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VILLAGE OF SISTER BAY, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2005

VILLAGE OF SISTER BAY, WISCONSIN
December 31, 2005

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the Village Board
Village of Sister Bay, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sister Bay, Wisconsin ("the Village") as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sister Bay's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Village has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The financial information listed in the table of contents as supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Certified Public Accountants
Green Bay, Wisconsin
June 9, 2006

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BASIC FINANCIAL STATEMENTS

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Net Assets
December 31, 2005

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 2,166,916	\$ 749,791	\$ 2,916,707
Receivables			
Taxes	3,185,876	-	3,185,876
Accounts	7,240	156,407	163,647
Special assessments	-	465,692	465,692
Internal balances	(270,727)	270,727	-
Due from other governments	-	6,213	6,213
Inventories and prepaid items	-	11,310	11,310
Unamortized debt discount		79,607	79,607
Restricted assets			
Cash and investments	-	1,021,791	1,021,791
Capital assets, nondepreciable			
Land	1,956,768	168,265	2,125,033
Construction in progress	242,052	26,532	268,584
Capital assets, depreciable			
Land improvements	2,666,712	-	2,666,712
Buildings and improvements	3,315,873	5,256,771	8,572,644
Machinery and equipment	194,294	1,718,760	1,913,054
Infrastructure	701,999	7,253,035	7,955,034
Less: Accumulated depreciation	(1,240,679)	(5,269,692)	(6,510,371)
TOTAL ASSETS	12,926,324	11,915,209	24,841,533
LIABILITIES			
Accounts payable	54,634	37,736	92,370
Accrued and other current liabilities	24,163	21,586	45,749
Accrued interest payable	21,395	-	21,395
Due to other governments	2,768,929	-	2,768,929
Unearned revenues	1,356,897	-	1,356,897
Long-term Obligations			
Due within one year	765,000	290,000	1,055,000
Due in more than one year	4,732,974	2,414,000	7,146,974
TOTAL LIABILITIES	9,723,992	2,763,322	12,487,314
NET ASSETS			
Invested in capital assets, net of related debt	2,372,019	6,529,278	8,901,297
Unrestricted	830,313	2,622,609	3,452,922
TOTAL NET ASSETS	\$ 3,202,332	\$ 9,151,887	\$ 12,354,219

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

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2005

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Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 703,755	\$ 75,241	\$ -	\$ 1,412
Administration	196,444	-	-	-
Parks and streets	711,694	293,435	48,934	-
Interest on debt	166,909	-	-	-
Total Governmental Activities	1,778,802	368,676	48,934	1,412
Business-type Activities:				
Water utility	317,994	238,362	-	19,214
Wastewater	752,835	387,116	-	108,434
Total Business-type Activities	1,070,829	625,478	-	127,648
Total	\$ 2,849,631	\$ 994,154	\$ 48,934	\$ 129,060

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Federal and state grants and other contributions
not restricted to specific functions

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues

Change in net assets

Net assets - January 1

Net assets - December 31

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total

\$ (627,102)	\$ -	\$ (627,102)
(196,444)	-	(196,444)
(369,325)	-	(369,325)
(166,909)	-	(166,909)
(1,359,780)	-	(1,359,780)

-	(60,418)	(60,418)
-	(257,285)	(257,285)
-	(317,703)	(317,703)

(1,359,780)	(317,703)	(1,677,483)
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560,972	-	560,972
739,765	-	739,765
14,174	-	14,174
53,750	55,031	108,781
6,070	948	7,018
(116,052)	116,052	-
1,258,679	172,031	1,430,710

(101,101)	(145,672)	(246,773)
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3,303,433	9,297,559	12,600,992
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\$ 3,202,332	\$ 9,151,887	\$ 12,354,219
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VILLAGE OF SISTER BAY, WISCONSIN
 Balance Sheet
 Governmental Funds
 December 31, 2005

