

VILLAGE OF SISTER BAY, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2010

VILLAGE OF SISTER BAY, WISCONSIN

December 31, 2010

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the Village Board
Village of Sister Bay, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sister Bay, Wisconsin ("the Village") as of and for the year ended December 31, 2010, 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. The prior year summarized comparative information has been derived from the Village's 2009 financial statements and, in our report dated April 5, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and marina special revenue 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 7, 2011, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sister Bay, Wisconsin's financial statements as a whole. 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 financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Scheuch

Certified Public Accountants
Green Bay, Wisconsin
April 7, 2011

BASIC FINANCIAL STATEMENTS

VILLAGE OF SISTER BAY, WISCONSIN

Statement of Net Assets

December 31, 2010

(With Summarized Financial Information as of December 31, 2009)

	Governmental Activities	Business-type Activities	Totals	
			2010	2009
ASSETS				
Cash and investments	\$ 3,007,209	\$ 212,293	\$ 3,219,502	\$ 3,618,836
Receivables				
Taxes	4,031,919	-	4,031,919	3,843,496
Accounts	33,562	219,834	253,396	266,101
Special assessments	-	247,090	247,090	262,590
Internal balances	(199,925)	199,925	-	-
Due from other governments	-	20,777	20,777	20,922
Inventories and prepaid items	3,018	15,729	18,747	43,431
Unamortized debt discount	16,619	-	16,619	24,919
Investment in joint venture	431,849	-	431,849	459,433
Restricted assets				
Cash and investments	-	2,157,879	2,157,879	1,237,853
Capital assets, nondepreciable				
Land	10,684,250	168,265	10,852,515	7,027,722
Construction in progress	272,851	-	272,851	223,996
Capital assets, depreciable				
Land improvements	4,472,148	-	4,472,148	3,530,548
Buildings	3,628,997	5,275,537	8,904,534	8,761,771
Machinery and equipment	324,525	1,680,198	2,004,723	1,957,155
Infrastructure	1,089,916	7,645,351	8,735,267	8,589,602
Less: Accumulated depreciation	(2,240,180)	(7,274,360)	(9,514,540)	(8,934,935)
TOTAL ASSETS	25,556,758	10,568,518	36,125,276	30,933,440
LIABILITIES				
Accounts payable	103,703	14,475	118,178	207,496
Accrued and other current liabilities	40,519	12,556	53,075	23,837
Accrued interest payable	144,500	5,207	149,707	75,320
Due to other governments	3,448,968	-	3,448,968	3,188,675
Unearned revenues	1,861,025	-	1,861,025	1,814,533
Long-term obligations				
Due within one year	5,736,500	98,500	5,835,000	411,500
Due in more than one year	9,375,572	1,352,791	10,728,363	11,702,993
TOTAL LIABILITIES	20,710,787	1,483,529	22,194,316	17,424,354
NET ASSETS				
Invested in capital assets, net of related debt	3,158,326	6,055,791	9,214,117	9,149,943
Restricted for plant replacement	-	1,173,996	1,173,996	1,075,696
Restricted for impact fees	-	124,908	124,908	112,992
Unrestricted	1,687,645	1,730,294	3,417,939	3,170,455
TOTAL NET ASSETS	\$ 4,845,971	\$ 9,084,989	\$ 13,930,960	\$ 13,509,086

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, 2010
(With Summarized Financial Information for Year Ended December 31, 2009)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 845,086	\$ 92,744	\$ 11,464	\$ -
Administration	342,052	-	-	-
Parks and streets	855,913	363,237	634,498	-
Interest on debt	527,924	-	-	-
Total Governmental Activities	2,570,975	455,981	645,962	-
Business-type Activities:				
Water utility	544,075	364,842	-	6,416
Wastewater utility	669,615	663,963	-	4,405
Total Business-type Activities	1,213,690	1,028,805	-	10,821
Total	\$ 3,784,665	\$ 1,484,786	\$ 645,962	\$ 10,821

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
Gain on sale of asset
Total general revenues

Change in net assets

Net assets - January 1

Net assets - December 31

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Totals	
		2010	2009
\$ (740,878)	\$ -	\$ (740,878)	\$ (440,523)
(342,052)	-	(342,052)	(312,358)
141,822	-	141,822	(366,174)
(527,924)	-	(527,924)	(464,263)
<u>(1,469,032)</u>	<u>-</u>	<u>(1,469,032)</u>	<u>(1,583,318)</u>
-	(172,817)	(172,817)	(135,303)
-	(1,247)	(1,247)	(139,426)
-	(174,064)	(174,064)	(274,729)
<u>(1,469,032)</u>	<u>(174,064)</u>	<u>(1,643,096)</u>	<u>(1,858,047)</u>
1,149,920	-	1,149,920	937,214
664,448	-	664,448	822,561
119,166	-	119,166	115,529
13,883	-	13,883	16,137
20,838	40,913	61,751	72,857
54,290	-	54,290	42,146
1,512	-	1,512	1,001
<u>2,024,057</u>	<u>40,913</u>	<u>2,064,970</u>	<u>2,007,445</u>
555,025	(133,151)	421,874	149,398
<u>4,290,946</u>	<u>9,218,140</u>	<u>13,509,086</u>	<u>13,359,688</u>
<u>\$ 4,845,971</u>	<u>\$ 9,084,989</u>	<u>\$ 13,930,960</u>	<u>\$ 13,509,086</u>

VILLAGE OF SISTER BAY, WISCONSIN

Balance Sheet

Governmental Funds

December 31, 2010

(With Summarized Financial Information as of December 31, 2009)

