

**VILLAGE OF SISTER BAY, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2011**

**VILLAGE OF SISTER BAY, WISCONSIN**  
December 31, 2011

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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, 2011, 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 2010 financial statements and, in our report dated April 7, 2011, 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A.6.j, the Village has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2012, on our consideration of the Village's internal control over financial reporting and on 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'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.



Certified Public Accountants  
Green Bay, Wisconsin  
April 14, 2012

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF SISTER BAY, WISCONSIN**

Statement of Net Assets

December 31, 2011

(With Summarized Financial Information as of December 31, 2010)

	Governmental Activities	Business-type Activities	Totals	
			2011	2010
<b>ASSETS</b>				
Cash and investments	\$ 2,990,235	\$ 852,335	\$ 3,842,570	\$ 3,219,502
Receivables				
Taxes	4,522,698	-	4,522,698	4,031,919
Accounts	18,960	247,794	266,754	253,396
Special assessments	-	233,282	233,282	247,090
Internal balances	597,288	(597,288)	-	-
Due from other governments	-	18,577	18,577	20,777
Inventories and prepaid items	13,602	26,571	40,173	18,747
Unamortized debt discount	8,319	-	8,319	16,619
Investment in joint venture	675,214	-	675,214	431,849
Restricted assets				
Cash and investments	-	2,138,759	2,138,759	2,157,879
Capital assets, nondepreciable				
Land	9,057,453	1,741,021	10,798,474	10,852,515
Construction in progress	283,059	24,801	307,860	272,851
Capital assets, depreciable				
Land improvements	1,996,938	3,643,865	5,640,803	4,472,148
Buildings	3,237,439	5,660,466	8,897,905	8,904,534
Machinery and equipment	336,440	1,716,401	2,052,841	2,004,723
Infrastructure	1,089,916	7,860,110	8,950,026	8,735,267
Less: Accumulated depreciation	(1,637,777)	(8,717,322)	(10,355,099)	(9,514,540)
<b>TOTAL ASSETS</b>	<b>23,189,784</b>	<b>14,849,372</b>	<b>38,039,156</b>	<b>36,125,276</b>
<b>LIABILITIES</b>				
Accounts payable	70,072	64,656	134,728	118,178
Accrued and other current liabilities	12,058	16,359	28,417	48,908
Deposits	3,964	77,795	81,759	4,167
Accrued interest payable	262,054	60,439	322,493	149,707
Due to other governments	3,397,341	-	3,397,341	3,448,968
Unearned revenues	1,925,167	-	1,925,167	1,861,025
Long-term obligations				
Due within one year	296,050	188,950	485,000	5,835,000
Due in more than one year	12,407,188	3,186,057	15,593,245	10,728,363
<b>TOTAL LIABILITIES</b>	<b>18,373,894</b>	<b>3,594,256</b>	<b>21,968,150</b>	<b>22,194,316</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,689,987	8,566,142	10,256,129	9,214,117
Restricted for tax increment district (TID)	1,463,000	-	1,463,000	192,077
Restricted for plant replacement	-	1,129,117	1,129,117	1,173,996
Restricted for impact fees	-	149,297	149,297	124,908
Unrestricted	1,662,903	1,410,560	3,073,463	3,225,862
<b>TOTAL NET ASSETS</b>	<b>\$ 4,815,890</b>	<b>\$ 11,255,116</b>	<b>\$ 16,071,006</b>	<b>\$ 13,930,960</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, 2011

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 557,096	\$ 89,864	\$ 11,715	\$ -
Administration	264,041	-	-	-
Parks and streets	735,462	4,775	81,213	1,495,995
Interest on debt	486,768	-	-	-
<b>Total Governmental Activities</b>	<b>2,043,367</b>	<b>94,639</b>	<b>92,928</b>	<b>1,495,995</b>
<b>Business-type Activities:</b>				
Water utility	658,949	375,879	-	172,858
Wastewater utility	674,342	677,310	-	119,424
Marina fund	592,355	549,688	-	-
<b>Total Business-type Activities</b>	<b>1,925,646</b>	<b>1,602,877</b>	<b>-</b>	<b>292,282</b>
<b>Total</b>	<b>\$ 3,969,013</b>	<b>\$ 1,697,516</b>	<b>\$ 92,928</b>	<b>\$ 1,788,277</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

Gain on sale of asset

Gain on joint venture

Transfers

Total general revenues and transfers

Change in net assets

Net assets - January 1

Prior period adjustment

Net assets - January 1, as restated

Net assets - December 31

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Totals	
		2011	2010
\$ (455,517)	\$ -	\$ (455,517)	\$ (740,878)
(264,041)	-	(264,041)	(342,052)
846,521	-	846,521	141,822
(486,768)	-	(486,768)	(527,924)
<u>(359,805)</u>	<u>-</u>	<u>(359,805)</u>	<u>(1,469,032)</u>
-	(110,212)	(110,212)	(172,817)
-	122,392	122,392	(1,247)
-	(42,667)	(42,667)	-
<u>-</u>	<u>(30,487)</u>	<u>(30,487)</u>	<u>(174,064)</u>
<u>(359,805)</u>	<u>(30,487)</u>	<u>(390,292)</u>	<u>(1,643,096)</u>
1,313,455	-	1,313,455	1,149,920
547,647	-	547,647	664,448
121,995	-	121,995	119,166
15,360	-	15,360	13,883
37,061	30,967	68,028	61,751
7,301	187	7,488	54,290
-	-	-	1,512
243,365	-	243,365	-
(1,956,460)	1,956,460	-	-
<u>329,724</u>	<u>1,987,614</u>	<u>2,317,338</u>	<u>2,064,970</u>
<u>(30,081)</u>	<u>1,957,127</u>	<u>1,927,046</u>	<u>421,874</u>
4,845,971	9,084,989	13,930,960	13,509,086
-	213,000	213,000	-
<u>4,845,971</u>	<u>9,297,989</u>	<u>14,143,960</u>	<u>13,509,086</u>
<u>\$ 4,815,890</u>	<u>\$ 11,255,116</u>	<u>\$ 16,071,006</u>	<u>\$ 13,930,960</u>

**VILLAGE OF SISTER BAY, WISCONSIN**

Balance Sheet

Governmental Funds

December 31, 2011

(With Summarized Financial Information as of December 31, 2010)

