	-	-	-	-
Loans	3,700,735	3,311,951	1,970,710	-	-	-
Other	-	3,858	-	-	464	-
Due from other funds	-	-	-	70,000	-	-
Advance to other funds	-	-	-	-	-	-
Due from other governments	302,623	-	490,463	-	-	-
Inventories and prepaid items	-	-	-	-	-	20,000
TOTAL ASSETS	\$ 5,068,191	\$ 4,751,654	\$ 2,461,173	\$ 3,514,670	\$ 322,202	\$ 112,866
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 62,988	\$ -	\$ 18,426	\$ 27,494	\$ 1,532	\$ 49,504
Accrued and other current liabilities	-	-	-	159,085	5,541	101
Due to other funds	244,286	-	312,965	-	-	6,818
Due to other governments	-	-	1,970,710	-	-	-
Deferred revenues	3,700,735	3,311,951	-	2,476,488	-	-
Advance from other funds	-	-	-	-	-	-
Total Liabilities	4,008,009	3,311,951	2,302,101	2,663,067	7,073	56,423
Fund Balances						
Reserved for						
Inventories and prepaid items	-	-	-	-	-	20,000
Long-term interfund receivables	-	-	-	-	-	-
Encumbrances	7,326	-	-	-	-	-
Cemetery perpetual care	-	-	-	-	-	-
Trust activities	-	-	-	-	-	-
Unreserved						
Designated for						
Subsequent year's expenditures	-	-	-	25,000	184,681	-
Undesignated, reported in						
Special revenue funds	1,052,856	1,439,703	159,072	826,603	130,448	36,443
Capital projects funds	-	-	-	-	-	-
Total Fund Balances	1,060,182	1,439,703	159,072	851,603	315,129	56,443
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,068,191	\$ 4,751,654	\$ 2,461,173	\$ 3,514,670	\$ 322,202	\$ 112,866

Special Revenue Funds (Continued)

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E. H. May Environmental Park	Municipal Court	Ambulance	Storm Water	Total
\$ 3,030	\$ 11,861	\$ 1,763,137	\$ 146,862	\$ 41,822	\$ 45,051	\$ 137,988	\$ 30,000	\$ 5,823,148
-	-	-	-	-	-	-	5,086	2,481,574
38,551	-	-	-	1	9,093	176,484	298	464,494
-	-	238,046	-	-	-	-	-	238,046
-	-	-	1,340,004	-	-	-	-	10,323,400
-	-	4,746	393	111	123	378	81	10,154
-	-	-	-	-	-	-	-	70,000
-	-	262,617	-	-	-	-	-	262,617
-	5,007	-	-	-	-	-	-	798,093
25,033	-	-	-	-	-	-	-	45,033
\$ 66,614	\$ 16,868	\$ 2,268,546	\$ 1,487,259	\$ 41,934	\$ 54,267	\$ 314,850	\$ 35,465	\$ 20,516,559
\$ 117,244	\$ 5,155	\$ -	\$ 1,650	\$ 2,433	\$ 36,960	\$ 16,220	\$ -	\$ 339,606
-	8,873	-	-	-	6,203	11,242	-	191,045
1,818,872	-	-	-	-	-	-	-	2,382,941
3,195	-	-	-	-	-	-	-	1,973,905
88,609	-	218,581	1,340,004	-	-	82,300	-	11,218,668
330,449	-	-	-	-	-	-	-	330,449
2,358,369	14,028	218,581	1,341,654	2,433	43,163	109,762	-	16,436,614
25,033	-	-	-	-	-	-	-	45,033
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	7,326
-	-	-	-	-	-	-	-	-
-	-	-	-	39,501	-	-	-	39,501
-	-	-	-	-	-	-	-	209,681
(2,316,788)	2,840	2,049,965	145,605	-	11,104	205,088	35,465	3,778,404
-	-	-	-	-	-	-	-	-
(2,291,755)	2,840	2,049,965	145,605	39,501	11,104	205,088	35,465	4,079,945
\$ 66,614	\$ 16,868	\$ 2,268,546	\$ 1,487,259	\$ 41,934	\$ 54,267	\$ 314,850	\$ 35,465	\$ 20,516,559