	General Fund	Marina	Debt Service	Capital Projects
ASSETS				
Cash and investments	\$ 1,702,850	\$ 438,838	\$ 15,639	\$ 630,824
Receivables				
Taxes	3,440,919	-	591,000	-
Accounts	30,334	-	3,228	-
Special assessments	-	-	-	-
Due from other funds	-	-	500	19,223
Advance to other funds	-	-	-	400,000
Investment in joint venture	431,849	-	-	-
Inventories and prepaid items	2,513	505	-	-
Restricted cash and investments	-	-	-	-
TOTAL ASSETS	\$ 5,608,465	\$ 439,343	\$ 610,367	\$ 1,050,047
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 46,344	\$ 1,704	\$ -	\$ 52,592
Accrued and other current liabilities	17,574	22,945	-	-
Due to other funds	19,925	19,723	-	-
Due to other governments	3,448,801	-	-	-
Deferred revenues	1,270,192	-	591,000	-
Advance from other funds	-	-	400,000	-
Total Liabilities	4,802,836	44,372	991,000	52,592
Fund Balances				
Reserved for				
Investment in joint venture	431,849	-	-	-
Long-term advance to other funds	-	-	-	400,000
Inventories and prepaid items	2,513	505	-	-
Unreserved				
Designated for subsequent year expenditures	-	394,466	-	597,455
Subsequent year's budget	-	-	-	-
Undesignated, reported in				
General fund	371,267	-	-	-
Debt service fund	-	-	(380,633)	-
Capital projects funds	-	-	-	-
Total Fund Balances (Deficit)	805,629	394,971	(380,633)	997,455
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,608,465	\$ 439,343	\$ 610,367	\$ 1,050,047

(Continued)

TID Fund	Other Governmental Funds	Total Governmental Funds	
		2010	2009
\$ 192,077	\$ 26,981	\$ 3,007,209	\$ 2,665,247
-	-	4,031,919	3,843,496
-	-	33,562	33,011
-	-	-	1,033
-	-	19,723	48,608
-	-	400,000	-
-	-	431,849	459,433
-	-	3,018	21,687
-	-	-	49,165
<u>\$ 192,077</u>	<u>\$ 26,981</u>	<u>7,927,280</u>	<u>7,121,680</u>

\$ -	\$ 3,063	\$ 103,703	\$ 177,911
-	-	40,519	33,279
-	-	39,648	67,580
-	-	3,448,801	3,188,675
-	-	1,861,192	1,814,533
-	-	400,000	-
-	3,063	5,893,863	5,281,978

-	-	431,849	459,433
-	-	400,000	-
-	-	3,018	21,687
-	23,918	1,015,839	1,067,982
-	-	-	47,243
-	-	371,267	273,400
-	-	(380,633)	17,226
192,077	-	192,077	(47,269)
<u>192,077</u>	<u>23,918</u>	<u>2,033,417</u>	<u>1,839,702</u>
<u>\$ 192,077</u>	<u>\$ 26,981</u>	<u>\$ 7,927,280</u>	<u>\$ 7,121,680</u>

VILLAGE OF SISTER BAY, WISCONSIN

Balance Sheet (Continued)

Governmental Funds

December 31, 2010

(With Summarized Financial Information as of December 31, 2009)

Total Governmental Funds	
2010	2009

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown above

\$ 2,033,417 \$ 1,839,702

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.

18,232,507 13,249,743

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

Bonds and notes payable

(15,090,800) (10,552,300)

Unamortized debt discount

16,619 24,919

Long-term advance from enterprise fund

(180,000) (180,000)

Compensated absences

(21,272) (21,301)

Accrued interest on long-term obligations

(144,500) (69,817)

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

\$ 4,845,971 \$ 4,290,946

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
For the Year Ended December 31, 2010
(With Summarized Financial Information for Year Ended December 31, 2009)

	General Fund	Marina	Debt Service	Capital Projects
Revenues				
Taxes	\$ 1,150,011	\$ -	\$ 783,614	\$ -
Intergovernmental	107,684	-	-	551,197
Licenses and permits	39,534	-	-	-
Public charges for services	21,136	347,493	-	-
Miscellaneous	72,819	18,262	3,968	3,159
Total Revenues	<u>1,391,184</u>	<u>365,755</u>	<u>787,582</u>	<u>554,356</u>
Expenditures				
Current				
General government	478,752	-	-	-
Administration	336,452	-	-	-
Parks and streets	503,861	110,700	-	-
Conservation and development	-	-	-	-
Debt service				
Principal	-	-	811,500	-
Interest and fiscal charges	-	-	444,941	-
Capital outlay	-	-	-	494,897
Total Expenditures	<u>1,319,065</u>	<u>110,700</u>	<u>1,256,441</u>	<u>494,897</u>
Excess of Revenues Over (Under)				
Expenditures	<u>72,119</u>	<u>255,055</u>	<u>(468,859)</u>	<u>59,459</u>
Other Financing Sources (Uses)				
Long-term debt issued	-	-	-	-
Transfers in	214,216	-	71,000	303,616
Transfers out	(282,000)	(284,201)	-	-
Total Other Financing Sources (Uses)	<u>(67,784)</u>	<u>(284,201)</u>	<u>71,000</u>	<u>303,616</u>
Net Change in Fund Balances	4,335	(29,146)	(397,859)	363,075
Fund Balances (Deficit) - January 1	<u>801,294</u>	<u>424,117</u>	<u>17,226</u>	<u>634,380</u>
Fund Balances (Deficit) - December 31	<u>\$ 805,629</u>	<u>\$ 394,971</u>	<u>\$ (380,633)</u>	<u>\$ 997,455</u>

(Continued)

TID Fund	Other Governmental Funds	Total Governmental Funds	
		2010	2009
\$ -	\$ -	\$ 1,933,625	\$ 1,875,623
873	-	659,754	100,248
-	-	39,534	15,416
-	15,220	383,849	401,562
-	11,030	109,238	96,812
873	26,250	3,126,000	2,489,661
-	-	478,752	447,176
-	-	336,452	312,517
-	17,286	631,847	630,261
5,083,746	-	5,083,746	-
-	-	811,500	393,200
-	-	444,941	470,194
150	-	495,047	639,892
5,083,896	17,286	8,282,285	2,893,240
(5,083,023)	8,964	(5,156,285)	(403,579)
5,350,000	-	5,350,000	-
-	5,000	593,832	403,716
(27,631)	-	(593,832)	(534,497)
5,322,369	5,000	5,350,000	(130,781)
239,346	13,964	193,715	(534,360)
(47,269)	9,954	1,839,702	2,374,062
\$ 192,077	\$ 23,918	\$ 2,033,417	\$ 1,839,702