	General	Debt Service	Capital Projects	TID
<b>ASSETS</b>				
Cash and investments	\$ 1,376,487	\$ 11,515	\$ 907,406	\$ 683,464
Receivables				
Taxes	3,673,698	849,000	-	-
Accounts	14,422	4,538	-	-
Due from other funds	-	-	1,875	-
Advance to other funds	-	-	350,000	850,000
Inventories and prepaid items	13,602	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,078,209</b>	<b>\$ 865,053</b>	<b>\$ 1,259,281</b>	<b>\$ 1,533,464</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 53,888	\$ -	\$ 2,000	\$ 12,420
Accrued and other current liabilities	16,022	-	-	-
Due to other funds	16,543	-	-	58,044
Due to other governments	3,397,341	-	-	-
Deferred revenues	1,076,167	849,000	-	-
Advance from other funds	-	350,000	-	-
<b>Total Liabilities</b>	<b>4,559,961</b>	<b>1,199,000</b>	<b>2,000</b>	<b>70,464</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Long-term advance to other funds	-	-	350,000	850,000
Inventories and prepaid items	13,602	-	-	-
Restricted for tax incremental district (TID)	-	-	-	613,000
<b>Committed for</b>				
Capital improvements	-	-	907,281	-
Marina	-	-	-	-
Ice rink	-	-	-	-
Skate park	-	-	-	-
<b>Unassigned, reported in</b>				
General fund	504,646	-	-	-
Debt service fund	-	(333,947)	-	-
<b>Total Fund Balances (Deficit)</b>	<b>518,248</b>	<b>(333,947)</b>	<b>1,257,281</b>	<b>1,463,000</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,078,209</b>	<b>\$ 865,053</b>	<b>\$ 1,259,281</b>	<b>\$ 1,533,464</b>

(Continued)

Other Governmental	Total Governmental Funds	
	2011	2010
\$ 11,363	\$ 2,990,235	\$ 3,007,209
-	4,522,698	4,031,919
-	18,960	33,562
-	1,875	19,723
-	1,200,000	400,000
-	13,602	3,018
<u>\$ 11,363</u>	<u>8,747,370</u>	<u>7,495,431</u>

\$ 1,764	\$ 70,072	\$ 103,703
-	16,022	40,519
-	74,587	39,648
-	3,397,341	3,448,801
-	1,925,167	1,861,192
-	350,000	400,000
<u>1,764</u>	<u>5,833,189</u>	<u>5,893,863</u>

-	1,200,000	400,000
-	13,602	3,018
-	613,000	192,077
-	907,281	597,455
-	-	394,466
7,214	7,214	8,887
2,385	2,385	15,031
-	504,646	371,267
-	(333,947)	(380,633)
<u>9,599</u>	<u>2,914,181</u>	<u>1,601,568</u>
<u>\$ 11,363</u>	<u>\$ 8,747,370</u>	<u>\$ 7,495,431</u>

**VILLAGE OF SISTER BAY, WISCONSIN**

Balance Sheet (Continued)

Governmental Funds

December 31, 2011

(With Summarized Financial Information as of December 31, 2010)

Total Governmental Funds	
2011	2010

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown above

\$ 2,914,181    \$ 1,601,568

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.

14,363,468    18,232,507

Investment in joint venture related to governmental activities

675,214    431,849

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

Bonds and notes payable

(12,681,800)    (15,090,800)

Unamortized debt discount

8,319    16,619

Long-term advance from enterprise fund

(180,000)    (180,000)

Compensated absences

(21,438)    (21,272)

Accrued interest on long-term obligations

(262,054)    (144,500)

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

\$ 4,815,890    \$ 4,845,971

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, 2011  
(With Summarized Financial Information for the Year Ended December 31, 2010)

	General	Marina	Debt Service	Capital Projects
<b>Revenues</b>				
Taxes	\$ 1,313,845	\$ -	\$ 669,565	\$ -
Intergovernmental	105,755	-	-	-
Licenses and permits	38,527	-	-	-
Fines, forfeits and penalties	1,176	-	-	-
Public charges for services	20,435	-	-	-
Miscellaneous	29,041	-	1,491	35,375
<b>Total Revenues</b>	<b>1,508,779</b>	<b>-</b>	<b>671,056</b>	<b>35,375</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	473,348	-	-	-
Administration	220,402	-	-	-
Parks and streets	485,100	-	-	-
Conservation and development	-	-	-	-
<b>Debt service</b>				
Principal	-	-	321,500	-
Interest and fiscal charges	-	-	302,870	-
Capital outlay	-	-	-	68,448
<b>Total Expenditures</b>	<b>1,178,850</b>	<b>-</b>	<b>624,370</b>	<b>68,448</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>329,929</b>	<b>-</b>	<b>46,686</b>	<b>(33,073)</b>
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	-	9,977,500	-
Debt refunding payment	-	-	(9,977,500)	-
Transfers in	112,438	-	-	292,899
Transfers out	(297,899)	(394,971)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(185,461)</b>	<b>(394,971)</b>	<b>-</b>	<b>292,899</b>
<b>Net Change in Fund Balances</b>	<b>144,468</b>	<b>(394,971)</b>	<b>46,686</b>	<b>259,826</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficit) - January 1</b>	<b>373,780</b>	<b>394,971</b>	<b>(380,633)</b>	<b>997,455</b>
<b>Fund Balances (Deficit) - December 31</b>	<b>\$ 518,248</b>	<b>\$ -</b>	<b>\$ (333,947)</b>	<b>\$ 1,257,281</b>

(Continued)

TID	Other Governmental	Total Governmental Funds	
		2011	2010
\$ -	\$ -	\$ 1,983,410	\$ 1,933,625
1,498,215	-	1,603,970	659,754
-	-	38,527	38,128
-	-	1,176	1,406
-	10,116	30,551	383,849
811	2,029	68,747	109,238
<u>1,499,026</u>	<u>12,145</u>	<u>3,726,381</u>	<u>3,126,000</u>

-	-	473,348	478,752
-	-	220,402	336,452
-	31,464	516,564	631,847
30,615	-	30,615	5,083,746
-	-	321,500	811,500
58,044	-	360,914	444,941
139,444	-	207,892	495,047
<u>228,103</u>	<u>31,464</u>	<u>2,131,235</u>	<u>8,282,285</u>

<u>1,270,923</u>	<u>(19,319)</u>	<u>1,595,146</u>	<u>(5,156,285)</u>
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-	-	9,977,500	5,350,000
-	-	(9,977,500)	-
-	5,000	410,337	593,832
-	-	(692,870)	(593,832)
-	5,000	(282,533)	5,350,000

1,270,923	(14,319)	1,312,613	193,715
-	-	-	(431,849)
<u>192,077</u>	<u>23,918</u>	<u>1,601,568</u>	<u>1,839,702</u>

<u>\$ 1,463,000</u>	<u>\$ 9,599</u>	<u>\$ 2,914,181</u>	<u>\$ 1,601,568</u>
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**VILLAGE OF SISTER BAY, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended December 31, 2011  
(With Summarized Financial Information for the Year Ended December 31, 2010)

Reconciliation to the Statement of Activities

	2011	2010
Net Change in Fund Balances as shown on previous page	\$ 1,312,613	\$ 193,715
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	\$ 100,078	
Depreciation expense reported in the statement of activities	(196,168)	
Amount by which capital outlays are greater than depreciation current period	(96,090)	4,995,336
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	\$ 4,398	
Book value of retired capital asset	(15,919)	
Loss on disposition reported on the statement of activities	(11,521)	(12,572)
Reduction from transfer of prior year capital assets to marina	(3,761,428)	-
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits increased by:		
	(166)	29
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		
	243,365	-
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:		
	(9,977,500)	(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:		
Reduction from transfer of prior year debt to marina	10,299,000	811,500
	2,087,500	-
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues.		
	(117,554)	(74,683)
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.		
	(8,300)	(8,300)
Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 4 - 5)	\$ (30,081)	\$ 555,025