(Continued)

CITY OF SHEBOYGAN, WISCONSIN
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
Year Ended December 31, 2010

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
ASSETS					
Cash and investments	\$ 3,001,207	\$ 790,117	\$ 1,080,737	\$ 1,870,854	\$ 10,695,209
Receivables					
Taxes	-	-	-	-	2,481,574
Accounts	-	1,004	-	1,004	465,498
Special assessments	-	-	-	-	238,046
Loans	-	-	-	-	10,323,400
Other	4,788	99	75	174	15,116
Due from other funds	-	-	-	-	70,000
Advance to other funds	652,337	-	-	-	914,954
Due from other governments	98,057	-	-	-	896,150
Inventories and prepaid items	-	-	-	-	45,033
TOTAL ASSETS	\$ 3,756,389	\$ 791,220	\$ 1,080,812	\$ 1,872,032	\$ 26,144,980
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 43,191	\$ -	\$ -	\$ -	\$ 382,797
Accrued and other current liabilities					
liabilities	-	-	-	-	191,045
Due to other funds	-	-	70,000	70,000	2,452,941
Due to other governments	-	-	-	-	1,973,905
Deferred revenues	-	-	-	-	11,218,668
Advance from other funds	-	-	-	-	330,449
Total Liabilities	43,191	-	70,000	70,000	16,549,805
Fund Balances					
Reserved for					
Inventories and prepaid items	-	-	-	-	45,033
Noncurrent assets	652,337	-	-	-	652,337
Encumbrances	84,663	-	-	-	91,989
Cemetery perpetual care	-	791,220	-	791,220	791,220
Trust activities	-	-	1,010,812	1,010,812	1,050,313
Unreserved					
Designated for					
Subsequent year's expenditures	-	-	-	-	209,681
Undesignated, reported in					
Special revenue funds	-	-	-	-	3,778,404
Capital projects funds	2,976,198	-	-	-	2,976,198
Total Fund Balances	3,713,198	791,220	1,010,812	1,802,032	9,595,175
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,756,389	\$ 791,220	\$ 1,080,812	\$ 1,872,032	\$ 26,144,980

CITY OF SHEBOYGAN, WISCONSIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended December 31, 2010

	Special Revenue Funds					
	Community Development Block Grant	Revolving Loan Funds	Lead Based Abatement Program	Mead Library	Cable TV	Tourism Promotion
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 2,407,988	\$ -	\$ 1,350,560
Special assessments	-	-	-	-	-	-
Intergovernmental	1,404,243	-	569,912	637,761	-	-
Licenses and permits	-	-	-	-	577,494	1,350
Fines and forfeits	-	-	-	-	-	256
Public charges for services	-	-	-	100,121	3,453	-
Miscellaneous	63,328	555,596	9,330	6,863	5,574	38,307
Total Revenues	1,467,571	555,596	579,242	3,152,733	586,521	1,390,473
Expenditures						
Current						
General government	-	-	-	-	-	21,135
Public safety	-	-	-	-	-	22,313
Public works	-	-	-	-	-	-
Health and human services	-	-	-	-	-	-
Culture and recreation	-	-	-	3,430,372	139,935	85,052
Conservation and development	1,364,468	260,000	569,911	-	-	261,102
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	345,711	-	-	112,641	7,443	-
Total Expenditures	1,710,179	260,000	569,911	3,543,013	147,378	389,602
Excess of Revenues Over (Under) Expenditures	(242,608)	295,596	9,331	(390,280)	439,143	1,000,871
Other Financing Sources (Uses)						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	298,000	-	-
Transfers out	-	-	-	-	(275,000)	(933,817)
Total Other Financing Sources (Uses)	-	-	-	298,000	(275,000)	(933,817)
Net Change in Fund Balances	(242,608)	295,596	9,331	(92,280)	164,143	67,054
Fund Balances (Deficits) - January 1	1,302,790	1,144,107	149,741	943,883	150,986	(10,611)
Fund Balances (Deficits) - December 31	\$ 1,060,182	\$ 1,439,703	\$ 159,072	\$ 851,603	\$ 315,129	\$ 56,443

