

VILLAGE OF SISTER BAY, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2006

VILLAGE OF SISTER BAY, WISCONSIN
December 31, 2006

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS	1 - 2
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4 - 5
Fund Financial Statements	
Balance Sheet - Governmental Funds	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	7 - 8
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - General Fund	9
Statement of Net Assets - Proprietary Fund Type - Enterprise Funds	10
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund Type - Enterprise Funds	11
Statement of Cash Flows - Proprietary Fund Type - Enterprise Funds	12
Notes to Basic Financial Statements	13 - 26
SUPPLEMENTAL INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	28
General Fund	
Detailed Comparison of Budgeted and Actual Revenues	29
Detailed Comparison of Budgeted and Actual Expenditures	30
Schedule of Water Department Operating Revenues and Expenses	31
Schedule of Wastewater Department Operating Revenues and Expenses	32



Schenck

Government & Not-For-Profit Solutions

BETTER PEOPLE. BETTER RESULTS.

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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2007, 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.



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
May 25, 2007

BASIC FINANCIAL STATEMENTS

VILLAGE OF SISTER BAY, WISCONSIN

Statement of Net Assets

December 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 1,907,935	\$ 1,028,823	\$ 2,936,758
Receivables			
Taxes	3,424,659	-	3,424,659
Accounts	10,087	158,957	169,044
Special assessments	-	356,194	356,194
Internal balances	(185,260)	185,260	-
Due from other governments	38,106	909	39,015
Inventories and prepaid items	12,784	12,941	25,725
Unamortized debt discount	-	53,072	53,072
Prepaid assets	-	10,462	10,462
Restricted assets			
Cash and investments	-	1,255,110	1,255,110
Capital assets, nondepreciable			
Land	1,956,768	168,263	2,125,031
Capital assets, depreciable			
Land improvements	2,689,063	-	2,689,063
Buildings	3,323,017	5,256,771	8,579,788
Machinery and equipment	194,294	1,732,632	1,926,926
Infrastructure	944,051	7,563,493	8,507,544
Less: Accumulated depreciation	(1,440,186)	(5,674,098)	(7,114,284)
TOTAL ASSETS	12,875,318	12,108,789	24,984,107
LIABILITIES			
Accounts payable	68,700	32,607	101,307
Accrued and other current liabilities	23,648	21,625	45,273
Accrued interest payable	15,142	-	15,142
Due to other governments	2,832,603	-	2,832,603
Unearned revenues	1,435,493	-	1,435,493
Long-term obligations			
Due within one year	845,000	320,000	1,165,000
Due in more than one year	4,282,660	2,245,400	6,528,060
TOTAL LIABILITIES	9,503,246	2,619,632	12,122,878
NET ASSETS			
Invested in capital assets, net of related debt	2,573,407	6,481,661	9,055,068
Restricted for plant replacement	-	577,834	577,834
Unrestricted	798,665	2,429,662	3,228,327
TOTAL NET ASSETS	\$ 3,372,072	\$ 9,489,157	\$ 12,861,229

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, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 511,441	\$ 108,939	\$ 1,764	\$ -
Administration	221,464	-	-	-
Parks and streets	713,579	319,886	102,853	-
Interest on debt	56,708	-	-	-
Total Governmental Activities	1,503,192	428,825	104,617	-
Business-type Activities:				
Water utility	325,274	235,576	-	172,869
Wastewater	799,491	459,801	-	367,596
Total Business-type Activities	1,124,765	695,377	-	540,465
Total	\$ 2,627,957	\$ 1,124,202	\$ 104,617	\$ 540,465