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, 2011

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,270,025	\$ 1,313,455	\$ 1,313,845	\$ 390
Intergovernmental	103,389	103,389	105,755	2,366
Licenses and permits	36,886	36,886	38,527	1,641
Fines, forfeits & penalties	100	100	1,176	1,076
Public charges for services	22,100	22,100	20,435	(1,665)
Miscellaneous	32,725	32,725	29,041	(3,684)
<b>Total Revenues</b>	<b>1,465,225</b>	<b>1,508,655</b>	<b>1,508,779</b>	<b>124</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	462,840	462,840	473,348	(10,508)
Administration	242,065	242,065	220,402	21,663
Parks and streets	522,306	522,306	485,100	37,206
<b>Total Expenditures</b>	<b>1,227,211</b>	<b>1,227,211</b>	<b>1,178,850</b>	<b>48,361</b>
<b>Excess of Revenues Over Expenditures</b>	<b>238,014</b>	<b>281,444</b>	<b>329,929</b>	<b>48,485</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	112,438	112,438	112,438	-
Transfers out	(297,899)	(297,899)	(297,899)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(185,461)</b>	<b>(185,461)</b>	<b>(185,461)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>52,553</b>	<b>95,983</b>	<b>144,468</b>	<b>48,485</b>
<b>Fund Balance - January 1</b>	<b>373,780</b>	<b>373,780</b>	<b>373,780</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 426,333</b>	<b>\$ 469,763</b>	<b>\$ 518,248</b>	<b>\$ 48,485</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, 2011

(With Summarized Financial Information as of December 31, 2010)

	Utility	Marina	Total Enterprise Funds	
			2011	2010
<b>ASSETS</b>				
Cash and investments	\$ 379,172	\$ 473,163	\$ 852,335	\$ 212,293
Receivables				
Accounts	247,722	72	247,794	219,834
Special assessments	233,282	-	233,282	247,090
Restricted cash and investments	2,138,759	-	2,138,759	2,157,879
Due from other funds	16,543	58,044	74,587	19,925
Due from other governments	18,577	-	18,577	20,777
Inventory	18,252	3,647	21,899	15,729
Prepaid items	-	4,672	4,672	-
Long-term advance	180,000	-	180,000	180,000
Capital assets				
Land	168,265	1,572,756	1,741,021	168,265
Land improvements	-	3,643,865	3,643,865	-
Buildings	5,275,537	384,929	5,660,466	5,275,537
Machinery and equipment	1,697,475	18,926	1,716,401	1,680,198
Infrastructure	7,860,110	-	7,860,110	7,645,351
Construction work in progress	24,801	-	24,801	-
Less accumulated depreciation	(7,697,570)	(1,019,752)	(8,717,322)	(7,274,360)
Net capital assets	7,328,618	4,600,724	11,929,342	7,494,991
<b>TOTAL ASSETS</b>	<b>10,560,925</b>	<b>5,140,322</b>	<b>15,701,247</b>	<b>10,568,518</b>
<b>LIABILITIES</b>				
Accounts payable	64,163	493	64,656	14,475
Accrued and other current liabilities	14,212	2,147	16,359	12,556
Due to other funds	-	1,875	1,875	-
Deposits	-	77,795	77,795	-
Accrued interest	4,879	55,560	60,439	5,207
Long-term advance	-	850,000	850,000	-
Long-term obligations				
Due within one year	110,200	78,750	188,950	98,500
Due in more than one year	1,242,307	1,943,750	3,186,057	1,352,791
<b>TOTAL LIABILITIES</b>	<b>1,435,761</b>	<b>3,010,370</b>	<b>4,446,131</b>	<b>1,483,529</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	5,987,918	2,578,224	8,566,142	6,055,791
Restricted for plant replacement	1,129,117	-	1,129,117	1,173,996
Restricted for impact fee collections	149,297	-	149,297	124,908
Unrestricted	1,858,832	(448,272)	1,410,560	1,730,294
<b>TOTAL NET ASSETS</b>	<b>\$ 9,125,164</b>	<b>\$ 2,129,952</b>	<b>\$ 11,255,116</b>	<b>\$ 9,084,989</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  
For the Year Ended December 31, 2011  
(With Summarized Financial Information for the Year Ended December 31, 2010)

	Utility	Marina	Total Enterprise Funds	
			2011	2010
<b>Operating Revenues</b>				
Charges for services				
Residential	\$ 448,813	\$ -	\$ 448,813	\$ 433,707
Commercial	291,725	-	291,725	288,427
Public authorities	24,154	-	24,154	21,857
Public fire protection	92,358	-	92,358	91,851
Private fire protection	7,280	-	7,280	7,280
Unmetered sales	930	-	930	483
Sales for resale	9,472	-	9,472	9,723
Docking and launch charges	-	509,895	509,895	-
Marina services	-	1,495	1,495	-
Product and vending sales	-	9,929	9,929	-
Other operating revenues				
Forfeited discounts	2,302	-	2,302	2,271
Rent	5,880	20,000	25,880	5,950
Services to other systems	60,876	-	60,876	60,515
Other sewage services	71,331	-	71,331	76,465
Marina fest	-	8,293	8,293	-
Other revenues	26,014	263	26,277	22,443
<b>Total Operating Revenues</b>	<b>1,041,135</b>	<b>549,875</b>	<b>1,591,010</b>	<b>1,020,972</b>
<b>Operating Expenses</b>				
Operation and maintenance	625,186	116,252	741,438	435,837
Administrative and general	194,504	97,120	291,624	274,277
Depreciation	423,685	225,577	649,262	419,889
Taxes	20,256	6,303	26,559	17,949
<b>Total Operating Expenses</b>	<b>1,263,631</b>	<b>445,252</b>	<b>1,708,883</b>	<b>1,147,952</b>
<b>Operating Income (Loss)</b>	<b>(222,496)</b>	<b>104,623</b>	<b>(117,873)</b>	<b>(126,980)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	27,995	2,972	30,967	40,913
Connection fees	9,004	-	9,004	5,325
Impact fees	83,267	-	83,267	10,821
Interest on long-term debt	(62,166)	(147,103)	(209,269)	(65,738)
Miscellaneous nonoperating income (expense)	(4,444)	-	(4,444)	2,508
<b>Total Nonoperating Revenues (Expenses)</b>	<b>53,656</b>	<b>(144,131)</b>	<b>(90,475)</b>	<b>(6,171)</b>
<b>Net Loss before Transfers and Contributions</b>	<b>(168,840)</b>	<b>(39,508)</b>	<b>(208,348)</b>	<b>(133,151)</b>
Transfer in	-	2,068,898	2,068,898	-
Transfer out	-	(112,438)	(112,438)	-
Capital contributions	209,015	-	209,015	-
<b>Change in Net Assets</b>	<b>40,175</b>	<b>1,916,952</b>	<b>1,957,127</b>	<b>(133,151)</b>
Prior period adjustment	-	213,000	213,000	-
<b>Net assets - January 1</b>	<b>9,084,989</b>	<b>-</b>	<b>9,084,989</b>	<b>9,218,140</b>
<b>Net Assets - December 31</b>	<b>\$ 9,125,164</b>	<b>\$ 2,129,952</b>	<b>\$ 11,255,116</b>	<b>\$ 9,084,989</b>

