

VILLAGE OF SISTER BAY, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2012

VILLAGE OF SISTER BAY, WISCONSIN

December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Sister Bay, Wisconsin

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the Village's 2011 financial statements and, in our report dated April 14, 2012, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A.6.h., the Village has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2013, 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* in considering the Village's internal control over financial reporting and compliance.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
April 1, 2013

BASIC FINANCIAL STATEMENTS

VILLAGE OF SISTER BAY, WISCONSIN

Statement of Net Position

December 31, 2012

(With Summarized Financial Information as of December 31, 2011)

	Governmental Activities	Business-type Activities	Totals	
			2012	2011
ASSETS				
Cash and investments	\$ 3,126,425	\$ 1,220,000	\$ 4,346,425	\$ 3,842,570
Receivables				
Taxes	4,269,622	-	4,269,622	4,522,698
Accounts	15,700	222,227	237,927	266,754
Special assessments	-	218,157	218,157	233,282
Internal balances	797,161	(797,161)	-	-
Due from other governments	15,457	22,537	37,994	18,577
Inventories and prepaid items	14,907	33,685	48,592	40,173
Unamortized debt discount	-	-	-	8,319
Investment in joint venture	675,214	-	675,214	675,214
Restricted assets				
Cash and investments	-	2,208,511	2,208,511	2,138,759
Capital assets, nondepreciable				
Land	9,057,453	1,741,021	10,798,474	10,798,474
Construction in progress	403,793	52,572	456,365	307,860
Capital assets, depreciable				
Land improvements	2,039,745	3,643,865	5,683,610	5,640,803
Buildings	3,237,439	5,660,466	8,897,905	8,897,905
Machinery and equipment	361,806	1,737,221	2,099,027	2,052,841
Infrastructure	1,089,916	7,886,532	8,976,448	8,950,026
Less: Accumulated depreciation	(1,830,170)	(9,357,299)	(11,187,469)	(10,355,099)
TOTAL ASSETS	23,274,468	14,492,334	37,766,802	38,039,156
LIABILITIES				
Accounts payable	57,427	19,703	77,130	134,728
Accrued and other current liabilities	17,231	15,668	32,899	28,417
Deposits	3,197	46,607	49,804	81,759
Accrued interest payable	109,295	25,909	135,204	322,493
Due to other governments	3,321,974	-	3,321,974	3,397,341
Long-term obligations				
Due within one year	374,350	225,650	600,000	485,000
Due in more than one year	12,032,517	2,960,085	14,992,602	15,593,245
TOTAL LIABILITIES	15,915,991	3,293,622	19,209,613	20,042,983
DEFERRED INFLOWS OF RESOURCES				
Taxes	1,957,570	-	1,957,570	1,925,167
NET POSITION				
Net investment in capital assets	1,974,232	8,190,128	10,164,360	10,256,129
Restricted for plant replacement	-	2,033,001	2,033,001	1,129,117
Restricted for impact fee projects	-	175,510	175,510	149,297
Unrestricted	3,426,675	800,073	4,226,748	4,536,463
TOTAL NET POSITION	\$ 5,400,907	\$ 11,198,712	\$ 16,599,619	\$ 16,071,006

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, 2012

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 550,500	\$ 85,338	\$ 12,824	\$ -
Administration	259,405	-	-	-
Parks and streets	576,081	3,665	85,612	-
Interest on debt	528,834	-	-	-
Total Governmental Activities	1,914,820	89,003	98,436	-
Business-type Activities:				
Water utility	498,755	377,070	-	67,666
Wastewater utility	653,100	742,245	-	50,533
Marina	567,546	547,115	-	-
Total Business-type Activities	1,719,401	1,666,430	-	118,199
Total	\$ 3,634,221	\$ 1,755,433	\$ 98,436	\$ 118,199

