

**VILLAGE OF SISTER BAY, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2007**

**VILLAGE OF SISTER BAY, WISCONSIN**  
December 31, 2007

Table of Contents

	<u>Page No.</u>
<b>INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS</b>	1 - 2
<b>BASIC FINANCIAL STATEMENTS</b>	
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 Balance - 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
<b>SUPPLEMENTAL INFORMATION</b>	
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

## 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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2008, 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.

*Schauch SC*

Certified Public Accountants  
Green Bay, Wisconsin  
April 28, 2008

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF SISTER BAY, WISCONSIN**

Statement of Net Assets

December 31, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 1,982,846	\$ 1,204,727	\$ 3,187,573
Receivables			
Taxes	4,080,236	-	4,080,236
Accounts	23,300	175,888	199,188
Special assessments	8,804	311,803	320,607
Internal balances	(39,685)	39,685	-
Due from other governments	7,879	50	7,929
Inventories and prepaid items	326	21,049	21,375
Unamortized debt discount	41,519	26,537	68,056
Restricted assets			
Cash and investments	1,461,229	1,263,828	2,725,057
Capital assets, nondepreciable			
Land	6,859,457	168,265	7,027,722
Construction in progress	87,556	-	87,556
Capital assets, depreciable			
Land improvements	2,689,063	-	2,689,063
Buildings	3,325,652	5,256,771	8,582,423
Machinery and equipment	204,889	1,749,537	1,954,426
Infrastructure	944,051	7,566,243	8,510,294
Less: Accumulated depreciation	(1,641,137)	(6,021,189)	(7,662,326)
<b>TOTAL ASSETS</b>	<b>20,035,985</b>	<b>11,763,194</b>	<b>31,799,179</b>
<b>LIABILITIES</b>			
Accounts payable	120,487	28,743	149,230
Accrued and other current liabilities	94,763	26,297	121,060
Accrued interest payable	81,806	-	81,806
Due to other governments	3,157,822	-	3,157,822
Unearned revenues	1,601,873	-	1,601,873
Long-term obligations			
Due within one year	830,000	439,000	1,269,000
Due in more than one year	10,470,435	1,806,300	12,276,735
<b>TOTAL LIABILITIES</b>	<b>16,357,186</b>	<b>2,300,340</b>	<b>18,657,526</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,691,068	6,474,325	9,165,393
Restricted for plant replacement	-	761,246	761,246
Restricted for impact fees	-	104,214	104,214
Unrestricted	987,731	2,123,069	3,110,800
<b>TOTAL NET ASSETS</b>	<b>\$ 3,678,799</b>	<b>\$ 9,462,854</b>	<b>\$ 13,141,653</b>

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, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 513,216	\$ 88,329	\$ 11,011	\$ -
Administration	318,122	-	-	-
Parks and streets	703,708	316,781	72,957	-
Interest on debt	269,870	-	-	-
<b>Total Governmental Activities</b>	<b>1,804,916</b>	<b>405,110</b>	<b>83,968</b>	<b>-</b>
<b>Business-type Activities:</b>				
Water utility	323,282	263,975	-	19,661
Wastewater	840,910	499,242	-	107,948
<b>Total Business-type Activities</b>	<b>1,164,192</b>	<b>763,217</b>	<b>-</b>	<b>127,609</b>
<b>Total</b>	<b>\$ 2,969,108</b>	<b>\$ 1,168,327</b>	<b>\$ 83,968</b>	<b>\$ 127,609</b>

General revenues  
Taxes  
Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Room tax  
Federal and state grants and other contributions  
not restricted to specific functions  
Interest and investment earnings  
Miscellaneous  
Transfers  
Total general revenues and transfers

Change in net assets

Net assets - January 1

Net assets - December 31

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

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

\$ (413,876)	\$ -	\$ (413,876)
(318,122)	-	(318,122)
(313,970)	-	(313,970)
(269,870)	-	(269,870)
<u>(1,315,838)</u>	<u>-</u>	<u>(1,315,838)</u>

-	(39,646)	(39,646)
-	(233,720)	(233,720)
-	(273,366)	(273,366)
<u>(1,315,838)</u>	<u>(273,366)</u>	<u>(1,589,204)</u>

849,770	-	849,770
585,427	-	585,427
117,864	-	117,864
33,558	-	33,558
89,830	106,100	195,930
85,299	1,780	87,079
(139,183)	139,183	-
<u>1,622,565</u>	<u>247,063</u>	<u>1,869,628</u>

306,727	(26,303)	280,424
<u>3,372,072</u>	<u>9,489,157</u>	<u>12,861,229</u>
<u>\$ 3,678,799</u>	<u>\$ 9,462,854</u>	<u>\$ 13,141,653</u>