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 and transfers

Change in net assets

Net assets - January 1

Prior period adjustment

Net assets - January 1 as 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		
Governmental Activities	Business-type Activities	Total
\$ (400,738)	\$ -	\$ (400,738)
(221,464)	-	(221,464)
(290,840)	-	(290,840)
(56,708)	-	(56,708)
<u>(969,750)</u>	<u>-</u>	<u>(969,750)</u>
-	83,171	83,171
-	27,906	27,906
<u>-</u>	<u>111,077</u>	<u>111,077</u>
<u>(969,750)</u>	<u>111,077</u>	<u>(858,673)</u>
872,438	-	872,438
484,163	-	484,163
15,427	-	15,427
67,668	93,551	161,219
10,377	2,060	12,437
(130,582)	130,582	-
<u>1,319,491</u>	<u>226,193</u>	<u>1,545,684</u>
<u>349,741</u>	<u>337,270</u>	<u>687,011</u>
3,202,331	9,151,887	12,354,218
<u>(180,000)</u>	<u>-</u>	<u>(180,000)</u>
<u>3,022,331</u>	<u>9,151,887</u>	<u>12,174,218</u>
<u>\$ 3,372,072</u>	<u>\$ 9,489,157</u>	<u>\$ 12,861,229</u>

VILLAGE OF SISTER BAY, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2006

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,600,156	\$ -	\$ -	\$ 307,779	\$ 1,907,935
Receivables					
Taxes	2,839,232	585,427	-	-	3,424,659
Accounts	10,087	-	-	-	10,087
Due from other funds	10,938	-	449,148	1,406	461,492
Due from other governments	5,676	-	32,430	-	38,106
Inventories and prepaid items	12,784	-	-	-	12,784
TOTAL ASSETS	\$ 4,478,873	\$ 585,427	\$ 481,578	\$ 309,185	\$ 5,855,063
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 63,450	\$ -	\$ -	\$ -	\$ 63,450
Accrued and other current liabilities	9,409	-	-	19,489	28,898
Due to other funds	455,815	-	-	10,938	466,753
Due to other governments	2,832,603	-	-	-	2,832,603
Deferred revenues	849,817	585,427	-	249	1,435,493
Total Liabilities	4,211,094	585,427	-	30,676	4,827,197
Fund Balances					
Unreserved					
Designated for expenditures					
Allocated to projects	-	-	451,673	278,509	730,182
Undesignated, reported in					
General fund	267,779	-	29,905	-	297,684
Total Fund Balances	267,779	-	481,578	278,509	1,027,866
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,478,873	\$ 585,427	\$ 481,578	\$ 309,185	\$ 5,855,063

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown above \$ 1,027,866

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. 7,667,007

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	(5,093,600)
Long-term advance from enterprise fund	(180,000)
Compensated absences	(34,059)
Accrued interest on long-term obligations	(15,142)
	<hr/>

Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 3)

\$ 3,372,072

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, 2006

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 821,054	\$ 484,163	\$ 51,401	\$ -	\$ 1,356,618
Intergovernmental	99,002	-	32,430	-	131,432
Licenses and permits	43,675	-	-	-	43,675
Public charges for services	35,616	-	-	311,630	347,246
Miscellaneous	82,275	-	-	22,270	104,545
Total Revenues	1,081,622	484,163	83,831	333,900	1,983,516
Expenditures					
Current					
General government	405,382	-	-	-	405,382
Administration	221,224	-	-	-	221,224
Parks and streets	428,102	-	-	130,817	558,919
Debt service					
Principal	-	209,900	-	-	209,900
Interest and fiscal charges	-	224,461	-	-	224,461
Capital outlay	-	-	89,862	-	89,862
Total Expenditures	1,054,708	434,361	89,862	130,817	1,709,748
Excess of Revenues Over (Under)					
Expenditures	26,914	49,802	(6,031)	203,083	273,768
Other Financing Sources (Uses)					
Transfers in	42,748	80,780	25,936	-	149,464
Transfers out	(9,607)	(130,582)	-	(139,857)	(280,046)
Total Other Financing Sources (Uses)	33,141	(49,802)	25,936	(139,857)	(130,582)
Net Change in Fund Balances	60,055	-	19,905	63,226	143,186
Fund Balances - January 1	207,724	-	461,673	215,283	884,680
Fund Balances - December 31	\$ 267,779	\$ -	\$ 481,578	\$ 278,509	\$ 1,027,866

(Continued)

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended December 31, 2006

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ 143,186

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	\$ 29,495	
Depreciation expense reported in the statement of activities	<u>(199,507)</u>	
Amount by which capital outlays are less than depreciation in current period		(170,012)