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

For the Year Ended December 31, 2011

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

	Utility	Marina	Total Enterprise Funds	
			2011	2010
<b>Cash Flows from Operating Activities</b>				
Cash received from user charges	\$ 993,653	\$ 604,653	\$ 1,598,306	\$ 1,020,204
Cash received from other governments	26,354	-	26,354	22,002
Cash payments to suppliers	(536,078)	(161,986)	(698,064)	(477,022)
Cash payments to employees	(255,331)	(64,566)	(319,897)	(239,239)
<b>Net Cash Provided by Operating Activities</b>	<b>228,598</b>	<b>378,101</b>	<b>606,699</b>	<b>325,945</b>
<b>Cash Flows from Noncapital Financing Activities</b>				
Changes in assets and liabilities				
Transfer for property tax equivalent	-	(112,438)	(112,438)	-
Transfer from special revenue fund	-	438,838	438,838	-
Due to other funds	3,382	(17,848)	(14,466)	(953)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>3,382</b>	<b>308,552</b>	<b>311,934</b>	<b>(953)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition of capital assets	(110,467)	(851,875)	(962,342)	(8,763)
Contributions from property owners	75,978	-	75,978	14,467
Impact fees	83,267	-	83,267	10,821
Proceeds from issuance of long-term debt	-	1,872,500	1,872,500	-
Long-term advance	-	850,000	850,000	-
Principal payments of long-term debt	(98,500)	(1,937,500)	(2,036,000)	(88,500)
Interest payments on long-term debt	(62,494)	(149,587)	(212,081)	(66,035)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(112,216)</b>	<b>(216,462)</b>	<b>(328,678)</b>	<b>(138,010)</b>
<b>Cash Flows from Investing Activities</b>				
Interest income	27,995	2,972	30,967	40,913
<b>Net Change in Cash and Cash Equivalents</b>	<b>147,759</b>	<b>473,163</b>	<b>620,922</b>	<b>227,895</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>2,370,172</b>	<b>-</b>	<b>2,370,172</b>	<b>2,142,277</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 2,517,931</b>	<b>\$ 473,163</b>	<b>\$ 2,991,094</b>	<b>\$ 2,370,172</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>				
Cash and investments	\$ 379,172	\$ 473,163	\$ 852,335	\$ 212,293
Restricted cash and investments	2,138,759	-	2,138,759	2,157,879
<b>Total Cash and Cash Equivalents</b>	<b>\$ 2,517,931</b>	<b>\$ 473,163</b>	<b>\$ 2,991,094</b>	<b>\$ 2,370,172</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ (222,496)	\$ 104,623	\$ (117,873)	\$ (126,980)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	423,685	225,577	649,262	419,889
Miscellaneous income	4,560	-	4,560	7,833
Changes in assets and liabilities				
Accounts receivable	(27,888)	(72)	(27,960)	13,256
Due from other governments	2,200	-	2,200	145
Inventory	(2,523)	(3,647)	(6,170)	5,746
Prepaid expenses	-	(4,167)	(4,167)	269
Accounts payable	49,688	(1,210)	48,478	3,590
Accrued liabilities	1,372	2,147	3,519	2,197
Deposits	-	54,850	54,850	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 228,598</b>	<b>\$ 378,101</b>	<b>\$ 606,699</b>	<b>\$ 325,945</b>
<b>Noncash Investing, Capital and Financing Activities</b>				
Capital asset additions contributed by developers	\$ 146,844	\$ -	\$ 146,844	\$ -

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, 2011

### 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. In accordance with an agreement, 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 2011, the Village remitted \$99,701 to the joint fire department. The Village has an equity interest in the net assets of the Sister Bay/Liberty Grove Joint Fire Department. At December 31, 2011 the Village's equity interest was \$675,214. Complete financial information for Sister Bay/Liberty Grove Fire Department can be obtained from the department office in Sister Bay.

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. The Sister Bay Liberty Grove Library Building Commission is governed by a six member board of commissioners composed of three members from Sister Bay and 3 members from Liberty Grove. During 2011, the Village remitted an operating appropriation of \$24,760 to the joint library facility. The Village accounts for its share of the operations in the general fund. The Village does not have an equity interest in the joint venture. Complete financial statements for the Sister Bay Liberty Grove Library Building Commission can be obtained from the Commission located in Sister Bay, Wisconsin.

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, 2011

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

3. Jointly Governed Organization  
Door County Tourism Zone

The Village of Sister Bay is a participant with all other Door County municipalities 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 2011, the Village of Sister Bay received \$121,995 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.

4. 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 FUNDS

Capital Projects

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

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

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

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.

MARINA FUND

This fund is used to account for the operation of the marina operations.

The Village implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. The Village reports the following special revenue funds, including the purpose and significant revenue source:

Fund	Purpose	Significant Revenues
Ice Rink	To account for financial resources to be used for the Village's Ice Rink	Public charges for use of the rink and donations
Skate Park	To account for financial resources to be used for the Village's Skate Park	Public charges for use of the skate park and donations

5. 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.

## VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2011

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

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.

#### 6. 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 nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

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

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 nonspendable fund balance to indicate that they do not represent spendable available financial resources.

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 \$5,000 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:

Assets	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, 2011

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

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

For the year ended December 31, 2011, the Village implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides more clearly defined fund balance classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which fund balance amounts can be spent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Village Board. These constraints can only be removed or changed by the Village Board using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of Village management.
- Unassigned fund balance - Amounts that are available for any purpose. Unassigned amounts are only reported in the General Fund.

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.

7. 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.

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

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

8. 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, 2010, 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.
- 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, 2011.

2. Deficit Fund Equity

Fund	Deficit Fund Equity
Debt Service	<u>\$ 333,947</u>

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

**VILLAGE OF SISTER BAY, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2011

**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 \$5,981,329 on December 31, 2011 as summarized below:

Petty cash funds	\$ 180
Deposits with financial institutions	5,009,485
Investments:	
Repurchase agreements	971,664
	\$ 5,981,329

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 3,842,570
Restricted cash and investments	2,138,759
	\$ 5,981,329

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 interest-bearing 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 for all time accounts, savings accounts and interest-bearing demand deposit accounts 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.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2011

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

As of December 31, 2011, none of the Village's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

On December 31, 2011, the Village held repurchase agreement investments of \$971,664 of which the underlying securities are held by a third part in the Village's name.

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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The maturity of the repurchase agreement investments are less than 12 months. The Village does not have a formal interest rate risk policy.

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.