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2010
(With Summarized Financial Information for Year Ended December 31, 2009)

Reconciliation to the Statement of Activities

	2010	2009
Net Change in Fund Balances as shown on previous page	\$ 193,715	\$ (534,360)
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	\$ 5,230,352	
Depreciation expense reported in the statement of activities	<u>(235,016)</u>	
Amount by which capital outlays are greater than depreciation current period	4,995,336	387,792
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	\$ 104,532	
Book value of retired capital asset	<u>(117,104)</u>	
Loss on disposition reported on the statement of activities	(12,572)	-
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:	29	103
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:	(5,350,000)	-
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:	811,500	393,200
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.	(74,683)	14,231
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.	<u>(8,300)</u>	<u>(8,300)</u>
Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 4 - 5)	<u>\$ 555,025</u>	<u>\$ 252,666</u>

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
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,149,945	\$ 1,149,945	\$ 1,150,011	\$ 66
Intergovernmental	99,438	99,438	107,684	8,246
Licenses and permits	14,660	14,660	39,534	24,874
Public charges for services	40,100	40,100	21,136	(18,964)
Miscellaneous	62,725	62,725	72,819	10,094
Total Revenues	1,366,868	1,366,868	1,391,184	24,316
Expenditures				
Current				
General government	471,763	471,763	478,752	(6,989)
Administration	336,842	336,842	336,452	390
Parks and streets	524,972	524,972	503,861	21,111
Total Expenditures	1,333,577	1,333,577	1,319,065	14,512
Excess of Revenues Over Expenditures	33,291	33,291	72,119	38,828
Other Financing Sources (Uses)				
Transfers in	214,216	214,216	214,216	-
Transfers out	(282,000)	(282,000)	(282,000)	-
Total Other Financing Sources (Uses)	(67,784)	(67,784)	(67,784)	-
Net Change in Fund Balance	(34,493)	(34,493)	4,335	38,828
Fund Balance - January 1	801,294	801,294	801,294	-
Fund Balance - December 31	\$ 766,801	\$ 766,801	\$ 805,629	\$ 38,828

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
Marina Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Public charges for services	\$ 344,350	\$ 344,350	\$ 347,493	\$ 3,143
Miscellaneous	11,100	11,100	18,262	7,162
Total Revenues	355,450	355,450	365,755	10,305
Expenditures				
Current				
Parks and streets	123,146	123,146	110,700	12,446
Excess of Revenues Over Expenditures	232,304	232,304	255,055	22,751
Other Financing Sources (Uses)				
Transfers out	(470,496)	(470,496)	(284,201)	186,295
Net Change in Fund Balance	(238,192)	(238,192)	(29,146)	209,046
Fund Balance - January 1	424,117	424,117	424,117	-
Fund Balance - December 31	\$ 185,925	\$ 185,925	\$ 394,971	\$ 209,046

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 Fund

December 31, 2010

(With Summarized Financial Information as of December 31, 2009)

	Utility Fund	
	2010	2009
ASSETS		
Cash and investments	\$ 212,293	\$ 953,589
Receivables		
Accounts	219,834	233,090
Special assessments	247,090	261,557
Restricted cash and investments	2,157,879	1,188,688
Due from other funds	19,925	18,972
Due from other governments	20,777	20,922
Inventory	15,729	21,475
Prepaid items	-	269
Long-term advance due from capital projects fund	180,000	180,000
Capital assets		
Land	168,265	168,265
Buildings	5,275,537	5,275,537
Machinery and equipment	1,680,198	1,673,134
Infrastructure	7,645,351	7,645,551
Less accumulated depreciation	(7,274,360)	(6,856,371)
Net capital assets	7,494,991	7,906,116
TOTAL ASSETS	10,568,518	10,784,678
LIABILITIES		
Accounts payable	14,475	10,885
Accrued and other current liabilities	12,556	9,258
Accrued interest	5,207	5,503
Long-term obligations		
Due within one year	98,500	88,500
Due in more than one year	1,352,791	1,452,392
TOTAL LIABILITIES	1,483,529	1,566,538
NET ASSETS		
Invested in capital assets, net of related debt	6,055,791	6,378,416
Restricted for plant replacement	1,173,996	1,075,696
Restricted for impact fee collections	124,908	112,992
Unreserved	1,730,294	1,651,036
TOTAL NET ASSETS	\$ 9,084,989	\$ 9,218,140

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 Fund
Year Ended December 31, 2010
(With Summarized Financial Information for Year Ended December 31, 2009)

	Utility Fund	
	2010	2009
Operating Revenues		
Charges for services		
Residential	\$ 433,707	\$ 384,056
Commercial	288,427	256,729
Public authorities	21,857	21,609
Public fire protection	91,851	91,812
Private fire protection	7,280	7,280
Unmetered sales	483	693
Sales for resale	9,723	9,927
Other operating revenues		
Forfeited discounts	2,271	1,905
Rent	5,950	5,600
Services to other systems	60,515	52,989
Other sewage services	76,465	78,019
Other revenues	22,443	18,718
Total Operating Revenues	<u>1,020,972</u>	<u>929,337</u>
Operating Expenses		
Plant operation and maintenance	435,837	440,818
Administrative and general	274,277	227,748
Depreciation	419,889	419,222
Taxes	17,949	17,384
Total Operating Expenses	<u>1,147,952</u>	<u>1,105,172</u>
Operating Loss	<u>(126,980)</u>	<u>(175,835)</u>
Nonoperating Revenues (Expenses)		
Interest income	40,913	39,485
Contributions from other municipalities for debt service	-	14,122
Connection fees	5,325	-
Impact fees	10,821	-
Interest on long-term debt	(65,738)	(75,720)
Miscellaneous nonoperating income (expense)	2,508	(36,101)
Total Nonoperating Revenues (Expenses)	<u>(6,171)</u>	<u>(58,214)</u>
Net Loss before Transfers	(133,151)	(234,049)
Transfer from debt service fund	<u>-</u>	<u>130,781</u>
Change in Net Assets	(133,151)	(103,268)
Net Assets - January 1	<u>9,218,140</u>	<u>9,321,408</u>
Net Assets - December 31	<u>\$ 9,084,989</u>	<u>\$ 9,218,140</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 Fund
Year Ended December 31, 2010
(With Summarized Financial Information for Year Ended December 31, 2009)