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: (1,086)

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 reduction in long-term debt in the current year is as follows:

Repayment of principal	209,900
Reduction from transfer of prior year debt to utility	161,500

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. 6,253

Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 4 - 5) \$ 349,741

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, 2006

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 821,038	\$ 821,038	\$ 821,054	\$ 16
Intergovernmental	78,905	78,905	99,002	20,097
Licenses and permits	37,625	37,625	43,675	6,050
Public charges for services	24,177	24,177	35,616	11,439
Miscellaneous	43,025	43,025	82,275	39,250
Total Revenues	1,004,770	1,004,770	1,081,622	76,852
Expenditures				
Current				
General government	427,365	427,365	405,382	21,983
Administration	210,234	210,234	221,224	(10,990)
Parks and streets	434,704	434,704	428,102	6,602
Total Expenditures	1,072,303	1,072,303	1,054,708	17,595
Excess of Revenues Over Expenditures	(67,533)	(67,533)	26,914	94,447
Other Financing Sources (Uses)				
Transfers in	65,000	65,000	42,748	(22,252)
Transfers out	(5,000)	(5,000)	(9,607)	(4,607)
Total Other Financing Sources (Uses)	60,000	60,000	33,141	(26,859)
Net Change in Fund Balances	(7,533)	(7,533)	60,055	67,588
Fund Balances - January 1	207,724	207,724	207,724	-
Fund Balances - December 31	\$ 200,191	\$ 200,191	\$ 267,779	\$ 67,588

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, 2006

	Utility Fund
ASSETS	
Cash and investments	\$ 1,028,823
Receivables	
Accounts	158,957
Special assessments	356,194
Restricted cash and investments	1,255,110
Due from other funds	52,586
Due from other governments	909
Inventory	12,941
Prepaid assets	10,462
Long-term advance due from capital projects fund	180,000
Capital assets	
Land	168,263
Buildings and improvements	5,256,771
Machinery and equipment	1,732,632
Infrastructure	7,563,493
Less accumulated depreciation	<u>(5,674,098)</u>
Net capital assets	9,047,061
Unamortized debt discount	<u>53,072</u>
TOTAL ASSETS	<u>12,156,115</u>
LIABILITIES	
Accounts payable	32,607
Accrued and other current liabilities	21,625
Due to other funds	47,326
Long-term obligations	
General obligation debt payable	<u>2,565,400</u>
TOTAL LIABILITIES	<u>2,666,958</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,481,661
Restricted for plant replacement	577,834
Unreserved	<u>2,429,662</u>
TOTAL NET ASSETS	<u>\$ 9,489,157</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, 2006

	Utility Fund
Operating Revenues	
Metered or measured sales	
Residential sales	\$ 290,316
Commercial sales	202,607
Public authorities	21,234
Public fire protection	44,292
Private fire protection	2,734
Unmetered sales	1,215
Services to other systems	52,745
Other sewage service	61,012
Forfeited discounts	1,938
Other revenues	17,284
Total Operating Revenues	695,377
Operating Expenses	
Plant operation and maintenance	338,252
Administrative and general	140,571
Outside services employed	88,878
Depreciation	404,806
Taxes	12,899
Total Operating Expenses	985,406
Operating Income (Loss)	(290,029)
Nonoperating Revenues (Expenses)	
Interest income	93,551
Contributions and subsidies for interest charges	151,503
Connection fees	36,000
Impact fees	42,620
Amortization of debt issuance expense	(26,535)
Interest on long-term debt	(112,824)
Miscellaneous nonoperating income	2,060
Total Nonoperating Revenues (Expenses)	186,375
Net Loss before Transfers and Contributions	(103,654)
Transfer from general fund	130,582
Customer contributions	310,342
Change in Net Assets	337,270
Net Assets - January 1	9,151,887
Net Assets - December 31	\$ 9,489,157