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	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 729,980	\$ -	\$ 884,733	\$ 552,203	\$ 2,166,916
Receivables					
Taxes	2,650,313	484,163	51,400	-	3,185,876
Other	7,240	-	-	-	7,240
Due from other funds	1,066,061	-	195,000	-	1,261,061
TOTAL ASSETS	\$ 4,453,594	\$ 484,163	\$ 1,131,133	\$ 552,203	\$ 6,621,093
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 53,096	\$ -	\$ -	\$ 1,537	\$ 54,633
Accrued and other current liabilities	2,472	-	-	21,691	24,163
Due to other funds	600,288	-	618,060	313,440	1,531,788
Due to other governments	2,768,929	-	-	-	2,768,929
Deferred revenues	821,085	484,163	51,400	249	1,356,897
Total Liabilities	4,245,870	484,163	669,460	336,917	5,736,410
Fund Balances					
Unreserved					
Designated for expenditures					
Allocated to projects	-	-	277,918	215,286	493,204
Unallocated	-	-	183,755	-	183,755
Undesignated, reported in					
General fund	207,724	-	-	-	207,724
Total Fund Balances	207,724	-	461,673	215,286	884,683
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,453,594	\$ 484,163	\$ 1,131,133	\$ 552,203	\$ 6,621,093

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown above	\$ 884,683
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.	7,837,018
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(5,465,000)
Compensated absences	(32,974)
Accrued interest on long-term obligations	(21,395)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 3)	\$ 3,202,332

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

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2005

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	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 739,765	\$ 442,647	\$ 118,326	\$ -	\$ 1,300,738
Intergovernmental	75,196	-	-	-	75,196
Licenses and permits	45,629	-	-	-	45,629
Public charges for services	21,500	-	-	293,435	314,935
Miscellaneous	64,289	-	-	12,857	77,146
Total Revenues	946,379	442,647	118,326	306,292	1,813,644
Expenditures					
Current					
General government	418,138	-	-	-	418,138
Administration	178,840	-	-	-	178,840
Parks and streets	436,202	-	-	122,592	558,794
Debt service					
Principal	-	4,640,036	-	-	4,640,036
Interest and fiscal charges	-	268,956	-	-	268,956
Capital outlay	-	-	1,126,876	-	1,126,876
Total Expenditures	1,033,180	4,908,992	1,126,876	122,592	7,191,640
Excess of Revenues Over (Under) Expenditures	(86,801)	(4,466,345)	(1,008,550)	183,700	(5,377,996)
Other Financing Sources (Uses)					
Long-term debt issued	-	4,415,000	550,000	-	4,965,000
Subsidy to wastewater utility	-	(116,052)	-	-	(116,052)
Transfers in	51,240	167,397	15,000	-	233,637
Transfers out	-	-	(84,765)	(148,872)	(233,637)
Total Other Financing Sources (Uses)	51,240	4,466,345	480,235	(148,872)	4,848,948
Net Change in Fund Balances	(35,561)	-	(528,315)	34,828	(529,048)
Fund Balances - January 1	243,285	-	989,988	180,458	1,413,731
Fund Balances - December 31	\$ 207,724	\$ -	\$ 461,673	\$ 215,286	\$ 884,683

(Continued)

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended December 31, 2005

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Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (529,048)

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	\$ 875,761	
Depreciation expense reported in the statement of activities	<u>(191,923)</u>	
Amount by which capital outlays are greater than depreciation in current period		683,838

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by: (32,974)

Some capital assets acquired during the year were financed with debt. 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. The amount of debt reported in the governmental funds statement is: (4,965,000)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is: 4,640,036

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. 102,047

Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 4 - 5) \$ (101,101)

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

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended December 31, 2005

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	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 740,000	\$ 740,000	\$ 739,765	\$ (235)
Intergovernmental	75,192	75,192	75,196	4
Licenses and permits	60,375	60,375	45,629	(14,746)
Public charges for services	12,715	12,715	21,500	8,785
Miscellaneous	21,210	21,210	64,289	43,079
Total Revenues	909,492	909,492	946,379	36,887
Expenditures				
Current				
General government	402,594	402,594	418,138	(15,544)
Administration	135,591	135,591	178,840	(43,249)
Parks and streets	390,414	390,414	436,202	(45,788)
Total Expenditures	928,599	928,599	1,033,180	(104,581)
Excess of Revenues Over Expenditures	(19,107)	(19,107)	(86,801)	(67,694)
Other Financing Sources (Uses)				
Transfers in	48,447	48,447	51,240	2,793
Net Change in Fund Balances	29,340	29,340	(35,561)	(64,901)
Fund Balances - January 1	243,285	243,285	243,285	-
Fund Balances - December 31	\$ 272,625	\$ 272,625	\$ 207,724	\$ (64,901)

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

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Net Assets
Proprietary Fund Type - Enterprise Funds
December 31, 2005