**VILLAGE OF SISTER BAY, WISCONSIN**

Balance Sheet  
Governmental Funds  
December 31, 2007

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,089,411	\$ -	\$ 1,971,274	\$ 383,390	\$ 3,444,075
Receivables					
Taxes	3,383,675	696,561	-	-	4,080,236
Accounts	23,300	-	-	-	23,300
Special assessments	8,804	-	-	-	8,804
Due from other funds	193,911	-	-	-	193,911
Due from other governments	-	-	7,879	-	7,879
Inventories and prepaid items	326	-	-	-	326
<b>TOTAL ASSETS</b>	<b>\$ 4,699,427</b>	<b>\$ 696,561</b>	<b>\$ 1,979,153</b>	<b>\$ 383,390</b>	<b>7,758,531</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 70,501	\$ -	\$ 47,307	\$ 2,679	\$ 120,487
Accrued and other current liabilities	76,562	-	-	18,201	94,763
Due to other funds	42,049	10,587	960	-	53,596
Due to other governments	3,157,822	-	-	-	3,157,822
Deferred revenues	905,312	696,561	-	-	1,601,873
<b>Total Liabilities</b>	<b>4,252,246</b>	<b>707,148</b>	<b>48,267</b>	<b>20,880</b>	<b>5,028,541</b>
<b>Fund Balances</b>					
<b>Unreserved</b>					
Designated for subsequent year expenditures	117,864	-	1,930,886	362,510	2,411,260
Undesignated, reported in					
General fund	329,317	-	-	-	329,317
Debt service fund	-	(10,587)	-	-	(10,587)
<b>Total Fund Balances (Deficit)</b>	<b>447,181</b>	<b>(10,587)</b>	<b>1,930,886</b>	<b>362,510</b>	<b>2,729,990</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,699,427</b>	<b>\$ 696,561</b>	<b>\$ 1,979,153</b>	<b>\$ 383,390</b>	<b>\$ 7,758,531</b>

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown above \$ 2,729,990

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.	12,469,531
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(11,278,700)
Unamortized debt discount	41,519
Long-term advance from enterprise fund	(180,000)
Compensated absences	(21,735)
Accrued interest on long-term obligations	<u>(81,806)</u>

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

\$ 3,678,799

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, 2007**

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 985,618	\$ 585,427	\$ -	\$ -	\$ 1,571,045
Intergovernmental	91,663	-	7,879	-	99,542
Licenses and permits	25,957	-	-	-	25,957
Public charges for services	43,809	-	-	316,208	360,017
Miscellaneous	141,056	-	25,000	28,212	194,268
<b>Total Revenues</b>	<b>1,288,103</b>	<b>585,427</b>	<b>32,879</b>	<b>344,420</b>	<b>2,250,829</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	419,305	-	-	-	419,305
Administration	310,197	-	-	-	310,197
Parks and streets	447,168	-	-	125,375	572,543
<b>Debt service</b>					
Principal	-	314,900	-	-	314,900
Interest and fiscal charges	-	203,206	-	-	203,206
Capital outlay	-	-	5,047,852	-	5,047,852
<b>Total Expenditures</b>	<b>1,176,670</b>	<b>518,106</b>	<b>5,047,852</b>	<b>125,375</b>	<b>6,868,003</b>
<b>Excess of Revenues Over (Under)</b>					
Expenditures	111,433	67,321	(5,014,973)	219,045	(4,617,174)
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	-	-	6,500,000	-	6,500,000
Debt issuance cost	-	-	(41,519)	-	(41,519)
Transfers in	72,969	61,275	5,800	5,000	145,044
Transfers out	(5,000)	(139,183)	-	(140,044)	(284,227)
<b>Total Other Financing Sources (Uses)</b>	<b>67,969</b>	<b>(77,908)</b>	<b>6,464,281</b>	<b>(135,044)</b>	<b>6,319,298</b>
<b>Net Change in Fund Balances</b>	<b>179,402</b>	<b>(10,587)</b>	<b>1,449,308</b>	<b>84,001</b>	<b>1,702,124</b>
<b>Fund Balances - January 1</b>	<b>267,779</b>	<b>-</b>	<b>481,578</b>	<b>278,509</b>	<b>1,027,866</b>
<b>Fund Balances (Deficit) - December 31</b>	<b>\$ 447,181</b>	<b>\$ (10,587)</b>	<b>\$ 1,930,886</b>	<b>\$ 362,510</b>	<b>\$ 2,729,990</b>

(Continued)

**VILLAGE OF SISTER BAY, WISCONSIN**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Governmental Funds**  
**Year Ended December 31, 2007**

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ 1,702,124

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	\$ 5,008,475	
Depreciation expense reported in the statement of activities	<u>(200,951)</u>	
Amount by which capital outlays are less than depreciation in current period		4,807,524

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

Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$ -	
Book value of retired capital asset	<u>5,000</u>	
Loss on disposition reported on the statement of activities		(5,000)

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

12,325

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:

(6,500,000)

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 repayment in the current year is:

314,900

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.