	Utility Fund	
	2010	2009
Cash Flows from Operating Activities		
Cash received from user charges	\$ 1,020,204	\$ 821,790
Cash received from other governments	22,002	738
Cash payments to suppliers	(477,022)	(456,428)
Cash payments to employees	(239,239)	(233,095)
Net Cash Provided by Operating Activities	<u>325,945</u>	<u>133,005</u>
Cash Flows from Noncapital Financing Activities		
Changes in assets and liabilities		
Due from other funds	(953)	382
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(8,763)	(17,787)
Contributions from property owners	14,467	14,466
Contributions from general fund for debt service	-	130,781
Contributions from other municipalities for debt service	-	14,122
Impact fees	10,821	-
Principal payments of long-term debt	(88,500)	(281,800)
Interest payments on long-term debt	(66,035)	(79,811)
Net Cash Used by Capital and Related Financing Activities	<u>(138,010)</u>	<u>(220,029)</u>
Cash Flows from Investing Activities		
Interest income	40,913	39,485
Net Change in Cash and Cash Equivalents	227,895	(47,157)
Cash and Cash Equivalents - January 1	2,142,277	2,189,434
Cash and Cash Equivalents - December 31	<u>\$ 2,370,172</u>	<u>\$ 2,142,277</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and investments	\$ 212,293	\$ 953,589
Restricted cash and investments	2,157,879	1,188,688
Total Cash and Cash Equivalents	<u>\$ 2,370,172</u>	<u>\$ 2,142,277</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating loss	\$ (126,980)	\$ (175,835)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	419,889	419,222
Miscellaneous income (expense)	7,833	(36,101)
Changes in assets and liabilities		
Accounts receivable	13,256	(49,837)
Due from other governments	145	(20,871)
Inventory	5,746	(1,988)
Prepaid expenses	269	(161)
Accounts payable	3,590	(2,759)
Accrued liabilities	2,197	1,335
Net Cash Provided by Operating Activities	<u>\$ 325,945</u>	<u>\$ 133,005</u>

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, 2010

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 2010, the Village remitted \$97,201 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 2010, the commission was not active and 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 2010, the Village remitted an operating appropriation of \$27,321 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, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Door County Tourism Zone

The Village of Sister Bay is a participant with the City of Sturgeon Bay, the Villages of Egg Harbor, Ephraim, and Forestville and the Towns of Baileys Harbor, Brussels, Clay Banks, Egg Harbor, Forestville, Gardner, Gibraltar, Jacksonport, Liberty Grove, Nasewaupsee, Sevastapol, Sturgeon Bay, Union and Washington Island, 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 2010, the Village of Sister Bay received \$119,166 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.

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.

SPECIAL REVENUE FUND

Marina Fund

This fund is used to account for all financial resources and uses of the Marina operations.

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.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL PROJECTS FUNDS

Capital Projects

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

TID Fund

The Tax Incremental District (TID) capital projects fund is used to account for financial resources used to acquire or construct capital assets in the Village's TID.

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.

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.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Inventories of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

e. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the 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>	Governmental	Business-type
	Activities	Activities
	Years	
Land improvements	20 - 50	-
Buildings	25 - 40	25 - 50
Machinery and equipment	3 - 10	3 - 10
Infrastructure	15 - 40	25 - 100

g. 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 normally not allowed to accumulate unused vacation pay, but may be granted exceptions. 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.

h. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet recognizable.

i. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. 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.

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.

7. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

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.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

- 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, 2010.

2. Deficit Fund Equity

Fund	Deficit Fund Equity
Debt Service	\$ 380,633

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

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 \$5,377,381 on December 31, 2010 as summarized below:

Petty cash funds	\$ 142
Deposits with financial institutions	5,377,239
	<u>\$ 5,377,381</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 3,219,502
Restricted cash and investments	2,157,879
	<u>\$ 5,377,381</u>

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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.

Custodial Credit Risk

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

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 per official custodian per depository institution. In addition, the Village's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2010, \$9,915 of the Village's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized.

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, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Restricted Assets

Restricted assets on December 31, 2010 totaled \$1,298,904 and consisted of cash and investments held for the following purposes:

Enterprise Fund

Water Department	
Plant replacement	\$ 325,278
Wastewater Department	
Plant replacement	763,205
Collection system replacement	85,513
Bay Shore Drive relay fund	858,975
Impact fee collections	124,908
Total Restricted Assets	<u>\$ 2,157,879</u>

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,859,457	\$ 3,824,793	\$ -	\$ 10,684,250
Construction in progress	223,996	48,855	-	272,851
Total capital assets, not being depreciated	7,083,453	3,873,648	-	10,957,101
Capital assets, being depreciated:				
Land improvements	3,530,548	941,600	-	4,472,148
Buildings	3,486,234	259,867	117,104	3,628,997
Machinery and equipment	323,771	9,372	8,618	324,525
Infrastructure	944,051	145,865	-	1,089,916
Subtotals	8,284,604	1,356,704	125,722	9,515,586
Less accumulated depreciation for:				
Land improvements	974,871	103,769	-	1,078,640
Buildings	769,072	73,244	105,393	736,923
Machinery and equipment	161,961	15,521	7,757	169,725
Infrastructure	212,410	42,482	-	254,892
Subtotals	2,118,314	235,016	113,150	2,240,180
Total capital assets, being depreciated, net	6,166,290	1,121,688	12,572	7,275,406
Governmental activities capital assets, net	<u>\$ 13,249,743</u>	<u>\$ 4,995,336</u>	<u>\$ 12,572</u>	18,232,507
Less related long-term debt outstanding				<u>15,074,181</u>
Invested in capital assets, net of related debt				<u>\$ 3,158,326</u>

