

**MANAGEMENT COMMUNICATIONS**  
**VILLAGE OF SISTER BAY, WISCONSIN**  
**DECEMBER 31, 2011**

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

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To the Village Board  
Village of Sister Bay, Wisconsin

We have completed our audit of the basic financial statements of the Village of Sister Bay, Wisconsin (the "Village") for the year ended December 31, 2011. The Village's financial statements, including our report thereon dated April 14, 2012, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities Under U.S. Generally Accepted Auditing Standards.

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, noncompliance with the provisions of laws, regulations, contracts and grants or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Village's compliance with those requirements.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

#### Significant Audit Findings

##### *Consideration of Internal Control*

In planning and performing our audit of the financial statements of the Village as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 41 - 42 of the annual report.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. A significant deficiency is a control deficiency, or a combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies to be significant deficiencies in internal control:

Finding 2011-01 Year End Closing and Financial Reporting  
Finding 2011-02 Assistance with Capital Asset Records

These findings are described in detail in the schedule of findings and responses on pages 43 - 44 of the annual report.

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note A to the financial statements. The Village implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. We noted no significant transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates included in the financial statements were:

Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of accumulated sick leave is based upon analysis of the employees sick leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The financial statements reflect all accounting adjustments proposed during our audit. Copies of the audit adjustments are available from management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 14, 2012. The management representation letter follows this communication.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to completing the services as your auditor.

In addition, during our audit, we noted a certain other matter that is presented for your consideration. We will review the status of this comment during our next audit engagement. Our comment and recommendation is intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss this matter in further detail at your convenience, perform any additional study of this matter, or assist you in implementing the recommendation. Our comment is summarized in the comments and observations section of this report.

This communication, which does not affect our report dated April 14, 2012 on the financial statements of the Village, is intended solely for the information and use of the Village Board, management, and others within the Village, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Certified Public Accountants  
Green Bay, Wisconsin  
April 14, 2012



April 14, 2012

Schenck SC  
2200 Riverside Drive  
P.O. Box 23819  
Green Bay, WI 54305-3819

We are providing this letter in connection with your audit of the financial statements of the Village of Sister Bay, Wisconsin as of December 31, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sister Bay, Wisconsin and the respective changes in the financial position and where applicable, cash flows thereof, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of April 14, 2012, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government as required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
2. We have made available to you all-
  - a. Financial records and related data.
  - b. Minutes of the meetings of the Village Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

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5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the Village is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
  - d. Joint ventures, jointly governed organizations, and other related organizations.
  - e. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.
  - f. Participation in a public entity risk pool.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

15. There are no—
  - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
16. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
17. The Village has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
18. The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
19. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
20. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
21. The financial statements properly classify all funds and activities.
22. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
23. Components of net assets (invested in capital assets, net of related debt, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
24. Provisions for uncollectible receivables have been properly identified and recorded.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues.
27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
28. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.

29. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
30. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, and supporting schedules, (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
31. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
32. The methods and significant assumptions used to determine fair values of financial instruments are as follows: 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. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
33. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
34. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
35. Expenditures of federal awards were below the \$500,000 threshold in the year ended December 31, 2011, and we were not required to have an audit in accordance with *OMB Circular A-133*.
36. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed:   
Juliana Neuman, Finance Director

Signed:   
Robert Kufrin, Village Administrator

## SUMMARY FINANCIAL INFORMATION

### 1. Governmental Fund Balances

Presented below is a summary of the Village's governmental fund balances on December 31, 2011, including a comparison to the prior year. This information is provided for assessing financial results for 2011 and for indicating financial resources available for 2012 and subsequent years.