3. Restricted Assets

Restricted assets on December 31, 2011 totaled \$2,138,759 and consisted of cash and investments held for the following purposes:

Enterprise Fund	
Water Department	
Plant replacement	\$ 229,662
Wastewater Department	
Plant replacement	808,094
Collection system replacement	91,361
Bay Shore Drive relay fund	860,345
Impact fee collections	149,297
Total Restricted Assets	<u>\$ 2,138,759</u>

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

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

4. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 10,684,250	\$ -	\$ 10,912	\$ (1,615,885)	\$ 9,057,453
Construction in progress	272,851	44,874	-	(34,666)	283,059
Total capital assets, not being depreciated	10,957,101	44,874	10,912	(1,650,551)	9,340,512
Capital assets, being depreciated:					
Land improvements	4,472,148	15,991	-	(2,491,201)	1,996,938
Buildings	3,628,997	-	-	(391,558)	3,237,439
Machinery and equipment	324,525	39,213	5,007	(22,291)	336,440
Infrastructure	1,089,916	-	-	-	1,089,916
Subtotals	9,515,586	55,204	5,007	(2,905,050)	6,660,733
Less accumulated depreciation for:					
Land improvements	1,078,640	59,747	-	(761,618)	376,769
Buildings	736,923	70,074	-	(31,776)	775,221
Machinery and equipment	169,725	16,571	4,398	(779)	181,119
Infrastructure	254,892	49,776	-	-	304,668
Subtotals	2,240,180	196,168	4,398	(794,173)	1,637,777
Total capital assets, being depreciated, net	7,275,406	(140,964)	609	(2,110,877)	5,022,956
Governmental activities capital assets, net	<u>\$ 18,232,507</u>	<u>\$ (96,090)</u>	<u>\$ 11,521</u>	<u>\$ (3,761,428)</u>	14,363,468
Less related long-term debt outstanding					<u>12,673,481</u>
Invested in capital assets, net of related debt					<u>\$ 1,689,987</u>

The adjustments column relates to the transferring of the previous Marina Special Revenue Fund to an Enterprise Fund for 2011. These amounts were carried over to the Business-type activities schedule.

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

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

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 381,265	\$ -	\$ -	\$ 1,359,756	\$ 1,741,021
Construction in progress	-	24,801	34,666	34,666	24,801
Total capital assets, not being depreciated	381,265	24,801	34,666	1,394,422	1,765,822
Capital assets, being depreciated:					
Land improvements	-	883,189	-	2,760,676	3,643,865
Buildings	5,275,537	-	-	384,929	5,660,466
Machinery and equipment	1,680,198	20,629	-	15,574	1,716,401
Infrastructure	7,645,351	215,234	475	-	7,860,110
Subtotals	14,601,086	1,119,052	475	3,161,179	18,880,842
Less accumulated depreciation for:					
Land improvements	-	209,395	-	761,620	971,015
Buildings	977,012	194,409	-	31,776	1,203,197
Machinery and equipment	1,009,073	99,093	-	779	1,108,945
Infrastructure	5,288,275	146,365	475	-	5,434,165
Subtotals	7,274,360	649,262	475	794,175	8,717,322
Total capital assets, being depreciated, net	7,326,726	469,790	-	2,367,004	10,163,520
Business-type activities capital assets, net	<u>\$ 7,707,991</u>	<u>\$ 494,591</u>	<u>\$ 34,666</u>	<u>\$ 3,761,426</u>	11,929,342
Less related long-term debt outstanding					<u>3,363,200</u>
Invested in capital assets, net of related debt					<u>\$ 8,566,142</u>

The adjustments column relates to the transfer of the previous Marina Special Revenue Fund to an Enterprise Fund in 2011. The land beginning balance also already includes the prior period adjustment amount of \$213,000.

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

Governmental activities	
General government	\$ 79,983
Parks and streets	116,185
Total depreciation expense - governmental activities	<u>\$ 196,168</u>
Business-type activities	
Marina	\$ 225,577
Water utility	97,781
Wastewater utility	325,904
Total depreciation expense - business-type activities	<u>\$ 649,262</u>

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**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, 2011 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds		
General Fund	\$ -	\$ 16,543
Capital Projects Fund	1,875	-
TID Fund	-	58,044
Utility Enterprise Fund	16,543	-
Marina Enterprise Fund	58,044	1,875
Long-term Advance		
Debt Service Fund	-	350,000
Capital Projects Fund	350,000	-
TID Fund	850,000	-
Utility Enterprise Fund	180,000	-
Marina Enterprise Fund	-	850,000
Governmental Activities - Capital Project Fund	-	180,000
Totals	<u>\$ 1,456,462</u>	<u>\$ 1,456,462</u>

The long-term advance due to the debt service fund for \$350,000 was due to a balloon payment paid in 2010 for \$400,000. The debt service fund will repay the capital projects fund \$50,000 per year beginning in 2011.

The long-term advance due from the capital projects fund to the enterprise fund in the amount of \$180,000 was made to provide funds for capital expenditures. The advance is presently scheduled to be repaid in 2012. The long-term advance due from the Marina enterprise fund to the TID fund in the amount of \$850,000 was made to help finance the Marina projects. The advance is presently scheduled to be repaid in 2031.

Interfund transfers for the year ended December 31, 2011 were as follows:

	Transfer to:			
	General Fund	Capital Projects	Ice Rink	Total
Transfers from:				
General Fund	\$ -	\$ 292,899	\$ 5,000	\$ 297,899
Enterprise Funds				
Marina	112,438	-	-	112,438
Totals	<u>\$ 112,438</u>	<u>\$ 292,899</u>	<u>\$ 5,000</u>	<u>\$ 410,337</u>

Not listed above is a transfer to the new marina enterprise fund from the governmental activities for related capital assets and long-term debt totaling \$1,673,927. There was also a transfer of \$394,971 from the marina special revenue fund to close and move the balance to the marina enterprise fund.

The transfer of \$112,438 from the Marina Enterprise Fund to the General Fund was for the payment in lieu of taxes due to the Village. The transfer of \$292,899 to the capital projects fund was for capital outlay. The transfer of \$5,000 to the Ice Rink was a budgeted transfer for operations.

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**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	\$ 1,076,167
Debt Service Fund	
Subsequent year tax levy receivable	849,000
Totals	\$ 1,925,167

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2011:

	Outstanding 1/1/11	Issued	Retired	Adjustment	Outstanding 12/31/11	Due Within One Year
<b>Governmental activities:</b>						
General Obligation Debt						
Promissory note	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ -	\$ -
Refunding bonds	3,140,800	9,977,500	221,500	(215,000)	12,681,800	296,050
Total General Obligation Debt	3,240,800	9,977,500	321,500	(215,000)	12,681,800	296,050
Note anticipation notes	11,850,000	-	9,977,500	(1,872,500)	-	-
Compensated absences	21,272	166	-	-	21,438	-
Governmental activities Long-term obligations	\$ 15,112,072	\$ 9,977,666	\$ 10,299,000	\$ (2,087,500)	\$ 12,703,238	\$ 296,050
<b>Business-type activities:</b>						
General Obligation Debt						
Refunding bonds	\$ 1,439,200	\$ 1,872,500	\$ 163,500	\$ 215,000	\$ 3,363,200	\$ 188,950
Note anticipation notes	-	-	1,872,500	1,872,500	-	-
Compensated absences	12,091	-	284	-	11,807	-
Business-type activities Long-term obligations	\$ 1,451,291	\$ 1,872,500	\$ 2,036,284	\$ 2,087,500	\$ 3,375,007	\$ 188,950

Total interest paid during the year on long-term debt totaled \$514,952.