In 2010, the Village discovered that two vehicles were not included in the Governmental Activities Capital Assets. The two vehicles were purchased for \$18,750 and \$21,000 in 1997 and 2000 respectively. The vehicles are considered to be fully depreciated. The beginning balance was adjusted for machinery and equipment and the related accumulated depreciation for the total of \$39,750. The prior year balance for machinery and equipment was \$284,021 and the accumulated depreciation balance was \$122,211.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 168,265	\$ -	\$ -	\$ 168,265
Capital assets, being depreciated:				
Buildings	5,275,537	-	-	5,275,537
Machinery and equipment	1,673,134	8,764	1,700	1,680,198
Infrastructure	7,645,551	-	200	7,645,351
Subtotals	14,594,222	8,764	1,900	14,601,086
Less accumulated depreciation for:				
Buildings	798,228	178,784	-	977,012
Machinery and equipment	914,213	96,560	1,700	1,009,073
Infrastructure	5,143,930	144,545	200	5,288,275
Subtotals	6,856,371	419,889	1,900	7,274,360
Total capital assets, being depreciated, net	7,737,851	(411,125)	-	7,326,726
Business-type activities capital assets, net	\$ 7,906,116	\$ (411,125)	\$ -	7,494,991
Less related long-term debt outstanding				1,439,200
Invested in capital assets, net of related debt				<u>\$ 6,055,791</u>
Depreciation expense was charged to functions of the Village as follows:				
Governmental activities				
General government				\$ 80,085
Parks and streets				154,931
Total depreciation expense - governmental activities				<u>\$ 235,016</u>
Business-type activities				
Water utility				\$ 98,316
Wastewater utility				321,573
Total depreciation expense - business-type activities				<u>\$ 419,889</u>

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

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, 2010 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds and		
Cash Advances to Finance Deficits		
General Fund	\$ -	\$ 19,925
Debt Service Fund	500	-
Capital Projects Fund	19,223	-
Special Revenue Funds		
Marina	-	19,723
Enterprise Fund	19,925	-
Long-term Advance		
Debt Service Fund	-	400,000
Capital Projects Fund	400,000	-
Enterprise Fund	180,000	-
Governmental Activities - Capital Project Fund	-	180,000
Totals	<u>\$ 619,648</u>	<u>\$ 619,648</u>

The long-term advance due from the debt service fund for \$400,000 was due to a balloon payment paid in 2010. The debt service will repay the capital projects \$50,000 per year beginning in 2011.

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 2011.

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

	Transfer to:				
	General Fund	Capital Projects	Debt Service	Ice Rink	Total
Transfers from:					
General Fund	\$ -	\$ 277,000	\$ -	\$ 5,000	\$ 282,000
Special Revenue Funds					
Marina	186,585	26,616	71,000	-	284,201
Capital Projects Fund					
TIF Fund	27,631	-	-	-	27,631
Totals	<u>\$ 214,216</u>	<u>\$ 303,616</u>	<u>\$ 71,000</u>	<u>\$ 5,000</u>	<u>\$ 593,832</u>

The transfer of \$214,216 to the general fund consisted of \$186,585 from the Marina fund and \$27,631 from the TIF fund to reimburse the Village for TIF administration. The transfer of \$303,616 to the capital projects fund was for capital outlay. The transfer of \$71,000 to the debt service fund was a budgeted transfer to finance debt requirements. The transfer of \$5,000 to the Ice Rink fund was a budgeted transfer for operations.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 1,270,025
Debt Service Fund	
Subsequent year tax levy receivable	591,000
Totals	\$ 1,861,025

7. Long-term Obligations

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

	Outstanding 1/1/10	Issued	Retired	Outstanding 12/31/10	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes	\$ 450,000	\$ -	\$ 450,000	\$ -	\$ -
Promissory note	200,000	-	100,000	100,000	100,000
Refunding bonds	3,402,300	-	261,500	3,140,800	286,500
Total General Obligation Debt	4,052,300	-	811,500	3,240,800	386,500
Note anticipation notes	6,500,000	5,350,000	-	11,850,000	5,350,000
Compensated absences	21,301	-	29	21,272	-
Governmental activities					
Long-term obligations	\$ 10,573,601	\$ 5,350,000	\$ 811,529	\$ 15,112,072	\$ 5,736,500
Business-type activities:					
General Obligation Debt					
Refunding bonds	\$ 1,527,700	\$ -	\$ 88,500	\$ 1,439,200	\$ 98,500
Compensated absences	13,192	-	1,101	12,091	-
Business-type activities					
Long-term obligations	\$ 1,540,892	\$ -	\$ 89,601	\$ 1,451,291	\$ 98,500

Total interest paid during the year on long-term debt totaled \$510,976.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Promissory Note

\$750,000 issued 12/30/03 for purchase of waterfront property; \$100,000 due in 2011; interest at 5.0% \$ 100,000

Refunding Bonds

\$6,830,000 issued 4/15/05 for various village projects; \$385,000 to \$625,000 due annually through 2019; interest 4.0% to 4.75% 4,580,000

Total Outstanding General Obligation Debt \$ 4,680,000

Annual principal and interest maturities of the outstanding general obligation debt of \$4,680,000 on December 31, 2010 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 386,500	\$ 139,583	\$ 98,500	\$ 62,495	\$ 485,000	\$ 202,078
2012	324,800	123,123	110,200	58,555	435,000	181,678
2013	363,100	110,131	136,900	54,147	500,000	164,278
2014	311,400	95,607	138,600	48,671	450,000	144,278
2015	346,400	83,151	153,600	43,127	500,000	126,278
2016-2019	1,508,600	173,012	801,400	97,584	2,310,000	270,596
	<u>\$ 3,240,800</u>	<u>\$ 724,607</u>	<u>\$ 1,439,200</u>	<u>\$ 364,579</u>	<u>\$ 4,680,000</u>	<u>\$ 1,089,186</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, 2010 was \$16,287,050 as follows:

Equalized valuation of the Village	\$419,341,000
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	20,967,050
Outstanding general obligation debt applicable to debt limitation	<u>4,580,000</u>
Legal Margin for New Debt	<u><u>\$ 16,387,050</u></u>

Note Anticipation Notes

On October 17, 2007, the Village issued a note anticipation note of \$6,500,000 for various capital expenditures. The note is 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 note will be financed by the issuance and sale of general obligation promissory notes.