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 position

Net position - January 1

Prior period adjustment

Net position - January 1, as restated

Net position - December 31

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

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	
		2012	2011
\$ (452,338)	\$ -	\$ (452,338)	\$ (455,517)
(259,405)	-	(259,405)	(264,041)
(486,804)	-	(486,804)	846,521
(528,834)	-	(528,834)	(486,768)
(1,727,381)	-	(1,727,381)	(359,805)
-	(54,019)	(54,019)	(110,212)
-	139,678	139,678	122,392
-	(20,431)	(20,431)	(42,667)
-	65,228	65,228	(30,487)
(1,727,381)	65,228	(1,662,153)	(390,292)
1,076,000	-	1,076,000	1,313,455
849,000	-	849,000	547,647
125,986	-	125,986	121,995
11,172	-	11,172	15,360
5,571	28,743	34,314	68,028
78,769	8,001	86,770	7,488
7,524	-	7,524	-
-	-	-	243,365
158,376	(158,376)	-	-
2,312,398	(121,632)	2,190,766	2,317,338
585,017	(56,404)	528,613	1,927,046
4,815,890	11,255,116	16,071,006	13,930,960
-	-	-	213,000
4,815,890	11,255,116	16,071,006	14,143,960
\$ 5,400,907	\$ 11,198,712	\$ 16,599,619	\$ 16,071,006

VILLAGE OF SISTER BAY, WISCONSIN

Balance Sheet

Governmental Funds

December 31, 2012

(With Summarized Financial Information as of December 31, 2011)

	General	Debt Service	Capital Projects	Tax Incremental District
ASSETS				
Cash and investments	\$ 1,445,504	\$ -	\$ 1,068,326	\$ 594,873
Receivables				
Taxes	3,319,622	770,000	180,000	-
Accounts	11,201	4,499	-	-
Due from other funds	172,784	-	1,887	-
Advance to other funds	-	-	-	815,017
Due from other governments	-	-	15,457	-
Inventories and prepaid items	14,907	-	-	-
TOTAL ASSETS	\$ 4,964,018	\$ 774,499	\$ 1,265,670	\$ 1,409,890
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 57,371	\$ -	\$ -	\$ -
Accrued and other current liabilities	20,428	-	-	-
Due to other funds	17,856	172,784	-	1,887
Due to other governments	3,321,974	-	-	-
Advance from other funds	-	-	-	-
Total Liabilities	3,417,629	172,784	-	1,887
DEFERRED INFLOWS OF RESOURCES				
Taxes	1,007,570	770,000	180,000	-
Fund Balances				
Nonspendable				
Long-term advance to other funds	-	-	-	815,017
Inventories and prepaid items	14,907	-	-	-
Restricted for tax incremental district (TID)	-	-	-	592,986
Committed for				
Capital improvements	-	-	1,085,670	-
Ice rink	-	-	-	-
Skate park	-	-	-	-
Unassigned, reported in				
General fund	523,912	-	-	-
Debt service fund	-	(168,285)	-	-
Total Fund Balances (Deficit)	538,819	(168,285)	1,085,670	1,408,003
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,964,018	\$ 774,499	\$ 1,265,670	\$ 1,409,890

(Continued)

Other Governmental	Totals	
	2012	2011
\$ 17,722	\$ 3,126,425	\$ 2,990,235
-	4,269,622	4,522,698
-	15,700	18,960
-	174,671	1,875
-	815,017	1,200,000
-	15,457	-
-	14,907	13,602
<u>\$ 17,722</u>	<u>\$ 8,431,799</u>	<u>\$ 8,747,370</u>

\$ 56	\$ 57,427	\$ 70,072
-	20,428	16,022
-	192,527	74,587
-	3,321,974	3,397,341
-	-	350,000
<u>56</u>	<u>3,592,356</u>	<u>3,908,022</u>

-	1,957,570	1,925,167
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-	815,017	1,200,000
-	14,907	13,602
-	592,986	613,000
-	1,085,670	907,281
15,020	15,020	7,214
2,646	2,646	2,385
-	523,912	504,646
-	(168,285)	(333,947)
<u>17,666</u>	<u>2,881,873</u>	<u>2,914,181</u>

<u>\$ 17,722</u>	<u>\$ 8,431,799</u>	<u>\$ 8,747,370</u>
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VILLAGE OF SISTER BAY, WISCONSIN

Balance Sheet (Continued)

Governmental Funds

December 31, 2012

(With Summarized Financial Information as of December 31, 2011)