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, 2006

	Utility Fund
Cash Flows from Operating Activities	
Cash received from user charges	\$ 694,887
Cash received from other governments	5,306
Cash payments to suppliers	(311,764)
Cash payments to employees	(163,278)
Net Cash Provided by Operating Activities	225,151
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(9,476)
Contributions from property owners	130,228
Contributions from general fund for debt service	130,852
Contributions from other municipalities for debt service	151,503
Impact fees	42,620
Increase in long-term debt	161,500
Principal payments on long-term debt	(300,100)
Interest payments on long-term debt	(113,208)
Net Cash Provided by Capital and Related Financing Activities	193,919
Cash Flows from Investing Activities	
Interest income	93,551
Net Increase in Cash and Cash Equivalents	512,621
Cash and Cash Equivalents - January 1	1,771,582
Cash and Cash Equivalents - December 31	\$ 2,284,203
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Cash and investments	\$ 1,189,869
Restricted cash and investments	1,094,064
Total Cash and Cash Equivalents	\$ 2,283,933
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (290,299)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	404,806
Non-cash expense from prior year construction project abandoned	18,774
Miscellaneous income	2,060
Changes in assets and liabilities	
Accounts receivable	(2,550)
Due from other funds	103,967
Inventory	(1,631)
Prepaid expenses	(10,462)
Accounts payable	(5,129)
Accrued liabilities	39
Due from other governments	5,306
Net Cash Provided by Operating Activities	\$ 224,881
Noncash Investing, Capital and Financing Activities	
Fixed asset additions contributed by developers	\$ 328,576

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

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

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 2006, the Village remitted \$79,665 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. In 2006, the Village did not remit an operating appropriation 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 2006, the Village remitted an operating appropriation of \$20,080 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.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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.

DEBT SERVICE FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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 fund:

UTILITY FUND

This fund is used to account for the operations of the Village's water and wastewater utilities.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund 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.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with 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.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Governmental Activities	Business-type Activities
	Years	
<u>Assets</u>		
Land improvements	20 - 50	-
Buildings	25 - 40	25 - 50
Improvements other than buildings	25 - 100	25 - 100
Machinery and equipment	3 - 10	3 - 10
Infrastructure	15 - 40	-

f. Compensated Absences

The Village has recorded liabilities for accrued employee vacations, sick leave and compensatory time. 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

GOVERNMENTAL 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.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2006.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

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 \$4,191,868 on December 31, 2006 as summarized below:

Deposits with financial institutions	\$ 3,615,285
Investments	
Wisconsin local government investment pool	<u>576,583</u>
	<u><u>\$ 4,191,868</u></u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 2,936,758
Restricted cash and investments	<u>1,255,110</u>
	<u><u>\$ 4,191,868</u></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, 2006, \$2,530,897 of the Village's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

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.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

The Village has investments in the Wisconsin local government investment pool of \$576,583 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2006, the fair value of the 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, 2006 totaled \$1,232,910 and consisted of cash and investments held for the following purposes:

Enterprise Fund	
Water Department	
Plant replacement	\$ 220,099
Wastewater Department	
Bank loan proceeds	381,987
Plant replacement	577,834
Impact fee collections	75,190
Total Restricted Assets	<u>\$ 1,255,110</u>

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 1,956,768	\$ -	\$ -	\$ 1,956,768
Capital assets, being depreciated:				
Land improvements	2,666,712	22,351	-	2,689,063
Buildings	3,315,873	7,144	-	3,323,017
Machinery and equipment	194,294	-	-	194,294
Infrastructure	944,051	-	-	944,051
Subtotals	7,120,930	29,495	-	7,150,425
Less accumulated depreciation for:				
Land improvements	641,787	76,119	-	717,906
Buildings	487,761	69,149	-	556,910
Machinery and equipment	68,649	11,757	-	80,406
Infrastructure	42,482	42,482	-	84,964
Subtotals	1,240,679	199,507	-	1,440,186
Total capital assets, being depreciated, net	5,880,251	(170,012)	-	5,710,239
Governmental activities capital assets, net	<u>\$ 7,837,019</u>	<u>\$ (170,012)</u>	<u>\$ -</u>	7,667,007
Less related long-term debt outstanding				<u>5,093,600</u>
Investment in capital assets, net of related debt				<u>\$ 2,573,407</u>

(Continued)