On June 3, 2010, the Village issued a note anticipation note of \$5,350,000 for the purchase of land, demolishing existing structures, and making site improvements. The note is due in 2011 with interest of \$140,987 at 2.65%. It is anticipated that the note will be financed by the issuance and sale of general obligation promissory notes.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

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 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Village employees covered by the WRS for the year ended December 31, 2010 was \$357,037; the employer's total payroll was \$621,126. The total required contribution for the year ended December 31, 2010 was \$39,274, which consisted of \$17,138, or 4.8% of covered payroll from the employer and \$22,136, or 6.2% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2010 was financed by the Village. Total contributions for the years ending December 31, 2009 and 2008 were \$43,502 and \$41,600 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 are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE D - OTHER INFORMATION (Continued)

2. Tax Incremental Districts

The Village currently maintains a separate capital project fund for a Tax Incremental District (TID) created in 2008 in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the District was created, the property tax base within the District was "frozen" and increment taxes resulting from increases to the property tax base will be used to finance District improvements, including principal and interest on general obligation debt issued by the Village to finance such improvements. All eligible project expenditures for TID No. 1 must be completed by 2023. TID No. 1 is accounted for as a capital projects fund since it is still eligible to incur project costs.

Since creation of the above District, the Village has provided various financing sources to the TID and has also recorded eligible TID project costs in other funds of the Village. The foregoing amounts are not recorded as liabilities in the TID capital project funds but can be recovered by the Village from any future excess tax increment revenues. Detail of the amounts recoverable by the Village as of December 31, 2010 from future excess tax increment revenues follows:

	TID No. 1
Net Unreimbursed Project Costs	\$ 5,453,652

The intent of the Village is to recover the above amounts from future TID surplus funds, if any, prior to termination of the District. The District has a maximum termination year of 2028, but may be closed earlier if all project costs are recovered.

3. 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.

4. Property Tax Levy Limit

Wisconsin Act 25 imposed a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period effective July 27, 2005. Subsequent legislation extended the levy limit through 2010. The current law 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 3.0% per year in both the 2009 and 2010 budget years. The actual limit for the Village for the 2011 budget was 3%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, the Act allows the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

5. 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, 2010
(With Comparative Amounts for the Year Ended December 31, 2009)

	Ice Rink	Skate Park	Total Governmental Funds	
			2010	2009
ASSETS				
Cash and investments	\$ 11,950	\$ 15,031	\$ 26,981	\$ 11,536
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,063	\$ -	\$ 3,063	\$ 1,582
Fund Balances - Unreserved				
Designated for subsequent year expenditures	8,887	15,031	23,918	9,954
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,950	\$ 15,031	\$ 26,981	\$ 11,536

VILLAGE OF SISTER BAY, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2010
(With Comparative Amounts for the Year Ended December 31, 2009)

	Ice Rink	Skate Park	Total Governmental Funds	
			2010	2009
Revenues				
Public charges for services	\$ 14,474	\$ 746	\$ 15,220	\$ 13,109
Miscellaneous	531	10,499	11,030	369
Total Revenues	15,005	11,245	26,250	13,478
Expenditures				
Current				
Parks and streets	17,286	-	17,286	16,233
Excess of Revenues Over (Under) Expenditures	(2,281)	11,245	8,964	(2,755)
Other Financing Sources				
Transfers in	5,000	-	5,000	5,000
Net Change in Fund Balances	2,719	11,245	13,964	2,245
Fund Balances - January 1	6,168	3,786	9,954	7,709
Fund Balances - December 31	\$ 8,887	\$ 15,031	\$ 23,918	\$ 9,954

VILLAGE OF SISTER BAY, WISCONSIN
 General Fund
 Detailed Comparison of Budgeted and Actual Revenues
 Year Ended December 31, 2010
 (With Comparative Amounts for the Year Ended December 31, 2009)

	Budget		Actual	Variance with Final Budget Positive (Negative)	Actual 2009
	Original	Final			
Taxes					
General property	\$ 1,149,920	\$ 1,149,920	\$ 1,149,920	\$ -	\$ 937,214
Managed forestland taxes	25	25	27	2	27
Forest use penalties	-	-	64	64	292
Total Taxes	1,149,945	1,149,945	1,150,011	66	937,533
Intergovernmental					
State					
Municipal services	264	264	267	3	214
Fire insurance	11,000	11,000	11,197	197	10,570
State grants	-	-	3,738	3,738	-
Transportation	70,122	70,122	70,145	23	69,243
Shared taxes	12,048	12,048	12,049	1	14,175
Exempt computer aid	1,500	1,500	867	(633)	1,640
Forest cropland	4	4	3	(1)	3
County recycling rebates	4,500	4,500	9,418	4,918	4,403
Total Intergovernmental	99,438	99,438	107,684	8,246	100,248
Licenses and Permits					
Liquor	7,750	7,750	8,340	590	8,190
Operators	300	300	260	(40)	270
Soda	150	150	135	(15)	140
Cigarette	30	30	40	10	35
Dog	30	30	6	(24)	6
Parking	100	100	856	756	35
Zoning	800	800	4,970	4,170	1,125
Building permits	5,000	5,000	23,557	18,557	4,160
Other permits	500	500	1,370	870	1,455
Total Licenses and Permits	14,660	14,660	39,534	24,874	15,416
Public Charges for Services					
Publication fees	400	400	380	(20)	400
Snow plowing and sanding fees	2,000	2,000	350	(1,650)	2,185
Services to other governments	11,000	11,000	11,134	134	12,983
Festivals and event fees	20,200	20,200	571	(19,629)	22,247
Miscellaneous fees	6,500	6,500	8,701	2,201	8,360
Total Public Charges for Services	40,100	40,100	21,136	(18,964)	46,175
Miscellaneous					
Rental income	19,900	19,900	19,249	(651)	18,162
Interest on investments	5,000	5,000	8,926	3,926	11,555
Reimbursement from Utility	34,825	34,825	34,826	1	39,727
Miscellaneous	3,000	3,000	9,818	6,818	1,750
Total Miscellaneous	62,725	62,725	72,819	10,094	71,194
Total Revenues	\$ 1,366,868	\$ 1,366,868	\$ 1,391,184	\$ 24,316	\$ 1,170,566