Total Governmental Funds	
2012	2011

Reconciliation to the Statement of Net Position

Total Fund Balances as shown above	\$ 2,881,873	\$ 2,914,181
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	14,359,982	14,363,468
Investment in joint venture related to governmental activities	675,214	675,214
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(12,385,750)	(12,681,800)
Unamortized debt discount	-	8,319
Long-term advance from enterprise fund	-	(180,000)
Compensated absences	(21,117)	(21,438)
Accrued interest on long-term obligations	(109,295)	(262,054)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 3)	<u>\$ 5,400,907</u>	<u>\$ 4,815,890</u>

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

VILLAGE OF SISTER BAY, WISCONSIN

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2012

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

	General	Debt Service	Capital Projects	Tax Incremental District
Revenues				
Taxes	\$ 1,076,380	\$ 974,986	\$ -	\$ -
Intergovernmental	92,711	-	15,457	1,060
Licenses and permits	29,703	-	-	-
Fines, forfeits and penalties	1,175	-	-	-
Public charges for services	21,614	-	-	-
Miscellaneous	39,956	-	3,847	72,000
Total Revenues	1,261,539	974,986	19,304	73,060
Expenditures				
Current				
General government	469,122	-	-	-
Administration	227,048	-	-	-
Parks and streets	457,186	-	-	-
Conservation and development	-	-	-	33,505
Debt service				
Principal	-	296,050	-	-
Interest and fiscal charges	-	673,274	-	-
Capital outlay	-	-	91,903	94,552
Total Expenditures	1,153,356	969,324	91,903	128,057
Excess of Revenues Over (Under)				
Expenditures	108,183	5,662	(72,599)	(54,997)
Other Financing Sources (Uses)				
Long-term debt issued	-	-	-	-
Debt refunding payment	-	-	-	-
Repayment of advance from utility fund	-	-	(180,000)	-
Transfers in	158,376	160,000	240,988	-
Transfers out	(245,988)	-	(160,000)	-
Total Other Financing Sources (Uses)	(87,612)	160,000	(99,012)	-
Net Change in Fund Balances	20,571	165,662	(171,611)	(54,997)
Fund Balances (Deficit) - January 1	518,248	(333,947)	1,257,281	1,463,000
Fund Balances (Deficit) - December 31	\$ 538,819	\$ (168,285)	\$ 1,085,670	\$ 1,408,003

(Continued)

Other Governmental	Totals	
	2012	2011
\$ -	\$ 2,051,366	\$ 1,983,410
-	109,228	1,603,970
-	29,703	38,527
-	1,175	1,176
11,811	33,425	30,551
761	116,564	68,747
<u>12,572</u>	<u>2,341,461</u>	<u>3,726,381</u>
-	469,122	473,348
-	227,048	220,402
9,505	466,691	516,564
-	33,505	30,615
-	296,050	321,500
-	673,274	360,914
-	186,455	207,892
<u>9,505</u>	<u>2,352,145</u>	<u>2,131,235</u>
<u>3,067</u>	<u>(10,684)</u>	<u>1,595,146</u>
-	-	9,977,500
-	-	(9,977,500)
-	(180,000)	-
5,000	564,364	410,337
-	(405,988)	(692,870)
<u>5,000</u>	<u>(21,624)</u>	<u>(282,533)</u>
8,067	(32,308)	1,312,613
<u>9,599</u>	<u>2,914,181</u>	<u>1,601,568</u>
<u>\$ 17,666</u>	<u>\$ 2,881,873</u>	<u>\$ 2,914,181</u>

VILLAGE OF SISTER BAY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

Reconciliation to the Statement of Activities

	2012	2011
Net Change in Fund Balances as shown on previous page	\$ (32,308)	\$ 1,312,613
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	\$ 195,621	
Depreciation expense reported in the statement of activities	(198,436)	
Amount by which capital outlays are less than depreciation current period	(2,815)	(96,090)
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	\$ 6,043	
Book value of retired capital asset	(6,714)	
Loss on disposition reported on the statement of activities	(671)	(11,521)
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 decreased by:		
	321	(166)
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 position, however, debt constitutes a long-term liability. The amount of debt reported in the governmental funds statement is:		
	-	(9,977,500)
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 position and does not affect the statement of activities.		
The amount of repayment in the current year is:	296,050	10,299,000
Repayment of advance from utility fund	180,000	-
Reduction from transfer of prior year debt to marina	-	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.		
	152,759	(117,554)
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.		
	(8,319)	(8,300)
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 4 - 5)	\$ 585,017	\$ (30,081)