The adjustment column represents the debt portion that was transferred into the marina enterprise fund from the previous marina special revenue fund.

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

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

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

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%	\$ 4,195,000
\$5,350,000 issued 4/26/11; \$25,000 to \$500,000 due annually through 2031; interest 2.0% to 5.0%	5,350,000
\$6,500,000 issued 5/24/11; \$25,000 to \$600,000 due annually through 2031; interest 2.0% to 5.0%	<u>6,500,000</u>

Total Outstanding General Obligation Debt	<u><u>\$ 16,045,000</u></u>
---	-----------------------------

Annual principal and interest maturities of the outstanding general obligation debt of \$16,045,000 on December 31, 2011 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 296,050	\$ 673,276	\$ 188,950	\$ 177,859	\$ 485,000	\$ 851,135
2013	374,350	508,154	225,650	136,349	600,000	644,503
2014	460,150	494,339	164,850	127,273	625,000	621,612
2015	536,400	477,923	188,600	120,893	725,000	598,816
2016	599,700	458,369	210,300	113,447	810,000	571,816
2017-2021	2,948,900	1,915,075	976,100	416,212	3,925,000	2,331,287
2022-2026	3,237,500	1,331,377	612,500	257,720	3,850,000	1,589,097
2027-2031	4,228,750	529,841	796,250	100,909	5,025,000	630,750
	<u>\$ 12,681,800</u>	<u>\$ 6,388,354</u>	<u>\$ 3,363,200</u>	<u>\$ 1,450,662</u>	<u>\$ 16,045,000</u>	<u>\$ 7,839,016</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, 2011 was \$4,643,450 as follows:

Equalized valuation of the Village	\$413,769,000
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	20,688,450
Outstanding general obligation debt applicable to debt limitation	<u>16,045,000</u>
Legal Margin for New Debt	<u><u>\$ 4,643,450</u></u>

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

**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 hired before July 1, 2011 and expected to work over 600 hours a year (440 hours for teachers and educational support employees) or hired on or after July 1, 2011 and expected to work over 1200 hours a year (880 hours for teachers and educational support employees) are eligible to participate in the WRS. Covered employees in the General/Teacher/ Educational Support Personnel category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% 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, 2011 was \$362,915; the employer's total payroll was \$679,825. The total required contribution for the year ended December 31, 2011 was \$42,098, which consisted of \$33,751, or 9.3% of covered payroll from the employer and \$8,347, or 2.3% of covered payroll from employees. Total contributions for the years ending December 31, 2010 and 2009 were \$39,274 and \$43,502 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, 2011

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, 2011 from future excess tax increment revenues follows:

	TID No. 1
Net Unreimbursed Project Costs	\$ 2,368,243

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 state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2011 budget year, the increase in the maximum allowable tax levy is limited 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. The actual limit for the Village for the 2011 budget was 3.0%. For the 2012 budget year, Wisconsin statutes limit the increase in the maximum allowable tax levy to the change in the Village's January 1 equalized value as a result of net new construction. The actual limit for the Village for the 2012 budget was 0.03%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow 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. Currently, the Village may be liable to West Capitol, Inc. and Zaug Enterprises Ltd. Partnership in relation to excess assessments relating to 2009 through 2011. Both are currently in the courts awaiting hearings and a decision, respectively.

**VILLAGE OF SISTER BAY, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2011

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

6. Marina Fund

In 2011, the Village converted the Marina Special Revenue Fund to a Proprietary Enterprise Fund. The statements show a transfer of the beginning equity on the Governmental Funds Schedule of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets. The assets and debt related to the Marina Fund was also transferred from the governmental activities to the proprietary fund. The Marina was operated as an Enterprise Fund for all of 2011.

7. Prior Period Adjustment

The prior period adjustment in the general fund was to remove the investment in joint venture for the Sister Bay/Liberty Grove Joint Fire Department in the amount of \$431,849. This investment should only be reported in the government-wide financial statements. Since the financial statements report the 2010 balance, the adjustment was applied to 2010.

The prior period adjustment in the marina enterprise fund relates to land that was purchased in 1989 in the amount of \$213,000 that was not previously identified or recorded as Village land.

**SUPPLEMENTAL INFORMATION**

**VILLAGE OF SISTER BAY, WISCONSIN**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2011  
(With Comparative Amounts as of December 31, 2010)

	Ice Rink	Skate Park	Total Governmental Funds	
			2011	2010
<b>ASSETS</b>				
Cash and investments	\$ 8,978	\$ 2,385	\$ 11,363	\$ 26,981
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 1,764	\$ -	\$ 1,764	\$ 3,063
Fund Balances				
Committed for				
Ice rink	7,214	-	7,214	8,887
Skate park	-	2,385	2,385	15,031
Total Fund Balances	7,214	2,385	9,599	23,918
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,978</b>	<b>\$ 2,385</b>	<b>\$ 11,363</b>	<b>\$ 26,981</b>

**VILLAGE OF SISTER BAY, WISCONSIN**  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2011  
(With Comparative Amounts for the Year Ended December 31, 2010)

	Ice Rink	Skate Park	Total Governmental Funds	
			2011	2010
<b>Revenues</b>				
Public charges for services	\$ 8,836	\$ 1,280	\$ 10,116	\$ 15,220
Miscellaneous	394	1,635	2,029	11,030
<b>Total Revenues</b>	<b>9,230</b>	<b>2,915</b>	<b>12,145</b>	<b>26,250</b>
<b>Expenditures</b>				
Current				
Parks and streets	15,903	15,561	31,464	17,286
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(6,673)</b>	<b>(12,646)</b>	<b>(19,319)</b>	<b>8,964</b>
<b>Other Financing Sources</b>				
Transfers in	5,000	-	5,000	5,000
<b>Net Change in Fund Balances</b>	<b>(1,673)</b>	<b>(12,646)</b>	<b>(14,319)</b>	<b>13,964</b>
<b>Fund Balances - January 1</b>	<b>8,887</b>	<b>15,031</b>	<b>23,918</b>	<b>9,954</b>
<b>Fund Balances - December 31</b>	<b>\$ 7,214</b>	<b>\$ 2,385</b>	<b>\$ 9,599</b>	<b>\$ 23,918</b>

**VILLAGE OF SISTER BAY, WISCONSIN**  
 General Fund  
 Detailed Comparison of Budgeted and Actual Revenues  
 For the Year Ended December 31, 2011  
 (With Comparative Amounts for the Year Ended December 31, 2010)