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

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	26,532	1,206	27,738	-
Total capital assets, not being depreciated	<u>194,795</u>	<u>1,206</u>	<u>27,738</u>	<u>168,263</u>
Capital assets, being depreciated:				
Buildings	5,256,771	-	-	5,256,771
Machinery and equipment	1,718,760	14,457	585	1,732,632
Infrastructure	7,253,035	328,958	18,500	7,563,493
Subtotals	<u>14,228,566</u>	<u>343,415</u>	<u>19,085</u>	<u>14,552,896</u>
Less accumulated depreciation for:				
Buildings	163,942	84,449	-	248,391
Machinery and equipment	589,899	97,570	-	687,469
Unallocated depreciation	4,515,851	222,787	400	4,738,238
Subtotals	<u>5,269,692</u>	<u>404,806</u>	<u>400</u>	<u>5,674,098</u>
Total capital assets, being depreciated, net	<u>8,958,874</u>	<u>(61,391)</u>	<u>18,685</u>	<u>8,878,798</u>
Business-type activities capital assets, net	<u>\$ 9,153,669</u>	<u>\$ (60,185)</u>	<u>\$ 46,423</u>	<u>9,047,061</u>
Less related long-term debt outstanding				<u>2,565,400</u>
Investment in capital assets, net of related debt				<u>\$ 6,481,661</u>
Depreciation expense was charged to functions of the Village as follows:				
Governmental activities				
General government				\$ 79,342
Parks and streets				120,165
Total depreciation expense - governmental activities				<u>\$ 199,507</u>
Business-type activities				
Water utility				\$ 84,540
Wastewater utility				320,266
Total depreciation expense - business-type activities				<u>\$ 404,806</u>

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

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, 2006 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds		
General Fund	\$ 10,938	\$ 455,815
Capital Project Fund	449,148	-
Special Revenue Funds		
Marina	-	10,938
Ice rink	1,406	-
Enterprise Fund	5,261	-
Long-term advance		
Capital Project Fund	-	180,000
Enterprise Fund	180,000	-
Totals	\$ 646,753	\$ 646,753

The long-term advance due from the capital projects fund to the enterprise fund was made to provide funds for capital expenditures. The advance is presently scheduled to be repaid in 2010.

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

	Transfer to:			
	Utility Fund	General Fund	Capital Projects	Debt Service
Transfers from:				
Capital Projects Fund	\$ -	\$ -	\$ -	\$ 9,607
Special Revenue Funds				
Marina - 2006 budget	-	42,748	25,936	57,575
Marina - payment in lieu of taxes		-	-	13,598
Debt Service Fund	130,582	-	-	-
Totals	\$ 130,582	\$ 42,748	\$ 25,936	\$ 80,780

The transfer of \$42,748 to the general fund was completed to cover payroll costs. The Marina fund transfers of \$25,936 to the capital service projects fund and \$13,598 to the debt service fund were in accordance with the 2006 budget. The transfer of \$9,607 to the debt service fund was completed to move capital projects fund balance to the debt fund. The transfer of \$57,575 to the debt service fund was a budgeted transfer to finance debt requirements. The transfer of \$130,582 to the utility fund was for a subsidy to the wastewater fund for debt payments.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 849,817
Debt Service Fund	
Subsequent year tax levy receivable	585,427
Marina Fund	
Slip rental income received in advance	249
Totals	\$ 1,435,493

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2006:

	Outstanding 1/1/06	Issued	Transfer	Retired	Outstanding 12/31/06	Due Within One Year
Governmental activities:						
General Obligation Debt						
Construction loan	\$ 550,000	\$ -	\$ -	\$ -	\$ 550,000	\$ -
Promissory note	600,000	-	-	100,000	500,000	100,000
Refunding bonds	4,315,000	-	(161,500)	109,900	4,043,600	195,000
Compensated absences	32,974	1,086	-	-	34,060	-
Governmental activities						
Long-term obligations	\$ 5,497,974	\$ 1,086	\$ (161,500)	\$ 209,900	\$ 5,127,660	\$ 295,000
Business-type activities:						
General Obligation Debt						
Notes	\$ 289,000	\$ -	\$ -	\$ 60,000	\$ 229,000	\$ 60,000
Refunding bonds	2,415,000	-	161,500	240,100	2,336,400	260,000
Business-type activities						
Long-term obligations	\$ 2,704,000	\$ -	\$ 161,500	\$ 300,100	\$ 2,565,400	\$ 320,000