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, 2012

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,076,150	\$ 1,076,150	\$ 1,076,380	\$ 230
Intergovernmental	95,599	95,599	92,711	(2,888)
Licenses and permits	34,262	34,262	29,703	(4,559)
Fines, forfeits & penalties	750	750	1,175	425
Public charges for services	20,600	20,600	21,614	1,014
Miscellaneous	27,550	27,550	39,956	12,406
Total Revenues	1,254,911	1,254,911	1,261,539	6,628
Expenditures				
Current				
General government	514,792	514,792	469,122	45,670
Administration	224,142	224,142	227,048	(2,906)
Parks and streets	512,204	512,204	457,186	55,018
Total Expenditures	1,251,138	1,251,138	1,153,356	97,782
Excess of Revenues Over Expenditures	3,773	3,773	108,183	104,410
Other Financing Sources (Uses)				
Transfers in	158,376	158,376	158,376	-
Transfers out	(245,988)	(245,988)	(245,988)	-
Total Other Financing Sources (Uses)	(87,612)	(87,612)	(87,612)	-
Net Change in Fund Balance	(83,839)	(83,839)	20,571	104,410
Fund Balance - January 1	518,248	518,248	518,248	-
Fund Balance - December 31	\$ 434,409	\$ 434,409	\$ 538,819	\$ 104,410

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

VILLAGE OF SISTER BAY, WISCONSIN

Statement of Net Position

Proprietary Fund Type - Enterprise Funds

December 31, 2012

(With Summarized Financial Information as of December 31, 2011)

	Utility	Marina	Totals	
			2012	2011
ASSETS				
Cash and investments	\$ 810,986	\$ 409,014	\$ 1,220,000	\$ 852,335
Receivables				
Accounts	222,045	182	222,227	247,794
Special assessments	218,157	-	218,157	233,282
Due from other funds	17,856	-	17,856	74,587
Due from other governments	22,537	-	22,537	18,577
Inventory	30,702	798	31,500	21,899
Prepaid items	110	2,075	2,185	4,672
Restricted cash and investments	2,208,511	-	2,208,511	2,138,759
Long-term advance due to other funds	-	-	-	180,000
Capital assets				
Land	168,265	1,572,756	1,741,021	1,741,021
Land improvements	-	3,643,865	3,643,865	3,643,865
Buildings	5,275,537	384,929	5,660,466	5,660,466
Machinery and equipment	1,718,295	18,926	1,737,221	1,716,401
Infrastructure	7,886,532	-	7,886,532	7,860,110
Construction work in progress	52,572	-	52,572	24,801
Less accumulated depreciation	(8,111,971)	(1,245,328)	(9,357,299)	(8,717,322)
Net capital assets	6,989,230	4,375,148	11,364,378	11,929,342
TOTAL ASSETS	10,520,134	4,787,217	15,307,351	15,701,247
LIABILITIES				
Accounts payable	15,313	4,390	19,703	64,656
Accrued and other current liabilities	15,668	-	15,668	16,359
Due to other funds	-	-	-	1,875
Deposits	-	46,607	46,607	77,795
Accrued interest	4,512	21,397	25,909	60,439
Long-term advance due to other funds	-	815,017	815,017	850,000
Long-term obligations				
Due within one year	136,900	88,750	225,650	188,950
Due in more than one year	1,105,085	1,855,000	2,960,085	3,186,057
TOTAL LIABILITIES	1,277,478	2,831,161	4,108,639	4,446,131
NET POSITION				
Net investment in capital assets	5,758,730	2,431,398	8,190,128	8,566,142
Restricted for plant replacement	2,033,001	-	2,033,001	1,129,117
Restricted for impact fee projects	175,510	-	175,510	149,297
Unrestricted	1,275,415	(475,342)	800,073	1,410,560
TOTAL NET POSITION	\$ 9,242,656	\$ 1,956,056	\$ 11,198,712	\$ 11,255,116