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	Utility Fund
ASSETS	
Cash and investments	\$ 749,791
Receivables	
Accounts	156,407
Special assessments	465,692
Restricted cash and investments	1,021,791
Due from other funds	378,173
Due from other governments	6,213
Inventory	11,310
Capital assets	
Land	168,265
Buildings and improvements	5,256,771
Machinery and equipment	1,718,760
Infrastructure	7,253,035
Less accumulated depreciation	<u>(5,269,692)</u>
Net capital assets	9,127,139
Construction work in progress	26,532
Unamortized debt discount	<u>79,607</u>
TOTAL ASSETS	<u>12,022,655</u>
LIABILITIES	
Accounts payable	37,736
Accrued and other current liabilities	21,586
Due to other funds	107,446
Long-term obligations	
General obligation debt payable	<u>2,704,000</u>
TOTAL LIABILITIES	<u>2,870,768</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,529,278
Unreserved	<u>2,622,609</u>
TOTAL NET ASSETS	<u>\$ 9,151,887</u>

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

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund Type - Enterprise Funds
Year Ended December 31, 2005

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	Utility Fund
Operating Revenues	
Metered or measured sales	
Residential sales	\$ 261,611
Commercial sales	179,265
Public authorities	21,005
Public fire protection	43,412
Private fire protection	2,649
Unmetered sales	828
Services to other systems	45,903
Other sewage service	52,480
Forfeited discounts	1,650
Other revenues	16,675
Total Operating Revenues	625,478
Operating Expenses	
Plant operation and maintenance	322,873
Administrative and general	129,894
Outside services employed	65,353
Depreciation	401,493
Taxes	12,100
Total Operating Expenses	931,713
Operating Income (Loss)	(306,235)
Nonoperating Revenues (Expenses)	
Interest income	55,031
Contributions and subsidies for interest charges	165,265
Connection fees	37,200
Impact fees	32,796
Amortization of debt issuance expense	(26,535)
Interest on long-term debt	(112,581)
Miscellaneous nonoperating income	948
Total Nonoperating Revenues (Expenses)	152,124
Net Loss before Transfers and Contributions	(154,111)
Customer contributions	8,439
Change in Net Assets	(145,672)
Net Assets - January 1	9,297,559
Net Assets - December 31	\$ 9,151,887

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

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Cash Flows
Proprietary Fund Type - Enterprise Funds
Year Ended December 31, 2005

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	Utility Fund
Cash Flows from Operating Activities	
Cash received from user charges	\$ 593,900
Cash received from other governments	361,164
Cash payments to suppliers	(624,904)
Cash payments to employees	(174,758)
Net Cash Provided by Operating Activities	155,402
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(194,198)
Contributions from property owners	81,612
Contributions from other municipalities for debt service	299,038
Impact fees	32,796
Proceeds from issuance of long-term debt	2,628,548
Principal payments on long-term debt	(2,725,000)
Net Cash Provided by Capital and Related Financing Activities	10,215
Cash Flows from Investing Activities	
Interest income	55,031
Net Increase in Cash and Cash Equivalents	220,648
Cash and Cash Equivalents - January 1	1,550,934
Cash and Cash Equivalents - December 31	\$ 1,771,582
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Cash and investments	\$ 782,604
Restricted cash and investments	988,978
Total Cash and Cash Equivalents	\$ 1,771,582
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (306,235)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	401,493
Miscellaneous income	948
Changes in assets and liabilities	
Accounts receivable	(32,526)
Due from other funds	(218,765)
Inventory	179
Accounts payable	(50,856)
Due from other governments	361,164
Net Cash Provided by Operating Activities	\$ 155,402
Noncash Investing, Capital and Financing Activities	
Fixed asset additions contributed by customers	\$ -
Fixed asset additions contributed by developers	-
	\$ -

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village of Sister Bay, Wisconsin ("the Village") 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 Village are described below:

1. Reporting Entity

The Village of Sister Bay is a municipal corporation governed by an elected seven member board. In accordance with GAAP, the basic financial statements are required to include the Village (the primary government) and any separate component units that have a significant operational or financial relationship with the Village. The Village has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 14 and 39.

2. Joint Ventures

Sister Bay/Liberty Grove Joint Fire Department

The Village of Sister Bay and the Town of Liberty Grove formed a joint fire department in the 1930's to provide for services to its citizens. The costs of these services are shared by the Village and Town on a basis of 1/3 of the cost being paid by the Village and 2/3 of the cost being paid by the Town. These percentages are based on the approximate percentage of the assessed property value of the Village and the Town to the total assessed property of each entity combined. During 2005, the Village remitted \$80,500 to the joint fire department. Complete financial information for Sister Bay/Liberty Grove Fire Department can be obtained from the department office in Sister Bay.