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

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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 in 2007; interest at 3.85%	\$ 30,000
\$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%	199,000
\$550,000 issued 5/13/05 for construction of infrastructure; \$550,000 due in 2008; 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%	500,000
--	---------

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%	6,380,000
--	-----------

Total Outstanding General Obligation Debt

\$ 7,659,000

Annual principal and interest maturities of the outstanding general obligation debt of \$7,659,000 on December 31, 2006 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 295,000	\$ 217,907	\$ 320,000	\$ 96,665	\$ 615,000	\$ 314,572
2008	865,000	195,980	429,000	85,920	1,294,000	281,900
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	395,000	142,692	90,000	56,886	485,000	199,578
2012-2016	1,795,000	502,420	650,000	219,620	2,445,000	722,040
2017-2020	1,023,600	109,728	721,400	55,340	1,745,000	165,068
	<u>\$ 5,093,600</u>	<u>\$ 1,498,084</u>	<u>\$ 2,565,400</u>	<u>\$ 644,915</u>	<u>\$ 7,659,000</u>	<u>\$ 2,142,999</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, 2006 was \$12,388,095 as follows:

Equalized valuation of the Village	\$400,941,900
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	20,047,095
Outstanding general obligation debt applicable to debt limitation	7,659,000
Legal Margin for New Debt	<u>\$ 12,388,095</u>

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2006

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 5.9% of their salary (2.9% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Village employees covered by the System for the year ended December 31, 2006 was \$413,650; the employer's total payroll was \$460,648. The total required contribution for the year ended December 31, 2006 was \$43,020, which consisted of \$18,614, or 4.5% of covered payroll from the employer and \$24,406, or 5.9% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2006 was financed by the Village. Total contributions for the years ending December 31, 2005 and 2004 were \$35,751 and \$32,681 respectively, equal to the required contributions for each year.

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

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

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. Property Tax Levy Limit

Wisconsin Act 25, effective July 27, 2005, imposes a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period. The Act limits the increase in the tax levy to the greater of the percentage change in the Village's January 1 equalized value as a result of net new construction or two percent. The limit for the Village for the 2007 budget was 2.118%. The levy limit is applied to both operations and debt service. However, the Act allows the limit to be increased for debt service authorized prior to July 1, 2005 and in certain other situations.

4. 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.

SUPPLEMENTAL INFORMATION

VILLAGE OF SISTER BAY, WISCONSIN

Combining Balance Sheet
 Nonmajor Governmental Funds
 Year Ended December 31, 2006

	Marina	Ice Rink	Skate Park	Total Governmental Funds
ASSETS				
Cash and investments	\$ 300,860	\$ 3,344	\$ 3,575	\$ 307,779
Due from other funds	-	1,406	-	1,406
TOTAL ASSETS	\$ 300,860	\$ 4,750	\$ 3,575	\$ 309,185
LIABILITIES AND FUND BALANCES				
Liabilities				
Accrued and other current liabilities	\$ 19,489	\$ -	\$ -	\$ 19,489
Due to other funds	10,938	-	-	10,938
Deferred revenues	249	-	-	249
Total Liabilities	30,676	-	-	30,676
Fund Balances - Unreserved				
Designated for ice rink	-	4,750	-	4,750
Designated for marina	270,184	-	-	270,184
Designated for skate park	-	-	3,575	3,575
Total Fund Balances	270,184	4,750	3,575	278,509
TOTAL LIABILITIES AND FUND BALANCES	\$ 300,860	\$ 4,750	\$ 3,575	\$ 309,185