Special Revenue Funds (Continued)

Harbor Center Marina	Police Meg Unit	Special Assessment	Redevelopment Authority	E.H. May Environmental Park	Municipal Court	Ambulance	Storm Water	Total
\$ 133	\$ -	\$ -	\$ 20,800	\$ -	\$ -	\$ -	\$ -	\$ 3,779,481
-	-	210,612	-	-	-	-	-	210,612
-	29,805	-	-	-	-	10,154	-	2,651,875
-	-	-	-	-	-	-	-	578,844
-	-	-	-	-	1,006,439	-	-	1,006,695
891,754	-	-	-	23,962	8,294	843,416	5,994	1,876,994
1,346	-	59,240	3,904	2,506	-	4,231	826	751,051
893,233	29,805	269,852	24,704	26,468	1,014,733	857,801	6,820	10,855,552
-	-	-	-	-	1,005,345	-	-	1,026,480
-	41,668	-	-	-	-	778,773	-	842,754
809,175	-	-	-	-	-	-	-	809,175
-	-	-	-	-	-	-	-	-
-	-	-	-	62,679	-	-	-	3,718,038
-	-	-	37,985	-	-	-	-	2,493,466
-	-	-	-	-	-	69,861	-	69,861
698	-	-	-	-	-	17,169	-	17,867
-	-	-	365	-	-	-	-	466,160
809,873	41,668	-	38,350	62,679	1,005,345	865,803	-	9,443,801
83,360	(11,863)	269,852	(13,646)	(36,211)	9,388	(8,002)	6,820	1,411,751
-	-	-	-	-	-	-	-	-
-	15,000	-	-	-	-	-	28,645	341,645
(190,070)	-	-	-	-	-	-	-	(1,398,887)
(190,070)	15,000	-	-	-	-	-	28,645	(1,057,242)
(106,710)	3,137	269,852	(13,646)	(36,211)	9,388	(8,002)	35,465	354,509
(2,185,045)	(297)	1,780,113	159,251	75,712	1,716	213,090	-	3,725,436
\$ (2,291,755)	\$ 2,840	\$ 2,049,965	\$ 145,605	\$ 39,501	\$ 11,104	\$ 205,088	\$ 35,465	\$ 4,079,945

(Continued)

CITY OF SHEBOYGAN, WISCONSIN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds (Continued)

Year Ended December 31, 2010

	Capital Projects	Permanent Funds			Total Governmental Funds
	Capital Projects Tax Levy	Cemetery Perpetual Care	Library Trust	Total	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,779,481
Special assessments	-	-	-	-	210,612
Intergovernmental	275,631	-	-	-	2,927,506
Licenses and permits	-	-	-	-	578,844
Fines and forfeits	-	-	-	-	1,006,695
Public charges for services	-	12,063	122	12,185	1,889,179
Miscellaneous	80,812	2,390	16,489	18,879	850,742
Total Revenues	356,443	14,453	16,611	31,064	11,243,059
Expenditures					
Current					
General government	-	-	-	-	1,026,480
Public safety	-	-	-	-	842,754
Public works	-	-	-	-	809,175
Health and human services	-	388	-	388	388
Culture and recreation	-	-	17,738	17,738	3,735,776
Conservation and development	-	-	-	-	2,493,466
Debt service					
Principal	-	-	-	-	69,861
Interest and fiscal charges	-	-	-	-	17,867
Capital outlay	621,153	-	-	-	1,087,313
Total Expenditures	621,153	388	17,738	18,126	10,083,080
Excess of Revenues Over (Under) Expenditures	(264,710)	14,065	(1,127)	12,938	1,159,979
Other Financing Sources (Uses)					
Sale of capital assets	29,374	-	-	-	29,374
Transfers in	-	-	-	-	341,645
Transfers out	(4,881)	(1,853)	(70,000)	(71,853)	(1,475,621)
Total Other Financing Sources (Uses)	24,493	(1,853)	(70,000)	(71,853)	(1,104,602)
Net Change in Fund Balances	(240,217)	12,212	(71,127)	(58,915)	55,377
Fund Balances (Deficits) - January 1	3,953,415	779,008	1,081,939	1,860,947	9,539,798
Fund Balances (Deficits) - December 31	\$ 3,713,198	\$ 791,220	\$ 1,010,812	\$ 1,802,032	\$ 9,595,175