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 Position
Proprietary Fund Type - Enterprise Funds
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Utility	Marina	Totals	
			2012	2011
Operating Revenues				
Charges for services				
Residential	\$ 476,276	\$ -	\$ 476,276	\$ 448,813
Commercial	303,677	-	303,677	291,725
Public authorities	23,847	-	23,847	24,154
Public fire protection	93,451	-	93,451	92,358
Private fire protection	7,282	-	7,282	7,280
Unmetered sales	784	-	784	930
Sales for resale	10,317	-	10,317	9,472
Docking and launch charges	-	510,201	510,201	509,895
Marina services	-	465	465	1,495
Product and vending sales	-	7,999	7,999	9,929
Other operating revenues				
Forfeited discounts	2,325	-	2,325	2,302
Rental income	6,245	20,000	26,245	25,880
Services to other systems	70,078	-	70,078	60,876
Other sewage services	98,621	-	98,621	71,331
Marina fest	-	8,209	8,209	8,293
Other revenues	20,710	2,940	23,650	26,277
Total Operating Revenues	1,113,613	549,814	1,663,427	1,591,010
Operating Expenses				
Operation and maintenance	421,946	170,776	592,722	741,438
Administrative and general	223,122	61,855	284,977	291,624
Depreciation	428,265	225,577	653,842	649,262
Taxes	20,335	7,197	27,532	26,559
Total Operating Expenses	1,093,668	465,405	1,559,073	1,708,883
Operating Income (Loss)	19,945	84,409	104,354	(117,873)
Nonoperating Revenues (Expenses)				
Interest income	26,531	2,212	28,743	30,967
Connection fees	5,702	-	5,702	9,004
Impact fees	105,699	-	105,699	83,267
Interest on long-term debt	(58,187)	(102,141)	(160,328)	(209,269)
Miscellaneous nonoperating income (expense)	5,302	-	5,302	(4,444)
Total Nonoperating Revenues (Expenses)	85,047	(99,929)	(14,882)	(90,475)
Net Loss before Transfers and Contributions	104,992	(15,520)	89,472	(208,348)
Transfer in	-	-	-	2,068,898
Transfer out	-	(158,376)	(158,376)	(112,438)
Capital contributions	12,500	-	12,500	209,015
Change in Net Position	117,492	(173,896)	(56,404)	1,957,127
Prior period adjustment	-	-	-	213,000
Net Position - January 1	9,125,164	2,129,952	11,255,116	9,084,989
Net Position - December 31	\$ 9,242,656	\$ 1,956,056	\$ 11,198,712	\$ 11,255,116

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, 2012

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

	Utility	Marina	Totals	
			2012	2011
Cash Flows from Operating Activities				
Cash received from user charges	\$ 1,126,447	\$ 518,516	\$ 1,644,963	\$ 1,598,306
Cash received from other governments	19,887	-	19,887	26,354
Cash payments to suppliers	(444,220)	(149,162)	(593,382)	(698,064)
Cash payments to employees	(281,459)	(83,470)	(364,929)	(319,897)
Net Cash Provided by Operating Activities	420,655	285,884	706,539	606,699
Cash Flows from Noncapital Financing Activities				
Changes in assets and liabilities				
Transfer for property tax equivalent	-	(158,376)	(158,376)	(112,438)
Transfer from special revenue fund	-	-	-	438,838
Due to other funds	(1,313)	56,169	54,856	(14,466)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,313)	(102,207)	(103,520)	311,934
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(76,377)	-	(76,377)	(962,342)
Contributions from property owners	15,125	-	15,125	75,978
Impact fees received	105,699	-	105,699	83,267
Proceeds from issuance of long-term debt	-	-	-	1,872,500
Receipts (payments) on long-term advances	180,000	(34,983)	145,017	850,000
Principal payments of long-term debt	(110,200)	(78,750)	(188,950)	(2,036,000)
Interest payments on long-term debt	(58,554)	(136,305)	(194,859)	(212,081)
Net Cash Provided (Used) by Capital and Related Financing Activities	55,693	(250,038)	(194,345)	(328,678)
Cash Flows from Investing Activities				
Interest income	26,531	2,212	28,743	30,967
Net Change in Cash and Cash Equivalents	501,566	(64,149)	437,417	620,922
Cash and Cash Equivalents - January 1	2,517,931	473,163	2,991,094	2,370,172
Cash and Cash Equivalents - December 31	\$ 3,019,497	\$ 409,014	\$ 3,428,511	\$ 2,991,094
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and investments	\$ 810,986	\$ 409,014	\$ 1,220,000	\$ 852,335
Restricted cash and investments	2,208,511	-	2,208,511	2,138,759
Total Cash and Cash Equivalents	\$ 3,019,497	\$ 409,014	\$ 3,428,511	\$ 2,991,094
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 19,945	\$ 84,409	\$ 104,354	\$ (117,873)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	428,265	225,577	653,842	649,262
Miscellaneous income	11,004	-	11,004	4,560
Changes in assets and liabilities				
Accounts receivable	25,677	(110)	25,567	(27,960)
Due from other governments	(3,960)	-	(3,960)	2,200
Inventory	(12,450)	2,849	(9,601)	(6,170)
Prepaid expenses	(110)	2,597	2,487	(4,167)
Accounts payable	(48,850)	3,897	(44,953)	48,478
Accrued liabilities	1,456	(2,147)	(691)	3,519
Deposits	-	(31,188)	(31,188)	54,850
Compensated absences	(322)	-	(322)	-
Net Cash Provided by Operating Activities	\$ 420,655	\$ 285,884	\$ 706,539	\$ 606,699
Noncash Investing, Capital and Financing Activities				
Capital asset additions contributed by land owners	\$ 12,500	\$ -	\$ 12,500	\$ -