VILLAGE OF SISTER BAY, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Expenditures

Year Ended December 31, 2010

(With Comparative Amounts for the Year Ended December 31, 2009)

	Budget		Actual	Variance with Final Budget Positive (Negative)	Actual 2009
	Original	Final			
General Government					
Direct employee costs	\$ 39,166	\$ 39,166	\$ 33,870	\$ 5,296	\$ 32,162
Indirect employee costs	3,250	3,250	1,911	1,339	3,806
Utility costs	95,250	95,250	89,043	6,207	96,690
Supplies	6,650	6,650	4,799	1,851	6,269
Other services	88,875	88,875	109,283	(20,408)	107,372
Maintenance	14,600	14,600	18,161	(3,561)	14,447
Support	212,272	212,272	192,773	19,499	182,968
Miscellaneous/Contingency	11,700	11,700	28,912	(17,212)	3,462
Total General Government	471,763	471,763	478,752	(6,989)	447,176
Administration					
Direct employee costs	299,792	299,792	298,666	1,126	279,670
Indirect employee costs	4,450	4,450	4,982	(532)	2,476
Utility costs	5,700	5,700	4,577	1,123	5,353
Supplies	15,200	15,200	15,107	93	13,201
Other services	10,200	10,200	12,870	(2,670)	10,800
Maintenance	1,500	1,500	250	1,250	1,017
Total Administration	336,842	336,842	336,452	390	312,517
Parks and Streets					
Direct employee costs	264,272	264,272	252,541	11,731	244,353
Indirect employee costs	1,950	1,950	1,300	650	1,930
Utility costs	53,900	53,900	52,157	1,743	48,844
Supplies	6,100	6,100	9,446	(3,346)	5,628
Recreational programs	-	-	7,009	(7,009)	4,766
Other services	120,250	120,250	109,569	10,681	107,162
Maintenance	59,500	59,500	57,348	2,152	65,251
Vehicles	19,000	19,000	14,491	4,509	15,472
Total Parks and Streets	524,972	524,972	503,861	21,111	493,406
Total Expenditures	\$ 1,333,577	\$ 1,333,577	\$ 1,319,065	\$ 14,512	\$ 1,253,099

VILLAGE OF SISTER BAY, WISCONSIN

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended December 31, 2010

(With Comparative Amounts for the Year Ended December 31, 2009)

	Budget		Actual	Variance with Final Budget Positive (Negative)	Actual 2009
	Original	Final			
Revenues					
Taxes					
General property	\$ 664,448	\$ 664,448	\$ 664,448	\$ -	\$ 822,561
Room taxes	110,000	110,000	119,166	9,166	115,529
Total Taxes	<u>774,448</u>	<u>774,448</u>	<u>783,614</u>	<u>9,166</u>	<u>938,090</u>
Miscellaneous					
Interest on investments	150	150	3,968	3,818	4
Total Revenues	<u>774,598</u>	<u>774,598</u>	<u>787,582</u>	<u>12,984</u>	<u>938,094</u>
Expenditures					
Debt Service					
Principal	411,500	411,500	811,500	(400,000)	393,200
Interest and fiscal charges	444,792	444,792	444,941	(149)	470,194
Total Expenditures	<u>856,292</u>	<u>856,292</u>	<u>1,256,441</u>	<u>(400,149)</u>	<u>863,394</u>
Excess of Revenues Over (Under) Expenditures	<u>(81,694)</u>	<u>(81,694)</u>	<u>(468,859)</u>	<u>(387,165)</u>	<u>74,700</u>
Other Financing Sources (Uses)					
Transfers in	71,000	71,000	71,000	-	68,063
Transfers out	-	-	-	-	(130,781)
Total Other Financing Sources (Uses)	<u>71,000</u>	<u>71,000</u>	<u>71,000</u>	<u>-</u>	<u>(62,718)</u>
Net Change in Fund Balance	<u>(10,694)</u>	<u>(10,694)</u>	<u>(397,859)</u>	<u>(387,165)</u>	<u>11,982</u>
Fund Balance (Deficit) - January 1	<u>17,226</u>	<u>17,226</u>	<u>17,226</u>	<u>-</u>	<u>5,244</u>
Fund Balance - December 31	<u>\$ 6,532</u>	<u>\$ 6,532</u>	<u>\$ (380,633)</u>	<u>\$ (387,165)</u>	<u>\$ 17,226</u>

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Water Department Operating Revenues and Expenses
Year Ended December 31, 2010
(With Comparative Amounts for the Year Ended December 31, 2009)