Municipal Taxpayer Commission

The Village of Sister Bay is a participant with the Village of Ephraim, and the Towns of Gibraltar, Liberty Grove, Baileys Harbor, Washington, and Sevastopol, in a joint venture to fund activities to modify, reduce, or eliminate taxes imposed for the support of the technical college system. The Municipal Taxpayer Commission was formed for that purpose and is governed by members appointed by each participating municipality. During 2005, the Village remitted an operating appropriation of \$5,000 to the Commission. Complete financial information for the Municipal Taxpayer Commission can be obtained from the Village of Ephraim Administrator.

Joint Public Library Facility

The Village of Sister Bay and the Town of Liberty Grove entered into an agreement on June 12, 2001 for the purpose of constructing and maintaining a building to be used as a joint public library facility. The construction costs and annual building operation and maintenance costs are to be financed 1/2 by the Village and 1/2 by the Town. During 2005, the Village remitted an operating appropriation of \$19,915 to the joint library facility.

The operation of the library is part of the Door County Consolidated Library System in accordance with an agreement with Door County.

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 Village. 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.

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 and proprietary funds. Governmental funds include general, special revenue, and capital projects funds. Proprietary funds include enterprise funds. The Village has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

GENERAL FUND

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

CAPITAL PROJECTS FUND

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Village reports the following major enterprise funds:

WATER UTILITY FUND

This fund is used to account for the operations of the Village's water utility.

WASTEWATER UTILITY FUND

This fund is used to account for the operations of the Village's wastewater utility.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village 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, fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

Certain 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 Village 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 Village's water and wastewater functions and various other functions of the Village. 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 Village'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 Village's policy to use restricted resources first, then unrestricted resources, as they are needed.

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 on the balance sheet. 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 a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet. Noncurrent portions of the interfund receivables for the governmental 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.

e. 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 Village as assets with an initial, individual cost of \$1,000 or higher and an estimated useful life in excess of one 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 Village are depreciated using the straight-line method over the following estimated useful lives:

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Compensated Absences

The Village has not recorded liabilities for accrued employee vacations, sick leave and compensatory time. The actual expenditure will be recorded at the time the benefits are used by the employee, and will be paid at the rate of pay then in effect. Under terms of employment, employees are granted vacations and sick leave in varying amounts. Employees are not allowed to accumulate unused vacation pay. Accrued sick leave is paid to employees with 20 years or more of service at 50% of their current pay rate when they leave employment.

g. 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.

h. 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.

i. Fund Equity

FUND FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS

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

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

6. Use of Estimates

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

NOTE B - STEWARDSHIP AND COMPLIANCE

Budgets and Budgetary Accounting

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

- a. During November, Village management submits to the Village Board 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 Village Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental 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 governmental funds.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Village. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Village Board.
- e. Encumbrance accounting is not used by the Village to record commitments related to unperformed contracts for goods or services.

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

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Village maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "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.

The carrying amount of the Village's cash and investments totaled \$3,938,498 on December 31, 2005 as summarized below:

Deposits with financial institutions	\$ 3,389,442
Investments	
Wisconsin local government investment pool	<u>549,056</u>
	<u>\$ 3,938,498</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 2,916,707
Restricted cash and investments	<u>1,021,791</u>
	<u>\$ 3,938,498</u>

Deposits and investments of the Village are subject to various risks. Presented below is a discussion of the Village's deposits and investments and the related risks.

Deposits with Financial Institutions

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

As of December 31, 2005, \$2,285,508 of the Village's deposits with financial institutions were in excess of federal and state 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 Village's name).

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 Village does not have an additional custodial credit policy.

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

The Village has investments in the Wisconsin local government investment pool of \$549,056 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2005, the fair value of the Village's share of the LGIP's assets was substantially equal to the carrying value.

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 Village does not have an additional credit risk policy. The Village's investment in the Wisconsin local government investment pool is not rated. Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance, and income on the investment during the calendar quarter a loss occurs.

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. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

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 County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Village.

The Village bills and collects its own property taxes and also levies and collects taxes for the Gibraltar School District, Door County, Northeast Wisconsin Technical College, and the State of Wisconsin.