CITY OF SHEBOYGAN, WISCONSIN

Combining Statement of Net Assets

Nonmajor Enterprise Funds

December 31, 2010

	Transit Commission	Parking Facility	Boat Facility	Totals
ASSETS				
Cash and investments	\$ 1,681,629	\$ 870,640	\$ 374,470	\$ 2,926,739
Receivables				
Taxes	638,595	27,952	-	666,547
Accounts	25,826	7,574	12,029	45,429
Special assessments	-	135,112	-	135,112
Other	4,678	2,337	1,005	8,020
Due from other governments	170,062	-	-	170,062
Inventories and prepaid items	24,646	-	-	24,646
Advance to other funds	-	-	330,449	330,449
Capital assets, nondepreciable				
Land	35,754	716,258	-	752,012
Capital assets, depreciable				
Buildings and improvements	738,173	14,241	-	752,414
Improvements other than buildings	872,007	1,387,464	495,106	2,754,577
Machinery and equipment	6,699,713	282,214	-	6,981,927
Less: Accumulated depreciation	(4,452,021)	(1,567,108)	(258,312)	(6,277,441)
TOTAL ASSETS	6,439,062	1,876,684	954,747	9,270,493
LIABILITIES				
Accounts payable	53,591	16,501	15,463	85,555
Accrued and other current liabilities	314,028	34,275	26	348,329
Due to other governments	265,489	1,242	-	266,731
Unearned revenues	638,595	348	-	638,943
TOTAL LIABILITIES	1,271,703	52,366	15,489	1,339,558
NET ASSETS				
Invested in capital assets	3,893,626	833,069	236,794	4,963,489
Unrestricted	1,273,733	991,249	702,464	2,967,446
TOTAL NET ASSETS	\$ 5,167,359	\$ 1,824,318	\$ 939,258	\$ 7,930,935

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
Year Ended December 31, 2010

	Transit Commission	Parking Facility	Boat Facility	Totals
Operating Revenues				
Charges for services	\$ 709,375	\$ 418,426	\$ 114,165	\$ 1,241,966
Other	73,944	6,403	-	80,347
Total Operating Revenues	<u>783,319</u>	<u>424,829</u>	<u>114,165</u>	<u>1,322,313</u>
Operating Expenses				
Personal services	3,091,265	167,800	2,090	3,261,155
Contractual services	263,007	143,770	53,650	460,427
Supplies and materials	481,732	29,378	-	511,110
Insurance	159,670	737	-	160,407
Other	143,080	32,608	-	175,688
Depreciation	437,510	27,107	21,478	486,095
Total Operating Expenses	<u>4,576,264</u>	<u>401,400</u>	<u>77,218</u>	<u>5,054,882</u>
Operating Income (Loss)	<u>(3,792,945)</u>	<u>23,429</u>	<u>36,947</u>	<u>(3,732,569)</u>
Nonoperating Revenues				
Property taxes	638,595	-	-	638,595
Intergovernmental	4,732,232	-	-	4,732,232
Investment income	34,616	22,618	9,494	66,728
Miscellaneous revenues	62,659	5,259	-	67,918
Total Nonoperating Revenues	<u>5,468,102</u>	<u>27,877</u>	<u>9,494</u>	<u>5,505,473</u>
Income Before Transfers	1,675,157	51,306	46,441	1,772,904
Transfers in	<u>-</u>	<u>9,946</u>	<u>-</u>	<u>9,946</u>
Change in Net Assets	1,675,157	61,252	46,441	1,782,850
Prior Period Adjustment	(318,614)	-	-	(318,614)
Net Assets - January 1	<u>3,810,816</u>	<u>1,763,066</u>	<u>892,817</u>	<u>6,466,699</u>
Net Assets - December 31	<u>\$ 5,167,359</u>	<u>\$ 1,824,318</u>	<u>\$ 939,258</u>	<u>\$ 7,930,935</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended December 31, 2010