VILLAGE OF SISTER BAY, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2006

	Marina	Ice Rink	Skate Park	Total Governmental Funds
Revenues				
Public charges for services	\$ 300,606	\$ 11,024	\$ -	\$ 311,630
Miscellaneous	18,695	-	3,575	22,270
Total Revenues	<u>319,301</u>	<u>11,024</u>	<u>3,575</u>	<u>333,900</u>
Expenditures				
Current				
Parks	<u>117,700</u>	<u>13,117</u>	<u>-</u>	<u>130,817</u>
Excess of Revenues Over Expenditures	201,601	(2,093)	3,575	203,083
Other Financing Uses				
Transfers out	<u>(139,857)</u>	<u>-</u>	<u>-</u>	<u>(139,857)</u>
Net Change in Fund Balances	61,744	(2,093)	3,575	63,226
Fund Balances - January 1	<u>208,440</u>	<u>6,843</u>	<u>-</u>	<u>215,283</u>
Fund Balances - December 31	<u>\$ 270,184</u>	<u>\$ 4,750</u>	<u>\$ 3,575</u>	<u>\$ 278,509</u>

VILLAGE OF SISTER BAY, WISCONSIN
General Fund
Detailed Comparison of Budgeted and Actual Revenues
Year Ended December 31, 2006

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes				
General property	\$ 821,038	\$ 821,038	\$ 821,038	\$ -
Management forestland taxes	-	-	16	16
Total Taxes	821,038	821,038	821,054	16
Intergovernmental				
State				
Municipal services	150	150	1,764	1,614
Fire insurance	10,676	10,676	11,404	728
State grants	-	-	15,676	15,676
Transportation	52,700	52,700	52,689	(11)
Shared taxes	14,174	14,174	14,175	1
Exempt computer aid	1,200	1,200	1,231	31
Forest cropland	5	5	5	-
County recycling rebates	-	-	2,058	2,058
Total Intergovernmental	78,905	78,905	99,002	20,097
Licenses and Permits				
Liquor	8,200	8,200	7,858	(342)
Operators	205	205	245	40
Soda	200	200	150	(50)
Cigarette	45	45	45	-
Dog	75	75	2	(73)
Parking	50	50	23	(27)
Zoning	3,000	3,000	2,350	(650)
Building permits	25,000	25,000	32,232	7,232
Other permits	850	850	770	(80)
Total Licenses and Permits	37,625	37,625	43,675	6,050
Public Charges for Services				
Publication fees	440	440	500	60
Subdivision plat fees	-	-	50	50
Plan commission fees	-	-	100	100
Engineering fees	-	-	1,006	1,006
Administration fees	7,837	7,837	9,493	1,656
Festival fees	15,500	15,500	20,939	5,439
Miscellaneous fees	400	400	3,528	3,128
Total Public Charges for Services	24,177	24,177	35,616	11,439
Miscellaneous				
Rental revenue	16,000	16,000	18,244	2,244
Interest on investments	10,000	10,000	57,804	47,804
Employee benefit co-pay	12,025	12,025	-	(12,025)
Miscellaneous	5,000	5,000	6,227	1,227
Total Miscellaneous	43,025	43,025	82,275	39,250
Total Revenues	\$ 1,004,770	\$ 1,004,770	\$ 1,081,622	\$ 76,852

VILLAGE OF SISTER BAY, WISCONSIN
General Fund
Detailed Comparison of Budgeted and Actual Expenditures
Year Ended December 31, 2006

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Government				
Direct employee costs	\$ 32,856	\$ 32,856	\$ 33,651	\$ (795)
Indirect employee costs	200	200	519	(319)
Utility costs	91,250	91,250	85,065	6,185
Supplies	4,689	4,689	3,869	820
Other services	126,075	126,075	125,018	1,057
Maintenance	11,000	11,000	12,831	(1,831)
Support	141,295	141,295	139,429	1,866
Contingency	20,000	20,000	5,000	15,000
Total General Government	427,365	427,365	405,382	21,983
Administration				
Direct employee costs	178,734	178,734	173,114	5,620
Indirect employee costs	2,600	2,600	2,829	(229)
Utility costs	2,400	2,400	4,503	(2,103)
Supplies	18,500	18,500	23,733	(5,233)
Other services	7,000	7,000	16,425	(9,425)
Maintenance	1,000	1,000	620	380
Total Administration	210,234	210,234	221,224	(10,990)
Parks and Streets				
Direct employee costs	206,729	206,729	200,114	6,615
Indirect employee costs	1,200	1,200	960	240
Utility costs	42,675	42,675	46,552	(3,877)
Supplies	6,000	6,000	5,292	708
Other services	120,100	120,100	113,907	6,193
Maintenance	42,000	42,000	47,864	(5,864)
Vehicles	16,000	16,000	13,413	2,587
Total Parks and Streets	434,704	434,704	428,102	6,602
Total Expenditures	\$ 1,072,303	\$ 1,072,303	\$ 1,054,708	\$ 17,595