(66,665)

Bond issue costs are reported in the governmental funds as an expenditure. In the statement of activities, these costs are capitalized and amortized over the life of the bonds.

41,519

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

\$ 306,727

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 Balance**  
**Budget and Actual**  
**General Fund**  
**Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 867,738	\$ 867,738	\$ 985,618	\$ 117,880
Intergovernmental	89,186	89,186	91,663	2,477
Licenses and permits	43,745	43,745	25,957	(17,788)
Public charges for services	34,700	34,700	43,809	9,109
Miscellaneous	129,094	129,094	141,056	11,962
<b>Total Revenues</b>	<b>1,164,463</b>	<b>1,164,463</b>	<b>1,288,103</b>	<b>123,640</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	436,128	436,128	419,305	16,823
Administration	307,836	307,836	310,197	(2,361)
Parks and streets	460,153	460,153	447,168	12,985
<b>Total Expenditures</b>	<b>1,204,117</b>	<b>1,204,117</b>	<b>1,176,670</b>	<b>27,447</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(39,654)</b>	<b>(39,654)</b>	<b>111,433</b>	<b>151,087</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	82,367	82,367	72,969	(9,398)
Transfers out	-	-	(5,000)	(5,000)
<b>Total Other Financing Sources (Uses)</b>	<b>82,367</b>	<b>82,367</b>	<b>67,969</b>	<b>(14,398)</b>
<b>Net Change in Fund Balance</b>	<b>42,713</b>	<b>42,713</b>	<b>179,402</b>	<b>136,689</b>
<b>Fund Balance - January 1</b>	<b>267,779</b>	<b>267,779</b>	<b>267,779</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 310,492</b>	<b>\$ 310,492</b>	<b>\$ 447,181</b>	<b>\$ 136,689</b>

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, 2007**

	<b>Utility Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 1,204,727
Receivables	
Accounts	175,888
Special assessments	311,803
Restricted cash and investments	1,263,828
Due from other funds	40,187
Due from other governments	50
Inventory	16,862
Prepaid items	4,187
Long-term advance due from capital projects fund	180,000
Capital assets	
Land	168,265
Buildings	5,256,771
Machinery and equipment	1,749,537
Infrastructure	7,566,243
Less accumulated depreciation	<u>(6,021,189)</u>
Net capital assets	8,719,627
Unamortized debt discount	<u>26,537</u>
<b>TOTAL ASSETS</b>	<b><u>11,943,696</u></b>
<b>LIABILITIES</b>	
Accounts payable	28,743
Accrued and other current liabilities	26,297
Due to other funds	180,502
Long-term obligations	
Due within one year	439,000
Due in more than one year	<u>1,806,300</u>
<b>TOTAL LIABILITIES</b>	<b><u>2,480,842</u></b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,474,325
Restricted for plant replacement	761,246
Restricted for impact fee collections	104,214
Unreserved	<u>2,123,069</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 9,462,854</u></b>

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 Net Assets**  
**Proprietary Fund Type - Enterprise Funds**  
**Year Ended December 31, 2007**

	Utility Fund
<b>Operating Revenues</b>	
Metered or measured sales	
Residential	\$ 310,696
Commercial	213,561
Public authorities	23,214
Public fire protection	53,192
Private fire protection	3,767
Unmetered sales	2,004
Services to other systems	49,379
Other sewage service	72,668
Forfeited discounts	2,288
Other revenues	14,448
<b>Total Operating Revenues</b>	<u>745,217</u>
<b>Operating Expenses</b>	
Plant operation and maintenance	380,614
Administrative and general	178,187
Outside services employed	52,627
Depreciation	408,481
Taxes	15,610
<b>Total Operating Expenses</b>	<u>1,035,519</u>
<b>Operating Income (Loss)</b>	<u>(290,302)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	106,100
Contributions from other municipalities for debt service	82,179
Connection fees	18,000
Impact fees	25,572
Amortization of debt issuance expense	(26,535)
Interest on long-term debt	(102,141)
Miscellaneous nonoperating income	1,780
<b>Total Nonoperating Revenues (Expenses)</b>	<u>104,955</u>
<b>Net Loss before Transfers and Contributions</b>	(185,347)
<b>Transfer from debt service fund</b>	139,183
<b>Customer contributions</b>	<u>19,858</u>
<b>Change in Net Assets</b>	(26,306)
<b>Net Assets - January 1</b>	<u>9,489,160</u>
<b>Net Assets - December 31</b>	<u>\$ 9,462,854</u>