	Transit Commission	Parking Facility	Boat Facility	Totals
Cash Flows from Operating Activities				
Receipts from customers	\$ 853,292	\$ 405,150	\$ 101,131	\$ 1,359,573
Payments to suppliers	(4,323,722)	(370,556)	(42,907)	(4,737,185)
Net Cash Provided (Used) by Operating Activities	<u>(3,470,430)</u>	<u>34,594</u>	<u>58,224</u>	<u>(3,377,612)</u>
Cash Flows from Noncapital and Related Financing Activities				
Property taxes	638,595	-	-	638,595
Intergovernmental grants	4,562,170	-	-	4,562,170
Transfers	-	9,946	-	9,946
Advances to (from) other funds	-	-	(698)	(698)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>5,200,765</u>	<u>9,946</u>	<u>(698)</u>	<u>5,210,013</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(1,962,477)	(956)	-	(1,963,433)
Proceeds from sale of capital assets	-	19,777	-	19,777
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,962,477)</u>	<u>18,821</u>	<u>-</u>	<u>(1,943,656)</u>
Cash Flows from Investing Activities				
Interest received	34,616	22,618	9,494	66,728
Change in Cash and Cash Equivalents	(197,526)	85,979	67,020	(44,527)
Cash and Cash Equivalents - January 1	<u>1,879,155</u>	<u>784,661</u>	<u>307,450</u>	<u>2,971,266</u>
Cash and Cash Equivalents - December 31	<u>\$ 1,681,629</u>	<u>\$ 870,640</u>	<u>\$ 374,470</u>	<u>\$ 2,926,739</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ (3,792,945)	\$ 23,429	\$ 36,947	\$ (3,732,569)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	437,510	27,107	21,478	486,095
Miscellaneous nonoperating revenues	62,659	5,259	-	67,918
Changes in assets and liabilities				
Receivables	7,314	(24,915)	(13,034)	(30,635)
Inventories and prepaid items	(8,275)	-	-	(8,275)
Accounts payable	(62,308)	(809)	12,846	(50,271)
Accrued and other liabilities	(4,586)	4,491	(13)	(108)
Due to other governments	(109,799)	55	-	(109,744)
Unearned revenues	-	(23)	-	(23)
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,470,430)</u>	<u>\$ 34,594</u>	<u>\$ 58,224</u>	<u>\$ (3,377,612)</u>