	2011	2010
Governmental Funds		
General Fund		
Nonspendable		
Inventories and prepaid items	\$ 13,602	\$ 2,513
Unrestricted		
Unassigned, reported in		
General fund	504,646	371,267
Total General Fund	518,248	373,780
Special Revenue Funds		
Nonspendable, reported in Marina		
Inventories and prepaid items	-	505
Committed		
Marina	-	394,466
Ice rink	7,214	8,887
Skate park	2,385	15,031
Total Special Revenue Funds	9,599	418,889
Debt Service Fund	(333,947)	(380,633)
Capital Projects Funds		
Nonspendable		
Long-term advance to other funds	1,200,000	400,000
Restricted for TID expenditures	613,000	192,077
Committed capital project	907,281	597,455
Total Capital Projects Funds	2,720,281	1,189,532
Total Governmental Fund Balances	\$ 2,914,181	\$ 1,601,568

The Village's current unassigned fund balance of \$504,646 represents approximately 31% of the 2012 budgeted general fund expenditures. A general consensus of what represents an adequate unassigned fund balance is between 10% to 25% of the general fund expenditure total.

Additional information on the capital projects fund is presented in comment No. 2.

## 2. Capital Projects Fund

A summary of the revenues, expenditures and changes in fund balance of the capital projects fund for 2011 and 2010 is presented below:

	2011	2010
<b>Revenues</b>		
State grant	\$ -	\$ 551,197
Interest on investments	32,370	3,159
Donations	3,005	-
<b>Total Revenues</b>	<u>35,375</u>	<u>554,356</u>
<b>Expenditures</b>		
As budgeted:		
Fire truck reserve	-	286,249
Trees	936	345
Streets resurfacing	19,331	43,340
Board meeting chairs	-	3,327
Administration building retaining wall	-	5,600
Various parks projects	6,425	1,301
Parks equipment	15,045	9,372
Garbage containers	1,595	2,304
Picnic tables and benches	2,183	2,030
TID projects	-	130,118
Fire station sound system	1,730	-
Village Hall acoustics and A/C	6,091	-
Small business server replacement	13,107	-
From donations:		
Move baseball field	2,005	1,270
From debt proceeds:		
Sports complex development	-	9,641
<b>Total Expenditures</b>	<u>68,448</u>	<u>494,897</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(33,073)</u>	<u>59,459</u>
<b>Other Financing Sources</b>		
Transfer in from other funds	<u>292,899</u>	<u>303,616</u>
<b>Net Change in Fund Balance</b>	<u>259,826</u>	<u>363,075</u>
<b>Fund Balance - January 1</b>	<u>997,455</u>	<u>634,380</u>
<b>Fund Balance - December 31</b>	<u>\$ 1,257,281</u>	<u>\$ 997,455</u>

### 3. Water Department Operations

A comparative analysis of the water department's income account for the years ended December 31, 2011 and 2010 follows:

	2011	2010
Operating Revenues		
General customers	\$ 252,894	\$ 243,436
Public fire protection	92,358	91,851
Miscellaneous	30,627	29,555
Total Operating Revenues	<u>375,879</u>	<u>364,842</u>
Operating Expenses		
Operation and maintenance	367,638	228,863
Depreciation	97,781	95,535
Taxes	7,773	6,701
Total Operating Expenses	<u>473,192</u>	<u>331,099</u>
Operating Income (Loss)	<u>(97,313)</u>	<u>33,743</u>
Nonoperating Revenues (Expenses)		
Interest income (estimated allocation)	5,153	6,074
Impact fees	44,446	6,416
Interest on long-term debt (estimated allocation)	(14,755)	(15,617)
Miscellaneous	(100)	-
Total Nonoperating Revenues (Expenses)	<u>34,744</u>	<u>(3,127)</u>
Net Income (Loss) before Contributions	<u>\$ (62,569)</u>	<u>\$ 30,616</u>

The Water Utility had a rate of return of negative 8.25% in 2011 compared to 4.65% in 2010. The primary reason for the lower rate of return in 2011 was the increased expenses due to the painting of the water tower. The rate of return calculation is a formula established by the Public Service Commission (PSC) which regulates and sets the Water Utility rates. The rate of return authorized by the PSC is 5%.