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, 2007

	Utility Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from user charges	\$ 706,852
Cash received from other governments	24,073
Cash payments to suppliers	(255,609)
Cash payments to employees	(204,609)
Net Cash Provided by Operating Activities	270,707
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of capital assets	(78,299)
Contributions from property owners	62,390
Contributions from general fund for debt service	139,183
Contributions from other municipalities for debt service	82,179
Impact fees	25,572
Principal payments of long-term debt	(320,100)
Interest payments on long-term debt	(103,110)
Net Cash Provided by Capital and Related Financing Activities	(192,185)
<b>Cash Flows from Investing Activities</b>	
Interest income	106,100
<b>Net Increase in Cash and Cash Equivalents</b>	184,622
<b>Cash and Cash Equivalents - January 1</b>	2,283,933
<b>Cash and Cash Equivalents - December 31</b>	\$ 2,468,555
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>	
Cash and investments	\$ 1,204,727
Restricted cash and investments	1,263,828
Total Cash and Cash Equivalents	\$ 2,468,555
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ (290,302)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	408,481
Miscellaneous income	1,780
Changes in assets and liabilities	
Accounts receivable	(16,931)
Due to/from other funds	145,575
Inventory	(3,921)
Prepaid expenses	6,273
Accounts payable	13,247
Accrued liabilities	5,646
Due from other governments	859
Net Cash Provided by Operating Activities	\$ 270,707
<b>Noncash Investing, Capital and Financing Activities</b>	
Capital asset additions contributed by developers	\$ 2,750

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, 2007

**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 2007, the Village remitted \$83,732 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 2007, 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 2007, the Village remitted an operating appropriation of \$23,171 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.

Door County Tourism Zone

The Village of Sister Bay is a participant with the Villages of Egg Harbor, and Ephraim and the Towns of Baileys Harbor, Egg Harbor, Gibraltar, Jacksonport, Liberty Grove, Nasewaupsee, Sevastopol and Washington, in a joint venture to create the Door County Tourism Zone as prescribed under Wisconsin Statute 66.0615. The Tourism Zone is responsible for collecting a 5.5% room tax on the gross receipts from retail furnishing of rooms or lodgings over all of the member municipalities. The Tourism Zone pays 66% of the room tax collected to the Door County Visitor Bureau, 30% to the member municipalities and retains 4% for its operations. During 2007, the Village of Sister Bay received \$117,864 of room tax from the Tourism Zone. Complete financial information for the Door County Tourism Zone Commission can be obtained from their office in Sister Bay.

**VILLAGE OF SISTER BAY, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the 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, debt service 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, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. Assets, Liabilities and Net Assets or Equity**

**a. Cash and Investments**

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

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:

<u>Assets</u>	<u>Governmental</u>	<u>Business-type</u>
	<u>Activities</u>	<u>Activities</u>
	<u>Years</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	-

**VILLAGE OF SISTER BAY, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**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.

**VILLAGE OF SISTER BAY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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**

**1. 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, 2007.

**2. Deficit Fund Equity**

Fund	Deficit Fund Equity
Debt service	\$ 10,587

The Village anticipates funding the above deficits from future revenues and tax levies of the fund.

**VILLAGE OF SISTER BAY, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

**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 \$5,912,630 on December 31, 2007 as summarized below:

Deposits with financial institutions	\$ 5,306,453
Investments	
Wisconsin local government investment pool	606,177
	\$ 5,912,630

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 3,187,573
Restricted cash and investments	2,725,057
	\$ 5,912,630

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, 2007, \$4,106,796 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, 2007

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

The Village has investments in the Wisconsin local government investment pool of \$606,177 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2007, the fair value of the 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 its own property taxes and also levies taxes for the Gibraltar School District, Door County, Northeast Wisconsin Technical College, and the State of Wisconsin. The Village contracts with the Door County Treasurer to collect taxes.

**VILLAGE OF SISTER BAY, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

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

**3. Restricted Assets**

Restricted assets on December 31, 2007 totaled \$2,725,057 and consisted of cash and investments held for the following purposes:

Capital Projects		
Debt proceeds being held for projects	\$ 1,461,229	
Enterprise Fund		
Water Department		
Plant replacement	224,579	
Wastewater Department		
Bank loan proceeds	398,368	
Plant replacement	536,667	
Impact fee collections	104,214	
Total Enterprise Fund Restricted Cash and Investments	1,263,828	
<b>Total Restricted Assets</b>	<b>\$ 2,725,057</b>	

**4. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 1,956,768	\$ 4,907,689	\$ 5,000	\$ 6,859,457
Construction in progress	-	87,556	-	87,556
Total capital assets, not being depreciated	1,956,768	4,995,245	5,000	6,947,013
<b>Capital assets, being depreciated:</b>				
Land improvements	2,689,063	-	-	2,689,063
Buildings	3,323,017	2,635	-	3,325,652
Machinery and equipment	194,294	10,595	-	204,889
Infrastructure	944,051	-	-	944,051
Subtotals	7,150,425	13,230	-	7,163,655
<b>Less accumulated depreciation for:</b>				
Land improvements	717,906	76,659	-	794,565
Buildings	556,910	69,277	-	626,187
Machinery and equipment	80,406	12,533	-	92,939
Infrastructure	84,964	42,482	-	127,446
Subtotals	1,440,186	200,951	-	1,641,137
Total capital assets, being depreciated, net	5,710,239	(187,721)	-	5,522,518
<b>Governmental activities capital assets, net</b>	<b>\$ 7,667,007</b>	<b>\$ 4,807,524</b>	<b>\$ 5,000</b>	<b>12,469,531</b>
Less related long-term debt outstanding (net of \$1,500,237 of debt proceeds on hand)				9,778,463
Invested in capital assets, net of related debt				<b>\$ 2,691,068</b>