CITY OF SHEBOYGAN, WISCONSIN

Combining Statement of Net Assets

Internal Service Funds

December 31, 2010

	Motor Vehicle	Data Processing	Health Self Insurance
ASSETS			
Cash and investments	\$ 3,216,850	\$ 649,348	\$ 5,437,000
Receivables			
Accounts	1,371	600	-
Other	8,071	1,744	14,992
Inventories and prepaid items	-	75,974	45,878
Deposit with CVMIC	-	-	-
Capital assets, depreciable			
Machinery and equipment	11,079,955	1,002,625	-
Less: Accumulated depreciation	(6,515,612)	(831,753)	-
TOTAL ASSETS	<u>7,790,635</u>	<u>898,538</u>	<u>5,497,870</u>
LIABILITIES			
Accounts payable	73,214	9,164	110,173
Accrued and other current liabilities	138,323	16,156	2,793,873
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>211,537</u>	<u>25,320</u>	<u>2,904,046</u>
NET ASSETS			
Invested in capital assets	4,564,343	170,872	-
Unrestricted	3,014,755	702,346	2,593,824
TOTAL NET ASSETS	<u>\$ 7,579,098</u>	<u>\$ 873,218</u>	<u>\$ 2,593,824</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 1,667	\$ 267,285	\$ 9,572,150
-	-	1,971
-	720	25,527
-	36,535	158,387
-	2,205,665	2,205,665
-	-	12,082,580
-	-	(7,347,365)
<u>1,667</u>	<u>2,510,205</u>	<u>16,698,915</u>
5,470	2,500	200,521
57,772	185,703	3,191,827
140,546	-	140,546
<u>203,788</u>	<u>188,203</u>	<u>3,532,894</u>
-	-	4,735,215
(202,121)	2,322,002	8,430,806
<u>\$ (202,121)</u>	<u>\$ 2,322,002</u>	<u>\$ 13,166,021</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
Year Ended December 31, 2010

	Motor Vehicle	Data Processing	Health Self Insurance
Operating Revenues			
Charges for services	\$ 1,788,975	\$ 786,765	\$ 8,471,489
Other	2,473	55	530
Total Operating Revenues	<u>1,791,448</u>	<u>786,820</u>	<u>8,472,019</u>
Operating Expenses			
Personal services	696,375	412,063	20,028
Contractual services	443,967	157,405	345,838
Supplies and materials	503,840	3,666	1,254
Insurance	-	-	6,552,512
Other	98,318	-	-
Depreciation	743,702	96,414	-
Total Operating Expenses	<u>2,486,202</u>	<u>669,548</u>	<u>6,919,632</u>
Operating Income (Loss)	<u>(694,754)</u>	<u>117,272</u>	<u>1,552,387</u>
Nonoperating Revenues (Expenses)			
Investment income	78,210	14,587	115,424
Sale of capital assets	68,848	-	-
Total Nonoperating Revenues (Expenses)	<u>147,058</u>	<u>14,587</u>	<u>115,424</u>
Change in Net Assets	<u>(547,696)</u>	<u>131,859</u>	<u>1,667,811</u>
Net Assets - January 1	<u>8,126,794</u>	<u>741,359</u>	<u>926,013</u>
Net Assets - December 31	<u>\$ 7,579,098</u>	<u>\$ 873,218</u>	<u>\$ 2,593,824</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 39,664	\$ 169,228	\$ 11,256,121
4,409	88,828	96,295
<u>44,073</u>	<u>258,056</u>	<u>11,352,416</u>
69,033	-	1,197,499
50,375	70,457	1,068,042
6,216	30	515,006
346,552	149,504	7,048,568
-	-	98,318
-	-	840,116
<u>472,176</u>	<u>219,991</u>	<u>10,767,549</u>
<u>(428,103)</u>	<u>38,065</u>	<u>584,867</u>
1,667	5,187	215,075
-	-	68,848
<u>1,667</u>	<u>5,187</u>	<u>283,923</u>
<u>(426,436)</u>	<u>43,252</u>	<u>868,790</u>
<u>224,315</u>	<u>2,278,750</u>	<u>12,297,231</u>
<u>\$ (202,121)</u>	<u>\$ 2,322,002</u>	<u>\$ 13,166,021</u>

CITY OF SHEBOYGAN, WISCONSIN
Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2010