3. Restricted Assets

Restricted assets on December 31, 2005 totaled \$1,021,791 and consisted of cash and investments held for the following purposes:

Enterprise Fund	
Water Department	
Plant replacement	\$ 166,250
Wastewater Department	
Bank loan proceeds	366,512
Plant replacement	456,216
Impact fee collections	32,813
Total Restricted Assets	<u>\$ 1,021,791</u>

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

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NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 1,956,768	\$ -	\$ -	\$ 1,956,768
Construction in progress	242,052	-	242,052	-
Total capital assets, not being depreciated	<u>2,198,820</u>	-	<u>242,052</u>	<u>1,956,768</u>
Capital assets, being depreciated:				
Land improvements	2,553,131	113,581	-	2,666,712
Buildings	3,315,873	-	-	3,315,873
Machinery and equipment	134,112	60,182	-	194,294
Infrastructure	-	944,051	-	944,051
Subtotals	<u>6,003,116</u>	<u>1,117,814</u>	-	<u>7,120,930</u>
Less accumulated depreciation for:				
Land improvements	566,434	75,353	-	641,787
Buildings	424,560	63,201	-	487,761
Machinery and equipment	57,761	10,888	-	68,649
Infrastructure	-	42,482	-	42,482
Subtotals	<u>1,048,755</u>	<u>191,924</u>	-	<u>1,240,679</u>
Total capital assets, being depreciated, net	<u>4,954,361</u>	<u>925,890</u>	-	<u>5,880,251</u>
Governmental activities capital assets, net	<u>\$ 7,153,181</u>	<u>\$ 925,890</u>	<u>\$ 242,052</u>	<u>7,837,019</u>
Less related long-term debt outstanding				<u>5,465,000</u>
Investment in capital assets, net of related debt				<u>\$ 2,372,019</u>

(Continued)

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

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NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 168,263	-	-	\$ 168,263
Construction in progress	15,777	10,755	-	26,532
Total capital assets, not being depreciated	184,040	10,755	-	194,795
Capital assets, being depreciated:				
Buildings	5,256,771	-	-	5,256,771
Machinery and equipment	1,717,567	3,443	2,250	1,718,760
Infrastructure	7,073,035	180,000	-	7,253,035
Subtotals	14,047,373	183,443	2,250	14,228,566
Less accumulated depreciation for:				
Buildings	81,139	82,803	-	163,942
Machinery and equipment	273,460	318,689	2,250	589,899
Unallocated depreciation	4,515,851	-	-	4,515,851
Subtotals	4,870,450	401,492	2,250	5,269,692
Total capital assets, being depreciated, net	9,176,923	(218,049)	-	8,958,874
Business-type activities capital assets, net	\$ 9,360,963	\$ (207,294)	\$ -	9,153,669
Less related long-term debt outstanding				2,704,000
Investment in capital assets, net of related debt				\$ 6,449,669
Depreciation expense was charged to functions of the Village as follows:				
Governmental activities				
General government				\$ 77,643
Parks and streets				114,280
Total depreciation expense - governmental activities				\$ 191,923
Business-type activities				
Water utility				\$ 82,556
Wastewater utility				318,936
Total depreciation expense - business-type activities				\$ 401,492

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Interfund Receivable, Payables, and Transfers

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

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds		
General Fund	\$ 1,059,061	\$ 600,288
Capital Project Fund	195,000	618,060
Special Revenue Funds		
Marina	-	306,440
Enterprise Fund	378,173	107,446
Totals	<u>\$ 1,632,234</u>	<u>\$ 1,632,234</u>

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

	Transfer to:		
	General Fund	Capital Projects	Debt Service
Transfers from:			
Capital Projects Fund	\$ -	\$ -	\$ 84,765
Special Revenue Funds			
Marina - 2005 budget	51,240	15,000	69,497
Marina - payment in lieu of taxes	-	-	13,135
Totals	<u>\$ 51,240</u>	<u>\$ 15,000</u>	<u>\$ 167,397</u>

The transfer of \$51,240 to the general fund was completed to cover payroll costs. The Marina fund transfers of \$15,000 to the capital projects fund and \$13,135 to the debt service fund were in accordance with the 2005 budget. The transfer of \$84,765 to the debt service fund was completed to move capital projects fund balance to the debt service fund. The transfer of \$69,497 to the debt service fund was a budgeted transfer to finance debt requirements.