#### 4. Wastewater Department Operation

A comparative analysis of the wastewater treatment plant and wastewater collection activities for the year ended December 31, 2011 and 2010 follows:

##### Treatment Plant

	2011	2010
Operating Revenues		
General customers	\$ 348,596	\$ 340,712
Service to other systems	55,430	55,120
Other sewage service	71,331	76,465
Miscellaneous	4,395	2,526
Total Operating Revenues	<u>479,752</u>	<u>474,823</u>
Operating Expenses		
Operation and maintenance	364,994	382,463
Depreciation	260,856	260,614
Taxes	9,630	9,049
Total Operating Expenses	<u>635,480</u>	<u>652,126</u>
Operating Income (Loss)	<u>(155,728)</u>	<u>(177,303)</u>
Nonoperating Revenues (Expenses) and Transfers		
Interest income (estimated allocation)	11,907	16,893
Impact fees	21,745	2,318
Interest on long-term debt (estimated allocation)	(31,791)	(33,608)
Miscellaneous	(7,394)	-
Total Nonoperating Revenues (Expenses)	<u>(5,533)</u>	<u>(14,397)</u>
Net Loss before Contributions	<u>\$ (161,261)</u>	<u>\$ (191,700)</u>

##### Collection System

	2011	2010
Operating Revenues		
General customers	\$ 180,873	\$ 177,326
Service to other systems	1,863	943
Miscellaneous	2,768	3,038
Total Operating Revenues	<u>185,504</u>	<u>181,307</u>
Operating Expenses		
Operation and maintenance	87,058	98,788
Depreciation	65,048	63,740
Taxes	2,853	2,199
Total Operating Expenses	<u>154,959</u>	<u>164,727</u>
Operating Income (Loss)	<u>30,545</u>	<u>16,580</u>
Nonoperating Revenues (Expenses) and Transfers		
Interest income (estimated allocation)	10,935	17,946
Connection fees	9,004	5,325
Impact fees	17,076	2,087
Interest on long-term debt (estimated allocation)	(15,620)	(16,513)
Miscellaneous	3,050	2,508
Total Nonoperating Revenues (Expenses)	<u>24,445</u>	<u>11,353</u>
Net Income before Contributions	<u>\$ 54,990</u>	<u>\$ 27,933</u>

The above operating loss for the treatment plant resulted from not recovering sufficient revenues from customers to fund annual depreciation expense of \$260,856 from the Wastewater Treatment Plant. However, the utility is generating positive cash flows as depreciation is not a current cash use and the principal payment on long-term debt for 2011 was \$98,500. See the cash flow statement on page 15 of the financial statements.

## 5. Marina Operations – Enterprise Fund

An analysis of the Marina operations for the year ended December 31, 2011 follows:

	<u>Marina Fund</u>
Operating Revenues	
Charges for services	
Docking and launch charges	\$ 509,895
Marina services	1,495
Product and vending sales	9,929
Other operating revenues	
Rent	20,000
Marina fest	8,293
Other revenues	263
Total Operating Revenues	<u>549,875</u>
Operating Expenses	
Operation and maintenance	116,252
Administrative and general	97,120
Depreciation	225,577
Taxes	6,303
Total Operating Expenses	<u>445,252</u>
Operating Income	<u>104,623</u>
Nonoperating Revenues (Expenses)	
Interest income	2,972
Interest on long-term debt	(147,103)
Total Nonoperating Revenues (Expenses)	<u>(144,131)</u>
Net Loss before Transfers	<u>(39,508)</u>
Transfer of assets and debt	2,068,898
Transfer out for property tax equivalent	(112,438)
Total Transfers	<u>1,956,460</u>
Change in Net Assets	<u>1,916,952</u>
Net Assets - January 1	0
Prior period adjustment	<u>213,000</u>
Net assets - January 1, as restated	<u>213,000</u>
Net Assets - December 31	<u>\$ 2,129,952</u>

**6. Restricted Cash and Investments - Water and Wastewater Department**

Detail of restricted cash and investments of the Water and Wastewater Utility on December 31, 2011 follows:

Fund Type	12/31/10 Balance	Used in 2011	2011 Interest Net of Fees	2011 Additions	12/31/11 Balance
<b>Replacement Funds:</b>					
Water System	\$ 325,278	\$ (121,833)	\$ 1,817	\$ 24,400	229,662
DNR WWTP	763,205	(29,979)	9,765	65,103	808,094
Collection System	85,513	-	715	5,133	91,361
Bay Shore Drive Relay	858,975	-	1,370	-	860,345
<b>Total Replacement Funds</b>	<b>2,032,971</b>	<b>(151,812)</b>	<b>13,667</b>	<b>94,636</b>	<b>1,989,462</b>
<b>Impact Fees:</b>					
Wastewater Treatment Plant	41,962	(64,464)	103	22,399	-
Water Tower	79,466	-	1,171	36,661	117,298
Downtown Utilities	3,480	-	59	28,460	31,999
<b>Total Impact Fees</b>	<b>124,908</b>	<b>(64,464)</b>	<b>1,333</b>	<b>87,520</b>	<b>149,297</b>
<b>Total Utility Department Restricted Cash and Investments</b>	<b>\$ 2,157,879</b>	<b>\$ (216,276)</b>	<b>\$ 15,000</b>	<b>\$ 182,156</b>	<b>\$ 2,138,759</b>

**VILLAGE OF SISTER BAY, WISCONSIN  
TAX INCREMENTAL FINANCING DISTRICT NO. 1  
ANNUAL REPORT  
For Year Ended December 31, 2011**

Date Created: September 4, 2008

Latest Possible Termination Date: December 31, 2028

	Current Year	Cumulative
<b>Expenditures</b>		
Project costs paid by TID fund	\$ 1,702,825	\$ 3,455,971
Project costs paid by capital projects fund	-	295,729
Project costs paid by Utility fund	24,801	24,801
Project costs paid by Marina fund	33,598	33,598
Interest on debt		
Paid by fund	58,044	58,044
<b>Total Expenditures</b>	<u>\$ 1,819,268</u>	<u>3,868,143</u>
<b>Revenues</b>		
State aid - Stewardship Grant	\$ 1,495,995	1,495,995
Other revenues	3,032	3,905
<b>Total Revenues</b>	<u>\$ 1,499,027</u>	<u>1,499,900</u>
<b>Net Unreimbursed Costs at December 31, 2011</b>		<u><u>\$ 2,368,243</u></u>

During our current audit we reviewed the financial transactions and current status of the Village's Tax Incremental District No. 1 (TID). We also assisted the Village in completing the statutorily required TID annual reports required to be sent to each overlying taxing district by May 1.

It is important to note that the Village is responsible for making sure that all eligible TID costs are identified to ensure that all costs of the TID can be recovered through future incremental tax revenue.

## COMMENTS AND OBSERVATIONS

### Changes to Government Auditing Standards

The United States Government Accountability Office recently issued the 2011 revision to the Government Auditing Standards. This revision will be effective for your next audit and creates a framework we must follow to maintain our independence when we perform non-audit services for you.

During the current year audit, we have provided the following non-audit services to the Village.

- Identifying reconciling items for certain general ledger accounts and proposing adjusting and closing entries to your general ledger;
- Proposing GASB 34 conversion entries to convert your fund financial statements to government-wide financial statements;
- Assisting with capital asset records, including calculating depreciation; and
- Preparing financial statements, including related notes, state financial reports and public service commission reports based on your adjusted trial balance.

In order for us to maintain our independence and to issue an unqualified opinion on your financial statements, you need to document steps that you take in order to accept responsibility for all non-audit services we provide to you. This includes:

- Understanding the services to be performed sufficiently to oversee them;
- Designating an individual who possess suitable skill, knowledge, or experience to oversee our services;
- Evaluating the adequacy and results of the services performed; and
- Accepting responsibility for the results of the services.

Because of the size of your organization and limited staff, we have reported the following deficiencies in your internal control structure.

- Year End Closing and Financial Reporting
- Assistance with Capital Asset Records

Because these deficiencies relate specifically to non-audit services we provide to the Village, it is important that the Village and Schenck, as your independent auditor, work together during the upcoming year to ensure that appropriate safeguards are in place to maintain our independence. This may include additional training to Village officials to fully understand the preparation of Village financial statements, including the government-wide statements.

The new standards will be effective for your December 31, 2012 audit. Schenck will be offering a free webinar in fall 2012 on *Understanding Your Financial Statements*. We encourage the designated employee from the Village who will oversee our services to attend this webinar.