	2010	2009
Operating Revenues		
Sales of Water		
Residential sales	\$ 130,641	\$ 133,076
Commercial sales	85,065	86,488
Public authorities	10,247	11,354
Public fire protection	91,851	91,812
Private fire protection	7,280	7,280
Unmetered sales	480	693
Sales for resale	9,723	9,927
Total Sales of Water	<u>335,287</u>	<u>340,630</u>
Other Operating Revenues		
Forfeited discounts	965	830
Rent	4,800	4,200
Services to other systems	5,511	5,501
Other water revenues	18,279	14,612
Total Other Operating Revenues	<u>29,555</u>	<u>25,143</u>
Total Operating Revenues	<u>364,842</u>	<u>365,773</u>
Operating Expenses		
Operation and maintenance		
Supervision and labor	68,853	67,943
Power purchased for pumping	19,017	20,681
Chemicals	1,140	1,912
Operating supplies and expenses	6,219	10,304
Repairs of water plant	21,834	11,442
Transportation expense	2,858	2,953
Total Operation and Maintenance Expenses	<u>119,921</u>	<u>115,235</u>
General and administrative		
Administrative and general salaries	17,525	18,085
Office supplies and expenses	9,386	8,782
Outside services employed	27,721	9,392
Insurance expense	4,184	3,612
Employee pensions and benefits	46,564	43,462
Miscellaneous general expenses	3,562	5,434
Total General and Administrative	<u>108,942</u>	<u>88,767</u>
Depreciation	95,535	95,357
Taxes	6,701	6,701
Total Operating Expenses	<u>331,099</u>	<u>306,060</u>
Operating Income	<u>\$ 33,743</u>	<u>\$ 59,713</u>

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Wastewater Department Operating Revenues and Expenses
Year Ended December 31, 2010
(With Comparative Amounts for the Year Ended December 31, 2009)

	Totals	
	2010	2009
Operating Revenues		
Sewage service		
Residential	\$ 303,066	\$ 250,980
Commercial	203,362	170,241
Service to public authorities	11,610	10,255
Total Sewage Service	<u>518,038</u>	<u>431,476</u>
Other Operating Revenues		
Forfeited discounts	1,306	1,075
Rent	1,150	1,400
Services to other systems	55,004	47,488
Other sewage service	76,465	78,019
Miscellaneous	4,167	4,106
Total Other Operating Revenues	<u>138,092</u>	<u>132,088</u>
Total Operating Revenues	<u>656,130</u>	<u>563,564</u>
Operating Expenses		
Operation and maintenance		
Supervision and labor	129,059	123,781
Power purchased for pumping	61,187	63,452
Chemicals	25,759	19,994
Operating supplies and expenses	10,528	13,728
Maintenance of collection system	27,483	36,539
Maintenance of treatment and disposal equipment	28,681	28,381
Maintenance of general plant structures and equipment	1,845	2,333
Transportation expense	6,604	7,250
Sludge expense	24,770	30,125
Total Operation and Maintenance	<u>315,916</u>	<u>325,583</u>
General and administrative		
Administrative and general salaries	25,999	24,621
Office supplies and expenses	15,792	12,982
Outside services employed	25,649	14,039
Insurance expense	7,437	7,746
Employee pensions and benefits	79,561	70,422
Miscellaneous general expenses	10,897	9,171
Total General and Administrative	<u>165,335</u>	<u>138,981</u>
Depreciation	324,354	323,865
Taxes - FICA	<u>11,248</u>	<u>10,683</u>
Total Operating Expenses	<u>816,853</u>	<u>799,112</u>
Operating Income (Loss)	<u>\$ (160,723)</u>	<u>\$ (235,548)</u>

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

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

To the Village Board
Village of Sister Bay, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sister Bay, Wisconsin, as of and for the year ended December 31, 2010, which collectively comprise the Village basic financial statements and have issued our report thereon dated April 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Sister Bay, Wisconsin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Sister Bay, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Sister Bay, Wisconsin's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Village of Sister Bay, Wisconsin in a separate letter dated April 7, 2011.

Village of Sister Bay, Wisconsin's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Village of Sister Bay, Wisconsin's response and, accordingly, we express no opinion on it.

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



Certified Public Accountants
Green Bay, Wisconsin
April 7, 2011

VILLAGE OF SISTER BAY, WISCONSIN
 Schedule of Findings and Responses
 For the Year Ended December 31, 2010

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
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2010-01 Year End Closing and Financial Reporting

Condition: While the current staff of the Village maintain financial records which accurately report revenues and expenditures throughout the year, preparing year end GASB 34 conversion entries necessary to prepare financial statements, including related notes, state financial reports and public service commission reports require additional expertise that would entail additional training and staff time to develop. The Village contracts with Schenck and their knowledge of current accounting principles and regulatory requirements of the Wisconsin Department of Revenue and the Public Service Commission of Wisconsin to prepare required journal entries and financial reports for the Village in an efficient manner.

Criteria: The review of financial statements by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential misstatement in the financial statements or notes.

Cause: The additional costs associated with training staff to prepare GASB 34 conversion entries and financial reports outweigh the derived benefits.

Effect: The financial statements of the Town could be misstated and not detected and corrected in a timely manner without our review and proposed adjusting and closing entries.

Recommendation: We recommend the Village continue reviewing the GASB 34 conversion entries along with the financial reports prepared by Schenck. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the Village is necessary to obtain an adequate understanding of the Village's financial report.

Management Response: Management believes the cost for additional staff time and training to prepare year end closing entries and reports outweigh the benefits to be received, but agrees with the recommendation regarding review of the entries and reports.

VILLAGE OF SISTER BAY, WISCONSIN
 Schedule of Findings and Responses (Continued)
 For the Year Ended December 31, 2010

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2010-02	Assistance with Capital Asset Records
Condition:	The Village's personnel provides us with the current year asset additions and disposals, the method and rate of depreciation and the salvage value of the assets. From this information, we assist the Village in recording the capital asset additions and disposals and calculating the annual depreciation.
Criteria:	The maintenance of detailed capital asset records is an internal control intended to safeguard assets and to prevent a potential misstatement in the financial records.
Cause:	Our audit engagement includes calculating depreciation and assisting the Village in maintaining its capital asset records as the Village staff have not had sufficient time to maintain these records in accordance with generally accepted accounting principles.
Effect:	The Town could have capital asset transactions which are not reflected in the detailed capital records.
Recommendation:	We recommend the accounting personnel and the Village Board continue to review the capital asset records of the Village. We believe the costs of employing additional staff with the relevant expertise would outweigh the benefits to be received.
Management Response:	Management believes that the cost of hiring additional staff to maintain capital asset records outweighs the benefits to be received.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2010.