(Continued)

**VILLAGE OF SISTER BAY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 168,263	\$ -	\$ -	\$ 168,263
<b>Capital assets, being depreciated:</b>				
Buildings	5,256,771	-	-	5,256,771
Machinery and equipment	1,732,632	79,225	62,320	1,749,537
Infrastructure	7,563,493	2,750		7,566,243
Subtotals	14,552,896	81,975	62,320	14,572,551
<b>Less accumulated depreciation for:</b>				
Buildings	248,391	192,598	-	440,989
Machinery and equipment	687,469	95,241	60,670	722,040
Infrastructure	4,738,238	120,642	720	4,858,160
Subtotals	5,674,098	408,481	61,390	6,021,189
Total capital assets, being depreciated, net	8,878,798	(326,506)	930	8,551,362
Business-type activities capital assets, net	<u>\$ 9,047,061</u>	<u>\$ (326,506)</u>	<u>\$ 930</u>	8,719,625
Less related long-term debt outstanding				<u>2,245,300</u>
Invested in capital assets, net of related debt				<u>\$ 6,474,325</u>

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

<b>Governmental activities</b>	
General government	\$ 80,093
Parks and streets	120,858
Total depreciation expense - governmental activities	<u>\$ 200,951</u>
<b>Business-type activities</b>	
Water utility	\$ 83,158
Wastewater utility	325,323
Total depreciation expense - business-type activities	<u>\$ 408,481</u>

**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, 2007 are detailed below:

	Interfund Receivables	Interfund Payables
<b>Operating Accounts Between Funds</b>		
General Fund	\$ 193,911	\$ 42,049
Debt Service Fund	-	10,587
Capital Project Fund	-	960
Enterprise Fund	40,187	180,502
Totals	<u>\$ 234,098</u>	<u>\$ 234,098</u>

**VILLAGE OF SISTER BAY, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

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

	Advance Receivable	Advance Payable
Long-term Advance		
Governmental activities - capital projects	\$ 180,000	\$ -
Enterprise fund	-	180,000

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, 2007 were as follows:

	Transfer to:					
	Utility Fund	General Fund	Capital Projects	Debt Service	Non-major Funds	Total
Transfers from:						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Special Revenue Funds						
Marina	-	72,969	5,800	61,275	-	140,044
Debt Service Fund	139,183	-	-	-	-	139,183
Totals	<u>\$ 139,183</u>	<u>\$ 72,969</u>	<u>\$ 5,800</u>	<u>\$ 61,275</u>	<u>\$ 5,000</u>	<u>\$ 284,227</u>

The transfer of \$72,969 to the general fund consisted of \$57,501 from the Marina fund and \$15,468 was for payment in lieu of taxes which were both budgeted for in 2007. The transfer of \$5,800 to the capital projects fund was for capital outlay. The transfer of \$61,275 to the debt service fund was a budgeted transfer to finance debt requirements. The transfer of \$139,183 to the utility fund was for a subsidy to the wastewater fund for debt payments. There was also a \$5,000 transfer to the ice rink from the general fund.

**6. Deferred Revenues**

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

	Unearned
General Fund	
Subsequent year tax levy receivable	\$ 905,312
Debt Service Fund	
Subsequent year tax levy receivable	696,561
Totals	<u>\$ 1,601,873</u>

**VILLAGE OF SISTER BAY, WISCONSIN**  
**Notes to Basic Financial Statements**  
**December 31, 2007**

**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, 2007:

	Outstanding 1/1/07	Issued	Retired	Outstanding 12/31/07	Due Within One Year
<b>Governmental activities:</b>					
<b>General Obligation Debt</b>					
Notes	\$ 550,000	\$ -	\$ 25,000	\$ 525,000	\$ 525,000
Promissory note	500,000	-	100,000	400,000	100,000
Refunding bonds	4,043,600	-	189,900	3,853,700	205,000
Note anticipation note	-	6,500,000	-	6,500,000	-
Compensated absences	34,060	-	12,325	21,735	-
<b>Governmental activities</b>					
Long-term obligations	<u>\$ 5,127,660</u>	<u>\$ 6,500,000</u>	<u>\$ 327,225</u>	<u>\$ 11,300,435</u>	<u>\$ 830,000</u>
<b>Business-type activities:</b>					
<b>General Obligation Debt</b>					
Notes	\$ 229,000	\$ -	\$ 60,000	\$ 169,000	\$ 169,000
Refunding bonds	2,336,400	-	260,100	2,076,300	270,000
<b>Business-type activities</b>					
Long-term obligations	<u>\$ 2,565,400</u>	<u>\$ -</u>	<u>\$ 320,100</u>	<u>\$ 2,245,300</u>	<u>\$ 439,000</u>

Total interest paid during the year on long-term debt totaled \$306,317.