	Budget		Actual	Variance with Final Budget Positive (Negative)	Actual 2010
	Original	Final			
<b>Taxes</b>					
General property	\$ 1,270,000	\$ 1,313,430	\$ 1,313,532	\$ 102	\$ 1,149,920
Managed forestland taxes	25	25	56	31	27
Interest and penalties on taxes	-	-	257	257	64
<b>Total Taxes</b>	<b>1,270,025</b>	<b>1,313,455</b>	<b>1,313,845</b>	<b>390</b>	<b>1,150,011</b>
<b>Intergovernmental</b>					
<b>State</b>					
Municipal services	-	-	-	-	267
Fire insurance	11,000	11,000	11,715	715	11,197
State grants	-	-	-	-	3,738
Transportation	71,937	71,937	71,930	(7)	70,145
Shared taxes	12,048	12,048	12,047	(1)	12,049
Exempt computer aid	900	900	776	(124)	867
Forest cropland	4	4	4	-	3
County recycling rebates	7,500	7,500	9,283	1,783	9,418
<b>Total Intergovernmental</b>	<b>103,389</b>	<b>103,389</b>	<b>105,755</b>	<b>2,366</b>	<b>107,684</b>
<b>Licenses and Permits</b>					
Liquor	8,000	8,000	8,142	142	8,340
Operators	500	500	625	125	260
Soda	140	140	135	(5)	135
Cigarette	40	40	25	(15)	40
Dog	6	6	13	7	6
Zoning	5,000	5,000	1,875	(3,125)	4,970
Building permits	22,000	22,000	26,482	4,482	23,557
Other permits	1,200	1,200	1,230	30	820
<b>Total Licenses and Permits</b>	<b>36,886</b>	<b>36,886</b>	<b>38,527</b>	<b>1,641</b>	<b>38,128</b>
<b>Fines, Forfeits &amp; Penalties</b>					
Court fines and citations	100	100	482	382	856
Parking tickets	0	0	694	694	550
<b>Total Fines, Forfeits &amp; Penalties</b>	<b>100</b>	<b>100</b>	<b>1,176</b>	<b>1,076</b>	<b>1,406</b>
<b>Public Charges for Services</b>					
Publication fees	400	400	420	20	380
Plan commission fees	-	-	280	280	-
Snow plowing and sanding fees	1,000	1,000	1,410	410	350
Services to other governments	11,000	11,000	9,202	(1,798)	11,134
Festivals and event fees	3,200	3,200	473	(2,727)	571
Miscellaneous fees	6,500	6,500	8,650	2,150	8,701
<b>Total Public Charges for Services</b>	<b>22,100</b>	<b>22,100</b>	<b>20,435</b>	<b>(1,665)</b>	<b>21,136</b>
<b>Miscellaneous</b>					
Rental income	19,200	19,200	24,385	5,185	19,249
Interest on investments	11,525	11,525	2,365	(9,160)	8,926
Reimbursement from Utility	-	-	-	-	34,826
Miscellaneous	2,000	2,000	2,291	291	9,818
<b>Total Miscellaneous</b>	<b>32,725</b>	<b>32,725</b>	<b>29,041</b>	<b>(3,684)</b>	<b>72,819</b>
<b>Total Revenues</b>	<b>\$ 1,465,225</b>	<b>\$ 1,508,655</b>	<b>\$ 1,508,779</b>	<b>\$ 124</b>	<b>\$ 1,391,184</b>

**VILLAGE OF SISTER BAY, WISCONSIN**  
 General Fund  
 Detailed Comparison of Budgeted and Actual Expenditures  
 For the Year Ended December 31, 2011  
 (With Comparative Amounts for the Year Ended December 31, 2010)

	Budget		Actual	Variance with Final Budget Positive (Negative)	Actual 2010
	Original	Final			
<b>General Government</b>					
Direct employee costs	\$ 33,751	\$ 33,751	\$ 34,202	\$ (451)	\$ 33,870
Indirect employee costs	4,400	4,400	1,674	2,726	1,911
Utility costs	95,900	95,900	97,693	(1,793)	89,043
Supplies	7,050	7,050	7,362	(312)	4,799
Other services	106,928	106,928	120,252	(13,324)	109,283
Maintenance	16,600	16,600	8,802	7,798	18,161
Support	186,211	186,211	186,152	59	192,773
Miscellaneous/Contingency	12,000	12,000	17,211	(5,211)	28,912
<b>Total General Government</b>	<b>462,840</b>	<b>462,840</b>	<b>473,348</b>	<b>(10,508)</b>	<b>478,752</b>
<b>Administration</b>					
Direct employee costs	204,665	204,665	183,861	20,804	298,666
Indirect employee costs	4,450	4,450	4,315	135	4,982
Utility costs	4,800	4,800	4,838	(38)	4,577
Supplies	15,200	15,200	15,553	(353)	15,107
Other services	11,700	11,700	11,486	214	12,870
Maintenance	1,250	1,250	349	901	250
<b>Total Administration</b>	<b>242,065</b>	<b>242,065</b>	<b>220,402</b>	<b>21,663</b>	<b>336,452</b>
<b>Parks and Streets</b>					
Direct employee costs	236,661	236,661	190,748	45,913	252,541
Indirect employee costs	1,925	1,925	836	1,089	1,300
Utility costs	59,170	59,170	54,978	4,192	52,157
Supplies	6,500	6,500	8,590	(2,090)	9,446
Recreational programs	7,500	7,500	9,744	(2,244)	7,009
Other services	128,250	128,250	119,418	8,832	109,569
Maintenance	62,100	62,100	74,613	(12,513)	57,348
Vehicles	20,200	20,200	26,173	(5,973)	14,491
<b>Total Parks and Streets</b>	<b>522,306</b>	<b>522,306</b>	<b>485,100</b>	<b>37,206</b>	<b>503,861</b>
<b>Total Expenditures</b>	<b>\$ 1,227,211</b>	<b>\$ 1,227,211</b>	<b>\$ 1,178,850</b>	<b>\$ 48,361</b>	<b>\$ 1,319,065</b>

**VILLAGE OF SISTER BAY, WISCONSIN**

Debt Service Fund

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2011

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

	Budget		Actual	Variance with Final Budget Positive (Negative)	Actual 2010
	Original	Final			
Revenues					
Taxes					
General property	\$ 591,000	\$ 547,570	\$ 547,570	\$ -	\$ 664,448
Room taxes	126,800	126,800	121,995	(4,805)	119,166
Total Taxes	<u>717,800</u>	<u>674,370</u>	<u>669,565</u>	<u>(4,805)</u>	<u>783,614</u>
Miscellaneous					
Interest on investments	1,225	1,225	1,491	266	3,968
Total Revenues	<u>719,025</u>	<u>675,595</u>	<u>671,056</u>	<u>(4,539)</u>	<u>787,582</u>
Expenditures					
Debt Service					
Principal	321,500	321,500	321,500	-	811,500
Interest and fiscal charges	469,896	302,870	302,870	-	444,941
Total Expenditures	<u>791,396</u>	<u>624,370</u>	<u>624,370</u>	<u>-</u>	<u>1,256,441</u>
Excess of Revenues Over (Under) Expenditures	<u>(72,371)</u>	<u>51,225</u>	<u>46,686</u>	<u>(4,539)</u>	<u>(468,859)</u>
Other Financing Sources (Uses)					
Debt proceeds	-	9,977,500	9,977,500	-	-
Debt refunding payment	-	(9,977,500)	(9,977,500)	-	-
Transfers in	-	-	-	-	71,000
Transfers out	(50,000)	(50,000)	-	50,000	-
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>71,000</u>
Net Change in Fund Balance	<u>(122,371)</u>	<u>1,225</u>	<u>46,686</u>	<u>45,461</u>	<u>(397,859)</u>
Fund Balance (Deficit) - January 1	<u>(380,633)</u>	<u>(380,633)</u>	<u>(380,633)</u>	<u>-</u>	<u>17,226</u>
Fund Balance (Deficit) - December 31	<u>\$ (503,004)</u>	<u>\$ (379,408)</u>	<u>\$ (333,947)</u>	<u>\$ 45,461</u>	<u>\$ (380,633)</u>