6. Deferred Revenues

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

	Unearned
General Fund	
Subsequent year tax levy receivable	\$ 821,085
Debt Service Fund	
Subsequent year tax levy receivable	484,163
Capital Projects Fund	
Subsequent year tax levy receivable	51,400
Marina Fund	
Slip rental income received in advance	249
Totals	<u>\$ 1,356,897</u>

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

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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 Village for the year ended December 31, 2005:

	Outstanding 1/1/05	Issued	Retired	Outstanding 12/31/05	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes	\$ 1,613,150	\$ -	\$ 1,613,150	\$ -	\$ -
Construction loan	750,000	550,000	750,000	550,000	550,000
State trust fund loan	2,076,886	-	2,076,886	-	-
Promissory note	700,000	-	100,000	600,000	100,000
Compensated absences	-	32,974	-	32,974	-
Refunding bonds	-	4,415,000	100,000	4,315,000	115,000
Governmental activities Long-term obligations	<u>\$ 5,140,036</u>	<u>\$ 4,997,974</u>	<u>\$ 4,640,036</u>	<u>\$ 5,497,974</u>	<u>\$ 765,000</u>
Business-type activities:					
General Obligation Debt					
Notes	\$ 1,755,453	\$ 213,548	\$ 1,680,001	\$ 289,000	\$ 60,000
Revenue bonds	1,045,000	-	1,045,000	-	-
Refunding bonds	-	2,415,000	-	2,415,000	230,000
Business-type activities Long-term obligations	<u>\$ 2,800,453</u>	<u>\$ 2,628,548</u>	<u>\$ 2,725,001</u>	<u>\$ 2,704,000</u>	<u>\$ 290,000</u>

Total interest paid during the year on long-term debt totaled \$497,589.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes Payable

\$300,000 issued 10/27/97 for construction of water tower; \$30,000 of principal due through 2007; interest at 3.85%	\$ 60,000
\$289,000 issued 12/15/03 for construction of well; \$30,000 of principal due through 2008; \$169,000 due in 2008; interest at 5.42%	229,000
\$550,000 issued 5/13/05 for construction of infrastructure; \$550,000 due in 2006; interest 5.0%	550,000

Promissory Note

\$750,000 issued 12/30/03 for purchase of waterfront property; \$100,000 due annually through 2011; interest at 5.0%	600,000
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Refunded Debt

\$6,830,000 issued 4/15/05 for various village projects; \$115,000 to \$345,000 due annually through 2019; interest 2.25% to 4.75%	<u>6,730,000</u>
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Total Outstanding General Obligation Debt

\$ 8,169,000

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2005

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NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$8,169,000 on December 31, 2005 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 765,000	\$ 205,466	\$ 290,000	\$ 106,434	\$ 1,055,000	\$ 311,900
2007	295,000	196,732	320,000	96,665	615,000	293,397
2008	315,000	185,392	429,000	85,920	744,000	271,312
2009	350,000	170,866	275,000	70,398	625,000	241,264
2010	370,000	158,491	80,000	60,086	450,000	218,577
2011-2015	1,790,000	573,060	580,000	243,030	2,370,000	816,090
2016-2019	1,580,000	181,780	730,000	88,816	2,310,000	270,596
	<u>\$ 5,465,000</u>	<u>\$ 1,671,787</u>	<u>\$ 2,704,000</u>	<u>\$ 751,349</u>	<u>\$ 8,169,000</u>	<u>\$ 2,423,136</u>

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

Legal Margin for New Debt

The Village's legal margin for creation of additional general obligation debt on December 31, 2005 was \$10,510,755 as follows:

Equalized valuation of the Village	\$373,595,100
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>18,679,755</u>
Outstanding general obligation debt applicable to debt limitation	<u>8,169,000</u>
Legal Margin for New Debt	<u>\$ 10,510,755</u>

NOTE D - OTHER INFORMATION

1. Retirement Commitments

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

The payroll for Village employees covered by the System for the year ended December 31, 2005 was \$364,798; the employer's total payroll was \$435,169. The total required contribution for the year ended December 31, 2005 was \$35,751, which consisted of \$15,322, or 4.2% of covered payroll from the employer and \$20,429, or 5.6% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2005 was financed by the Village. Total contributions for the years ending December 31, 2004 and 2003 were \$32,681 and \$29,959 respectively, equal to the required contributions for each year.

NOTE D - OTHER INFORMATION (Continued)

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

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

2. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Village completes an annual review of its insurance coverage to ensure adequate coverage.