	Motor Vehicle	Data Processing	Health Self Insurance
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,782,665	\$ 784,476	\$ 8,457,027
Payments to suppliers	(1,880,550)	(584,178)	(6,803,793)
Net Cash Provided (Used) by Operating Activities	<u>(97,885)</u>	<u>200,298</u>	<u>1,653,234</u>
Cash Flows from Noncapital and Related Financing Activities			
Advances to other funds	200,967	-	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(593,799)	(5,175)	-
Proceeds from sale of capital asset	68,848	-	-
Net Cash Used by Capital and Related Financing Activities	<u>(524,951)</u>	<u>(5,175)</u>	<u>-</u>
Cash Flows from Investing Activities			
Interest received	78,210	14,587	115,424
Change in Cash and Cash Equivalents	(343,659)	209,710	1,768,658
Cash and Cash Equivalents - January 1	<u>3,560,509</u>	<u>439,638</u>	<u>3,668,342</u>
Cash and Cash Equivalents - December 31	<u>\$ 3,216,850</u>	<u>\$ 649,348</u>	<u>\$ 5,437,000</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (694,754)	\$ 117,272	\$ 1,552,387
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	743,702	96,414	-
Changes in assets and liabilities			
Receivables	(8,783)	(2,344)	(14,992)
Due from other governments	454	-	-
Inventories and prepaid items	-	5,000	(45,878)
Accounts payable	(152,266)	(32,200)	109,193
Accrued and other liabilities	13,762	16,156	52,524
Net Cash Provided (Used) by Operating Activities	<u>\$ (97,885)</u>	<u>\$ 200,298</u>	<u>\$ 1,653,234</u>

Workers Compensation Self Insurance	General Liability Self Insurance	Totals
\$ 44,073	\$ 272,023	\$ 11,340,264
(450,809)	(234,047)	(9,953,377)
(406,736)	37,976	1,386,887

140,546	-	341,513
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-	-	(598,974)
-	-	68,848
-	-	(530,126)

1,667	5,187	215,075
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(264,523)	43,163	1,413,349
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266,190	224,122	8,158,801
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\$ 1,667	\$ 267,285	\$ 9,572,150
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\$ (428,103)	\$ 38,065	\$ 584,867
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-	-	840,116
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-	13,967	(12,152)
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-	-	454
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8,750	2,708	(29,420)
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4,845	(16,764)	(87,192)
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7,772	-	90,214
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\$ (406,736)	\$ 37,976	\$ 1,386,887
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**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, 2010, which collectively comprise the City of Sheboygan's basic financial statements and have issued our report thereon dated May 27, 2011. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, Wisconsin in a separate letter dated May 27, 2011.

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
May 27, 2011

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AND STATE 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 City of Sheboygan, Wisconsin's compliance 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 could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2010. City of Sheboygan, Wisconsin's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of City of Sheboygan, Wisconsin's management. Our responsibility is to express an opinion on City of Sheboygan, Wisconsin's compliance based on our audit.

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

In our opinion, City of Sheboygan, Wisconsin complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of City of Sheboygan, Wisconsin 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, Wisconsin's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, 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's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance 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 or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. 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 City Council, management, others within the organization, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Green Bay, Wisconsin
May 27, 2011

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2010

Grantor Agency/Federal Program Title	Pass-through Agency	Federal CFDA Number
FEDERAL PROGRAMS		
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Community Development Block Grant Entitlement Grants Cluster		
Community Development Block Grant	Direct Program	14.218
Community Development Block Grant - ARRA Entitlement Grants	Direct Program	14.253
Total CDBG Entitlement Grants Cluster		
Community Development Block Grant State Administered		
Small Cities Program	Direct Program	14.228
Lead Hazard Control Grant Program	Direct Program	14.900
Total U.S. Department of Housing and Urban Development		
<u>U.S. DEPARTMENT OF JUSTICE</u>		
Edward Byrne Memorial Justice Assistance Grant Program	WI Department of Administration	16.738
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
<i>Federal Transit Cluster</i>		
Federal Transit Capital Investment Grants - ARRA	WI Department of Transportation	20.500
Federal Transit Formula Grants	WI Department of Transportation	20.507
Total Federal Transit Cluster		
<i>Highway Safety Cluster</i>		
State and Community Highway Safety		
Project #0951-40-56	WI Department of Transportation	20.600
Project #0950-40-181	WI Department of Transportation	20.600
Alcohol Enforcement	WI Department of Transportation	20.607
Incentive Grant Programs	WI Department of Transportation	20.611
Total Highway Safety Cluster		
Total U.S. Department of Transportation		
<u>U.S. DEPARTMENT OF ENERGY</u>		
Energy Efficiency and Conservation Block Grant Program - ARRA	Direct Program	81.128