**General Obligation Debt**

General obligation debt currently outstanding is detailed as follows:

<b>Notes</b>		
\$289,000 issued 12/15/03 for construction of well; \$169,000 due in 2008; interest at 5.42%	\$	169,000
\$550,000 issued 5/13/05 for construction of infrastructure; \$525,000 due in 2008; interest 5.0%		525,000
<b>Promissory Note</b>		
\$750,000 issued 12/30/03 for purchase of waterfront property; \$100,000 due annually through 2011; interest at 5.0%		400,000
<b>Refunding Bonds</b>		
\$6,830,000 issued 4/15/05 for various village projects; \$350,000 to \$625,000 due annually through 2019; interest 2.25% to 4.75%		<u>5,930,000</u>
<b>Total Outstanding General Obligation Debt</b>		<u><u>\$ 7,024,000</u></u>

**VILLAGE OF SISTER BAY, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

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

Annual principal and interest maturities of the outstanding general obligation debt of \$7,024,000 on December 31, 2007 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 830,000	\$ 189,664	\$ 439,000	\$ 92,236	\$ 1,269,000	\$ 281,900
2009	340,000	165,450	285,000	75,814	625,000	241,264
2010	360,000	152,658	90,000	65,919	450,000	218,577
2011	385,000	137,193	100,000	62,385	485,000	199,578
2012	325,000	123,226	110,000	58,452	435,000	181,678
2013-2017	1,405,000	357,984	605,000	182,378	2,010,000	540,362
2018-2021	1,133,700	104,344	616,300	97,413	1,750,000	201,757
	<u>\$ 4,778,700</u>	<u>\$ 1,230,519</u>	<u>\$ 2,245,300</u>	<u>\$ 634,597</u>	<u>\$ 7,024,000</u>	<u>\$ 1,865,116</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, 2007 was \$14,378,235 as follows:

Equalized valuation of the Village	\$428,044,700
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	21,402,235
Outstanding general obligation debt applicable to debt limitation	<u>7,024,000</u>
Legal Margin for New Debt	<u><u>\$ 14,378,235</u></u>

Note Anticipation Note

On October 17, 2007, the Village issued a note anticipation note of \$6,500,000 for various capital expenditures. The notes are due in 2012 with interest payable semi-annually at 4.25%. Interest of \$276,250 is due annually through 2012. It is anticipated that the notes will be financed by the issuance and sale of general obligation promissory notes.

**NOTE D - OTHER INFORMATION**

1. Retirement Commitments

All eligible Village employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.4% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

**VILLAGE OF SISTER BAY, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2007

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

The payroll for Village employees covered by the WRS for the year ended December 31, 2007 was \$400,929; the employer's total payroll was \$508,153. The total required contribution for the year ended December 31, 2007 was \$42,498, which consisted of \$18,442, or 4.6% of covered payroll from the employer and \$24,056, or 6.0% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2007 was financed by the Village. Total contributions for the years ending December 31, 2006 and 2005 were \$43,020 and \$35,751 respectively, equal to the required contributions for each year.

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

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

2. 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, imposed a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period. Wisconsin State Budget bill SB40 continues the limit on the property tax levies through 2009. The budget bill limits the increase in the maximum allowable 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 3.86% in the 2008 budget and 2.0% in the 2009 budget. The actual limit for the Village for the 2008 budget was 3.86%. 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, 2007**

	Marina	Ice Rink	Skate Park	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 373,933	\$ 5,862	\$ 3,595	\$ 383,390
<b>TOTAL ASSETS</b>	<u>\$ 373,933</u>	<u>\$ 5,862</u>	<u>\$ 3,595</u>	<u>\$ 383,390</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 2,679	\$ -	\$ -	\$ 2,679
Accrued and other current liabilities	18,201	-	-	18,201
<b>Total Liabilities</b>	<u>20,880</u>	<u>-</u>	<u>-</u>	<u>20,880</u>
<b>Fund Balances - Unreserved</b>				
Designated for subsequent years expenditures	<u>353,053</u>	<u>5,862</u>	<u>3,595</u>	<u>362,510</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 373,933</u>	<u>\$ 5,862</u>	<u>\$ 3,595</u>	<u>\$ 383,390</u>