3. Contingencies

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

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SUPPLEMENTAL INFORMATION

VILLAGE OF SISTER BAY, WISCONSIN
 Combining Balance Sheet
 Nonmajor Governmental Funds
 Year Ended December 31, 2005

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	Marina	Ice Rink	Total Governmental Funds
ASSETS			
Cash and investments	\$ 543,498	\$ 8,705	\$ 552,203
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 1,537	\$ -	\$ 1,537
Accrued and other current liabilities	21,691	-	21,691
Due to other funds	311,578	1,862	313,440
Deferred revenues	249	-	249
Total Liabilities	335,055	1,862	336,917
Fund Balances - Unreserved			
Designated for ice rink	-	6,843	6,843
Designated for marina	208,443	-	208,443
Total Fund Balances	208,443	6,843	215,286
TOTAL LIABILITIES AND FUND BALANCES	\$ 543,498	\$ 8,705	\$ 552,203

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

DRAFT

	Marina	Ice Rink	Total Governmental Funds
Revenues			
Public charges for services	\$ 281,548	\$ 11,887	\$ 293,435
Miscellaneous	12,857	-	12,857
Total Revenues	<u>294,405</u>	<u>11,887</u>	<u>306,292</u>
Expenditures			
Current			
Parks	108,247	14,345	122,592
Excess of Revenues Over Expenditures	<u>186,158</u>	<u>(2,458)</u>	<u>183,700</u>
Other Financing Uses			
Transfers out	<u>(148,872)</u>	-	<u>(148,872)</u>
Net Change in Fund Balances	37,286	(2,458)	34,828
Fund Balances - January 1	<u>171,157</u>	<u>9,301</u>	<u>180,458</u>
Fund Balances - December 31	<u>\$ 208,443</u>	<u>\$ 6,843</u>	<u>\$ 215,286</u>

VILLAGE OF SISTER BAY, WISCONSIN
General Fund
Detailed Comparison of Budgeted and Actual Revenues
Year Ended December 31, 2005

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	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes				
General property	\$ 740,000	\$ 740,000	\$ 739,765	\$ (235)
Intergovernmental				
State				
Municipal services	150	150	1,407	1,257
Fire insurance	10,890	10,890	10,676	(214)
Transportation	48,952	48,952	48,934	(18)
Shared taxes	14,000	14,000	14,174	174
Exempt computer aid	1,200	1,200	-	(1,200)
Forest cropland	-	-	5	5
Total Intergovernmental	75,192	75,192	75,196	4
Licenses and Permits				
Liquor	7,500	7,500	8,243	743
Operators	205	205	200	(5)
Soda	150	150	190	40
Cigarette	45	45	45	-
Dog	75	75	(11)	(86)
Parking	-	-	130	130
Zoning	2,400	2,400	3,080	680
Building permits	50,000	50,000	33,503	(16,497)
Other permits	-	-	249	249
Total Licenses and Permits	60,375	60,375	45,629	(14,746)
Public Charges for Services				
Publication fees	440	440	322	(118)
Plan commission fees	250	250	-	(250)
Administration fees	12,025	12,025	-	(12,025)
Festival fees	-	-	20,780	20,780
Miscellaneous fees	-	-	398	398
Total Public Charges for Services	12,715	12,715	21,500	8,785
Commercial				
Rental revenue	14,660	14,660	17,326	2,666
Interest on investments	6,000	6,000	42,755	36,755
Miscellaneous	550	550	4,208	3,658
Total Miscellaneous	21,210	21,210	64,289	43,079
Total Revenues	\$ 909,492	\$ 909,492	\$ 946,379	\$ 36,887

VILLAGE OF SISTER BAY, WISCONSIN
General Fund
Detailed Comparison of Budgeted and Actual Expenditures
Year Ended December 31, 2005