**VILLAGE OF SISTER BAY, WISCONSIN**  
Schedule of Water Department Operating Revenues and Expenses  
For the Year Ended December 31, 2011  
(With Comparative Amounts for the Year Ended December 31, 2010)

	2011	2010
<b>Operating Revenues</b>		
<b>Sales of water</b>		
Residential sales	\$ 136,653	\$ 130,641
Commercial sales	87,279	85,065
Public authorities	11,291	10,247
Public fire protection	92,358	91,851
Private fire protection	7,280	7,280
Unmetered sales	919	480
Sales for resale	9,472	9,723
<b>Total Sales of Water</b>	<u>345,252</u>	<u>335,287</u>
<b>Other operating</b>		
Forfeited discounts	804	965
Rent	4,800	4,800
Services to other systems	5,516	5,511
Other water revenues	19,507	18,279
<b>Total Other Operating</b>	<u>30,627</u>	<u>29,555</u>
<b>Total Operating Revenues</b>	<u>375,879</u>	<u>364,842</u>
<b>Operating Expenses</b>		
<b>Operation and maintenance</b>		
Supervision and labor	74,036	68,853
Power purchased for pumping	23,072	19,017
Chemicals	1,396	1,140
Operating supplies and expenses	3,875	6,219
Repairs of water plant	186,508	21,834
Transportation expense	4,450	2,858
<b>Total Operation and Maintenance</b>	<u>293,337</u>	<u>119,921</u>
<b>General and administrative</b>		
Administrative and general salaries	20,932	17,525
Office supplies and expenses	6,951	9,386
Outside services employed	9,595	27,721
Insurance expense	3,187	4,184
Employee pensions and benefits	29,220	46,564
Miscellaneous general expenses	4,416	3,562
<b>Total General and Administrative</b>	<u>74,301</u>	<u>108,942</u>
<b>Depreciation</b>	<u>97,781</u>	<u>95,535</u>
<b>Taxes</b>	<u>7,773</u>	<u>6,701</u>
<b>Total Operating Expenses</b>	<u>473,192</u>	<u>331,099</u>
<b>Operating Income (Loss)</b>	<u>\$ (97,313)</u>	<u>\$ 33,743</u>

**VILLAGE OF SISTER BAY, WISCONSIN**  
Schedule of Wastewater Department Operating Revenues and Expenses  
For the Year Ended December 31, 2011  
(With Comparative Amounts for the Year Ended December 31, 2010)

	2011	2010
<b>Operating Revenues</b>		
Sewage service		
Residential	\$ 312,160	\$ 303,066
Commercial	204,446	203,362
Service to public authorities	12,863	11,610
Total Sewage Service	<u>529,469</u>	<u>518,038</u>
Other operating		
Forfeited discounts	1,498	1,306
Rent	1,080	1,150
Services to other systems	55,360	55,004
Other sewage service	71,331	76,465
Miscellaneous	6,518	4,167
Total Other Operating	<u>135,787</u>	<u>138,092</u>
 Total Operating Revenues	 <u>665,256</u>	 <u>656,130</u>
 <b>Operating Expenses</b>		
Operation and maintenance		
Supervision and labor	129,479	129,059
Power purchased for pumping	70,522	61,187
Chemicals	18,902	25,759
Operating supplies and expenses	12,540	10,528
Maintenance of collection system	19,194	27,483
Maintenance of treatment and disposal equipment	43,238	28,681
Maintenance of general plant structures and equipment	4,994	1,845
Transportation expense	9,543	6,604
Sludge expense	23,265	24,770
Total Operation and Maintenance	<u>331,677</u>	<u>315,916</u>
General and administrative		
Administrative and general salaries	32,256	25,999
Office supplies and expenses	9,678	15,792
Outside services employed	10,687	25,649
Insurance expense	8,086	7,437
Employee pensions and benefits	49,220	79,561
Miscellaneous general expenses	10,448	10,897
Total General and Administrative	<u>120,375</u>	<u>165,335</u>
Depreciation	325,904	324,354
Taxes - FICA	12,483	11,248
 Total Operating Expenses	 <u>790,439</u>	 <u>816,853</u>
 Operating Loss	 <u>\$ (125,183)</u>	 <u>\$ (160,723)</u>

**VILLAGE OF SISTER BAY, WISCONSIN**  
Schedule of Marina Operating Revenues and Expenses  
For the Year Ended December 31, 2011

	2011
Operating Revenues	
Marina service	
Docking and launch charges	\$ 509,895
Marina services	1,495
Product and vending sales	9,929
Total Marina Service	521,319
Other operating	
Building rent	20,000
Marina fest	8,293
Other	263
Total Other Operating	28,556
 Total Operating Revenues	 549,875
Operating Expenses	
Operation and maintenance	
Supervision and labor	55,049
Operating supplies and expenses	28,925
Maintenance	32,278
Total Operation and Maintenance	116,252
General and administrative	
Administrative and general salaries	11,664
Office supplies and expenses	16,504
Outside services employed	4,428
Insurance expense	6,939
Employee pensions and benefits	12,957
Festival costs	27,375
Miscellaneous general expenses	17,253
Total General and Administrative	97,120
Depreciation	225,577
Taxes - FICA	6,303
 Total Operating Expenses	 445,252
 Operating Income	 \$ 104,623

**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, 2011, which collectively comprise the Village basic financial statements and have issued our report thereon dated April 14, 2012. 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

Management of Village of Sister Bay, Wisconsin is responsible for establishing and maintaining effective 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 14, 2012.

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 14, 2012

**VILLAGE OF SISTER BAY, WISCONSIN**  
Schedule of Findings and Responses  
For the Year Ended December 31, 2011

**Section I - Internal Control Over Financial Reporting**

Finding No.	Control Deficiencies
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**2011-01      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 Village 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, 2011

**Section I - Internal Control Over Financial Reporting (Continued)**

Finding No.	Control Deficiencies
<b>2011-02</b>	<b>Assistance with Capital Asset Records</b>
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 Village 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. Management will continue to review the capital asset records.

**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, 2011.