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

	Marina	Ice Rink	Skate Park	Total Governmental Funds
<b>Revenues</b>				
Public charges for services	\$ 309,516	\$ 6,692	\$ -	\$ 316,208
Miscellaneous	25,907	2,285	20	28,212
<b>Total Revenues</b>	<b>335,423</b>	<b>8,977</b>	<b>20</b>	<b>344,420</b>
<b>Expenditures</b>				
Current				
Parks and streets	112,510	12,865	-	125,375
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>222,913</b>	<b>(3,888)</b>	<b>20</b>	<b>219,045</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	5,000	-	5,000
Transfers out	(140,044)	-	-	(140,044)
<b>Total Other Financing Sources (Uses)</b>	<b>(140,044)</b>	<b>5,000</b>	<b>-</b>	<b>(135,044)</b>
<b>Net Change in Fund Balances</b>	<b>82,869</b>	<b>1,112</b>	<b>20</b>	<b>84,001</b>
<b>Fund Balances - January 1</b>	<b>270,184</b>	<b>4,750</b>	<b>3,575</b>	<b>278,509</b>
<b>Fund Balances - December 31</b>	<b>\$ 353,053</b>	<b>\$ 5,862</b>	<b>\$ 3,595</b>	<b>\$ 362,510</b>

**VILLAGE OF SISTER BAY, WISCONSIN**  
**General Fund**  
**Detailed Comparison of Budgeted and Actual Revenues**  
**Year Ended December 31, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>Taxes</b>				
General property	\$ 849,770	\$ 849,770	\$ 849,770	\$ -
Management forestland taxes	-	-	16	16
Room taxes	-	-	117,864	117,864
Forest use penalties	17,968	17,968	17,968	-
<b>Total Taxes</b>	<b>867,738</b>	<b>867,738</b>	<b>985,618</b>	<b>117,880</b>
<b>Intergovernmental</b>				
<b>State</b>				
Municipal services	150	150	457	307
Fire insurance	11,500	11,500	10,554	(946)
Transportation	60,593	60,593	60,593	-
Shared taxes	14,175	14,175	14,175	-
Exempt computer aid	1,250	1,250	1,395	145
Forest cropland	5	5	4	(1)
County recycling rebates	1,513	1,513	4,485	2,972
<b>Total Intergovernmental</b>	<b>89,186</b>	<b>89,186</b>	<b>91,663</b>	<b>2,477</b>
<b>Licenses and Permits</b>				
Liquor	8,200	8,200	8,430	230
Operators	250	250	310	60
Soda	150	150	145	(5)
Cigarette	45	45	50	5
Dog	50	50	14	(36)
Parking	50	50	153	103
Zoning	5,000	5,000	1,210	(3,790)
Building permits	30,000	30,000	15,070	(14,930)
Other permits	-	-	575	575
<b>Total Licenses and Permits</b>	<b>43,745</b>	<b>43,745</b>	<b>25,957</b>	<b>(17,788)</b>
<b>Public Charges for Services</b>				
Publication fees	350	350	380	30
Subdivision plat fees	1,000	1,000	-	(1,000)
Plan commission fees	1,000	1,000	-	(1,000)
Engineering fees	1,000	1,000	1,464	464
Administration fees	7,600	7,600	10,794	3,194
Festival fees	18,000	18,000	23,444	5,444
Miscellaneous fees	5,750	5,750	7,727	1,977
<b>Total Public Charges for Services</b>	<b>34,700</b>	<b>34,700</b>	<b>43,809</b>	<b>9,109</b>
<b>Miscellaneous</b>				
Rental revenue	16,000	16,000	18,563	2,563
Interest on investments	40,000	40,000	46,646	6,646
Reimbursement from Utility	70,044	70,044	70,044	-
Miscellaneous	3,050	3,050	5,803	2,753
<b>Total Miscellaneous</b>	<b>129,094</b>	<b>129,094</b>	<b>141,056</b>	<b>11,962</b>
<b>Total Revenues</b>	<b>\$ 1,164,463</b>	<b>\$ 1,164,463</b>	<b>\$ 1,288,103</b>	<b>\$ 123,640</b>

**VILLAGE OF SISTER BAY, WISCONSIN**  
**General Fund**  
**Detailed Comparison of Budgeted and Actual Expenditures**  
**Year Ended December 31, 2007**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>General Government</b>				
Direct employee costs	\$ 33,500	\$ 33,500	\$ 40,260	\$ (6,760)
Indirect employee costs	200	200	2,681	(2,481)
Utility costs	96,600	96,600	86,703	9,897
Supplies	3,150	3,150	3,788	(638)
Other services	131,978	131,978	109,570	22,408
Maintenance	10,600	10,600	18,596	(7,996)
Support	150,100	150,100	153,353	(3,253)
Contingency	10,000	10,000	4,354	5,646
<b>Total General Government</b>	<b>436,128</b>	<b>436,128</b>	<b>419,305</b>	<b>16,823</b>
<b>Administration</b>				
Direct employee costs	258,086	258,086	265,112	(7,026)
Indirect employee costs	5,100	5,100	3,636	1,464
Utility costs	4,500	4,500	5,588	(1,088)
Supplies	19,000	19,000	17,726	1,274
Other services	20,000	20,000	18,026	1,974
Maintenance	1,150	1,150	109	1,041
<b>Total Administration</b>	<b>307,836</b>	<b>307,836</b>	<b>310,197</b>	<b>(2,361)</b>
<b>Parks and Streets</b>				
Direct employee costs	215,253	215,253	228,392	(13,139)
Indirect employee costs	550	550	613	(63)
Utility costs	53,650	53,650	47,675	5,975
Supplies	7,600	7,600	4,074	3,526
Other services	120,100	120,100	87,154	32,946
Maintenance	46,500	46,500	56,757	(10,257)
Vehicles	16,500	16,500	21,599	(5,099)
<b>Total Parks and Streets</b>	<b>460,153</b>	<b>460,153</b>	<b>446,264</b>	<b>13,889</b>
<b>Total Expenditures</b>	<b>\$ 1,204,117</b>	<b>\$ 1,204,117</b>	<b>\$ 1,175,766</b>	<b>\$ 28,351</b>