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	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Government				
Direct employee costs	\$ 34,289	\$ 34,289	\$ 33,619	\$ 670
Indirect employee costs	200	200	141	59
Utility costs	63,600	63,600	96,885	(33,285)
Supplies	5,000	5,000	2,172	2,828
Other services	136,245	136,245	124,398	11,847
Maintenance	11,750	11,750	9,358	2,392
Support	131,510	131,510	151,565	(20,055)
Contingency	20,000	20,000	-	20,000
Total General Government	402,594	402,594	418,138	(15,544)
Administration				
Direct employee costs	118,691	118,691	128,505	(9,814)
Indirect employee costs	2,600	2,600	4,367	(1,767)
Utility costs	1,200	1,200	2,808	(1,608)
Supplies	7,000	7,000	14,274	(7,274)
Other services	5,100	5,100	28,303	(23,203)
Maintenance	1,000	1,000	583	417
Total Public Safety	135,591	135,591	178,840	(43,249)
Parks and Streets				
Direct employee costs	199,564	199,564	204,310	(4,746)
Indirect employee costs	850	850	1,200	(350)
Utility costs	25,500	25,500	43,467	(17,967)
Supplies	5,500	5,500	5,565	(65)
Other services	110,000	110,000	130,434	(20,434)
Maintenance	36,000	36,000	35,120	880
Vehicles	13,000	13,000	16,106	(3,106)
Total Public Works	390,414	390,414	436,202	(45,788)
Total Expenditures	\$ 928,599	\$ 928,599	\$ 1,033,180	\$ (104,581)

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Water Department Operating Revenues and Expenses
Year Ended December 31, 2005
(With Comparative Amounts for the Year Ended December 31, 2004)

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	2005	2004
Operating Revenues		
Sales of Water		
Residential sales	\$ 100,208	\$ 90,578
Commercial sales	64,264	61,508
Public fire protection	43,412	51,930
Private fire protection	2,649	2,597
Other sales to public authorities	12,905	10,205
Unmetered sales	828	-
Total Sales of Water	<u>224,266</u>	<u>216,818</u>
Other Operating Revenues		
Forfeited discounts	640	377
Other water revenues	13,456	9,468
Total Other Operating Revenues	<u>14,096</u>	<u>9,845</u>
Total Operating Revenues	<u>238,362</u>	<u>226,663</u>
Operating Expenses		
Operation and maintenance		
Supervision and labor	61,461	44,668
Power purchased for pumping	19,396	16,498
Chemicals	569	214
Operating supplies and expenses	13,144	11,755
Repairs of water plant	23,729	18,538
Transportation expense	2,926	2,430
Administrative and general salaries	12,070	6,709
Office supplies and expenses	6,610	7,318
Outside services employed	17,347	5,872
Insurance expense	7,314	7,125
Employee pensions and benefits	28,395	23,217
Miscellaneous general expenses	4,958	3,489
Total Operation and Maintenance Expenses	<u>197,919</u>	<u>147,833</u>
Depreciation	80,047	76,416
Taxes	5,221	4,021
Total Operating Expenses	<u>283,187</u>	<u>228,270</u>
Operating Income (Loss)	<u>\$ (44,825)</u>	<u>\$ (1,607)</u>

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Wastewater Department Operating Revenues and Expenses
Year Ended December 31, 2005
With Comparative Amounts for the Year Ended December 31, 2004

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	2005	2004
Operating Revenues		
Sewage Service		
Residential sales	\$ 161,403	\$ 119,058
Commercial sales	115,001	97,365
Other sales to public authorities	8,100	5,089
Total Sewage Service	284,504	221,512
Other Operating Revenues		
Forfeited discounts	1,010	507
Services to other systems	45,903	35,807
Other sewage service	52,480	41,937
Miscellaneous	3,219	2,161
Total Other Operating Revenues	102,612	80,412
Total Operating Revenues	387,116	301,924
Operating Expenses		
Operation and maintenance		
Supervision and labor	86,474	79,192
Power purchased for pumping	48,024	46,983
Chemicals	7,136	14,289
Other operating supplies	20,646	25,502
Maintenance of collection system	6,527	289
Maintenance of treatment and disposal equipment	10,829	11,874
Maintenance of general plant structures and equipment	4,363	7,046
Transportation expense	2,100	2,224
Administrative and general salaries	12,070	6,709
Office supplies and expenses	5,370	5,767
Outside services employed	48,006	4,410
Insurance expense	10,519	10,492
Employee pensions and benefits	30,252	23,216
Sludge expense	20,575	25,716
Miscellaneous general expenses	7,310	3,173
Total Operation and Maintenance Expenses	320,201	266,882
Depreciation	321,446	296,178
Taxes - FICA	6,879	6,727
Total Operating Expenses	648,526	569,787
Operating Income (Loss)	\$ (261,410)	\$ (267,863)

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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 the Village Board
Village of Sister Bay, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sister Bay, Wisconsin, as of and for the year ended December 31, 2005, which collectively comprise the Village of Sister Bay's basic financial statements and have issued our report thereon dated June 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Sister Bay, Wisconsin's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

Certified Public Accountants
Green Bay, Wisconsin
June 9, 2006