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 1/1/10	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/10	Total Revenues	Total Expenditures
\$ (1,130,809)	\$ 1,663,996	\$ 302,623	\$ 835,810	\$ 835,810
-	284,216	-	284,216	284,216
(1,130,809)	1,948,212	302,623	1,120,026	1,120,026
(276,785)	322,783	20,334	66,332	66,332
(175,070)	254,519	490,462	569,911	569,911
(1,582,664)	2,525,514	813,419	1,756,269	1,756,269
(4,270)	20,343	1,097	17,170	17,170
-	1,985,317	-	1,985,317	1,985,317
-	1,409,263	-	1,409,263	1,409,263
-	3,394,580	-	3,394,580	3,394,580
-	24,746	-	24,746	24,746
-	28,575	7,526	36,101	36,101
-	24,785	6,667	31,452	31,452
-	-	68,208	68,208	68,208
-	78,106	82,401	160,507	160,507
-	3,472,686	82,401	3,555,087	3,555,087
-	131,576	77,724	209,300	209,300
\$ (1,586,934)	\$ 6,150,119	\$ 974,641	\$ 5,537,826	\$ 5,537,826

CITY OF SHEBOYGAN, WISCONSIN
 Schedule of State Financial Assistance
 For the Year Ended December 31, 2010

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 - 2008	Direct Program	395.104
Transit Operating Aid - 2009	Direct Program	395.104
Transit Operating Aid - 2010	Direct Program	395.104
Total Department of Transportation		

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 1/1/10	Cash Received (Refunded)	Accrued (Deferred) Revenue 12/31/10	Total Revenues	Total Expenditures
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\$ 94,011	\$ (94,011)	\$ -	\$ -	\$ -
127,953	(127,953)	-	-	-
153,323	-	(153,323)	-	-
-	850,308	57,896	908,204	908,204
<u>375,287</u>	<u>628,344</u>	<u>(95,427)</u>	<u>908,204</u>	<u>908,204</u>

<u>\$ 375,287</u>	<u>\$ 628,344</u>	<u>\$ (95,427)</u>	<u>\$ 908,204</u>	<u>\$ 908,204</u>
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CITY OF SHEBOYGAN, WISCONSIN

Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance
December 31, 2010

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 2010 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 2010.

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, 2010

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? 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? 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
	Community Development Block Grant Entitlement Grants Cluster
14.218	Community Development Block Grant
14.253	Community Development Block Grant - ARRA Entitlement Grants
	Federal Transit Cluster
20.500	Federal Transit - Capital investment Grants - ARRA
20.507	Federal Transit - Formula grants
81.128	Energy Efficiency and Conservation Block Grant Program - ARRA

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, 2010.

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, 2010.

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2010

Section IV - Other Issues

Does the auditor's report of the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

_____ Yes X No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Transportation

_____ Yes X No

Was a Management Letter or other document conveying audit comments issued as a result of this audit?

 X Yes _____ No

Name and signature of shareholder



David L. Maccoux, CPA

Date of report

May 27, 2011

CITY OF SHEBOYGAN, WISCONSIN
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended December 31, 2010

Prior Year Audit Findings

There were no findings or questioned costs for federal awards for the year ended December 31, 2009.

Corrective Action Plan

No corrective action plan is required.