**VILLAGE OF SISTER BAY, WISCONSIN**  
Schedule of Water Department Operating Revenues and Expenses  
Year Ended December 31, 2007  
With Comparative Amounts for the Year Ended December 31, 2006

	2007	2006
<b>Operating Revenues</b>		
<b>Sales of Water</b>		
Residential sales	\$ 109,547	\$ 98,615
Commercial sales	70,565	63,871
Public fire protection	53,192	44,292
Private fire protection	3,767	2,734
Other sales to public authorities	14,438	12,467
Unmetered sales	2,004	1,215
<b>Total Sales of Water</b>	<u>253,513</u>	<u>223,194</u>
<b>Other Operating Revenues</b>		
Forfeited discounts	797	684
Other water revenues	9,665	11,698
<b>Total Other Operating Revenues</b>	<u>10,462</u>	<u>12,382</u>
<b>Total Operating Revenues</b>	<u>263,975</u>	<u>235,576</u>
<b>Operating Expenses</b>		
<b>Operation and maintenance</b>		
Supervision and labor	66,797	54,837
Power purchased for pumping	19,662	18,683
Chemicals	852	980
Operating supplies and expenses	7,917	6,319
Repairs of water plant	10,570	12,303
Transportation expense	3,379	4,916
Administrative and general salaries	20,589	13,589
Office supplies and expenses	5,087	6,471
Outside services employed	21,773	39,809
Insurance expense	10,384	10,036
Employee pensions and benefits	33,589	34,241
Miscellaneous general expenses	7,229	5,728
<b>Total Operation and Maintenance Expenses</b>	<u>207,828</u>	<u>207,912</u>
Depreciation	83,158	81,999
Taxes	6,468	5,534
<b>Total Operating Expenses</b>	<u>297,454</u>	<u>295,445</u>
<b>Operating Income (Loss)</b>	<u>\$ (33,479)</u>	<u>\$ (59,869)</u>

**VILLAGE OF SISTER BAY, WISCONSIN**  
Schedule of Wastewater Department Operating Revenues and Expenses  
Year Ended December 31, 2007  
With Comparative Amounts for the Year Ended December 31, 2006

	2007	2006
<b>Operating Revenues</b>		
<b>Sewage Service</b>		
Residential	\$ 201,149	\$ 191,701
Commercial	142,996	138,736
Service to public authorities	8,776	8,767
<b>Total Sewage Service</b>	<u>352,921</u>	<u>339,204</u>
<b>Other Operating Revenues</b>		
Forfeited discounts	1,491	1,254
Services to other systems	49,379	52,745
Other sewage service	72,668	61,012
Miscellaneous	4,783	5,586
<b>Total Other Operating Revenues</b>	<u>128,321</u>	<u>120,597</u>
<b>Total Operating Revenues</b>	<u>481,242</u>	<u>459,801</u>
<b>Operating Expenses</b>		
<b>Operation and maintenance</b>		
Supervision and labor	96,400	81,301
Power purchased for pumping	57,463	54,429
Chemicals	15,603	15,253
Other operating supplies	15,622	18,981
Maintenance of collection system	15,057	3,054
Maintenance of treatment and disposal equipment	39,738	17,616
Maintenance of general plant structures and equipment	911	3,464
Transportation expense	4,286	3,028
Administrative and general salaries	26,469	13,590
Office supplies and expenses	5,161	6,696
Outside services employed	30,854	49,069
Insurance expense	13,084	8,482
Employee pensions and benefits	48,474	34,241
Sludge expense	26,357	43,088
Miscellaneous general expenses	8,121	7,497
<b>Total Operation and Maintenance Expenses</b>	<u>403,600</u>	<u>359,789</u>
Depreciation	325,323	322,807
Taxes - FICA	9,142	7,365
<b>Total Operating Expenses</b>	<u>738,065</u>	<u>689,961</u>
<b>Operating Income (Loss)</b>	<u>\$ (256,823)</u>	<u>\$ (230,160)</u>