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Water Department Operating Revenues and Expenses
Year Ended December 31, 2006
With Comparative Amounts for the Year Ended December 31, 2005

	2006	2005
Operating Revenues		
Sales of Water		
Residential sales	\$ 98,615	\$ 100,208
Commercial sales	63,871	64,264
Public fire protection	44,292	43,412
Private fire protection	2,734	2,649
Other sales to public authorities	12,467	12,905
Unmetered sales	1,215	828
Total Sales of Water	<u>223,194</u>	<u>224,266</u>
Other Operating Revenues		
Forfeited discounts	684	640
Other water revenues	11,698	13,456
Total Other Operating Revenues	<u>12,382</u>	<u>14,096</u>
Total Operating Revenues	<u>235,576</u>	<u>238,362</u>
Operating Expenses		
Operation and maintenance		
Supervision and labor	54,837	61,461
Power purchased for pumping	18,683	19,396
Chemicals	980	569
Operating supplies and expenses	6,319	13,144
Repairs of water plant	12,303	23,729
Transportation expense	4,916	2,926
Administrative and general salaries	13,589	12,070
Office supplies and expenses	6,471	6,610
Outside services employed	39,809	17,347
Insurance expense	10,036	7,314
Employee pensions and benefits	34,241	28,395
Miscellaneous general expenses	5,728	4,958
Total Operation and Maintenance Expenses	<u>207,912</u>	<u>197,919</u>
Depreciation	81,999	80,047
Taxes	5,534	5,221
Total Operating Expenses	<u>295,445</u>	<u>283,187</u>
Operating Income (Loss)	<u>\$ (59,869)</u>	<u>\$ (44,825)</u>

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Wastewater Department Operating Revenues and Expenses
Year Ended December 31, 2006
With Comparative Amounts for the Year Ended December 31, 2005

	2006	2005
Operating Revenues		
Sewage Service		
Residential sales	\$ 191,701	\$ 161,403
Commercial sales	138,736	115,001
Other sales to public authorities	8,767	8,100
Total Sewage Service	<u>339,204</u>	<u>284,504</u>
Other Operating Revenues		
Forfeited discounts	1,254	1,010
Services to other systems	52,745	45,903
Other sewage service	61,012	52,480
Miscellaneous	5,586	3,219
Total Other Operating Revenues	<u>120,597</u>	<u>102,612</u>
Total Operating Revenues	<u>459,801</u>	<u>387,116</u>
Operating Expenses		
Operation and maintenance		
Supervision and labor	81,301	86,474
Power purchased for pumping	54,429	48,024
Chemicals	15,253	7,136
Other operating supplies	18,981	20,646
Maintenance of collection system	3,054	6,527
Maintenance of treatment and disposal equipment	17,616	10,829
Maintenance of general plant structures and equipment	3,464	4,363
Transportation expense	3,028	2,100
Administrative and general salaries	13,590	12,070
Office supplies and expenses	6,696	5,370
Outside services employed	49,069	48,006
Insurance expense	8,482	10,519
Employee pensions and benefits	34,241	30,252
Sludge expense	43,088	20,575
Miscellaneous general expenses	7,497	7,310
Total Operation and Maintenance Expenses	<u>359,789</u>	<u>320,201</u>
Depreciation	322,807	321,446
Taxes - FICA	7,365	6,879
Total Operating Expenses	<u>689,961</u>	<u>648,526</u>
Operating Income (Loss)	<u>\$ (230,160)</u>	<u>\$ (261,410)</u>