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, 2012

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 2012, the Village remitted \$100,199 to the joint fire department. The Village has an equity interest in the net position of the Sister Bay/Liberty Grove Joint Fire Department. At December 31, 2012 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 2012, the Village remitted an operating appropriation of \$25,752 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.

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 2012, the Village of Sister Bay received \$125,986 of room tax from the Tourism Zone. Complete financial information for the Door County Tourism Zone Commission can be obtained from their office in Sister Bay.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The Village has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

GENERAL FUND

This is the Village's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUND

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

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 funds:

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.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 enterprise funds 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, if appropriate, then unrestricted resources, as they are needed.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position of Fund Balance

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 position 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.

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.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of \$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 Outflows/Inflows of Resources

The Village implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied.

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 position. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

j. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of government funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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 position and displayed in three components:

- Net investment in capital assets - 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 position - Amount of net position that is 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 position - Net position that is neither classified as restricted nor as net investment in capital assets.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2011, from which the summarized information was derived.

9. Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

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, 2012.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

2. Deficit Fund Equity

Fund	Deficit Fund Equity
Debt Service	\$ <u>168,285</u>

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

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Village maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the Village's cash and investments totaled \$6,554,936 on December 31, 2012 as summarized below:

Petty cash funds	\$ 55
Deposits with financial institutions	5,579,408
Investments:	
Repurchase agreements	<u>975,473</u>
	<u>\$ 6,554,936</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 4,346,425
Restricted cash and investments	<u>2,208,511</u>
	<u>\$ 6,554,936</u>

Deposits and investments of the Village are subject to various risks. Presented below is a discussion of the Village's deposits and investments and the related risks.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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. As of January 1, 2013 the Village's noninterest-bearing transaction accounts are combined with its interest-bearing demand deposits for FDIC insurance coverage. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2012, \$390,807 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, 2012, the Village held repurchase agreement investments of \$975,473 of which the underlying securities are held by a third party 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.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Restricted Assets

Restricted assets on December 31, 2012 totaled \$2,208,511 and consisted of cash and investments held for the following purposes:

Enterprise Fund

Water Department	
Plant replacement	\$ 228,331
Wastewater Department	
Plant replacement	841,153
Collection system replacement	97,436
Bay Shore Drive relay fund	866,081
Impact fee collections	175,510
Total Restricted Assets	<u>\$ 2,208,511</u>

4. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,057,453	\$ -	\$ -	\$ 9,057,453
Construction in progress	283,059	126,825	6,091	403,793
Total capital assets, not being depreciated	9,340,512	126,825	6,091	9,461,246
Capital assets, being depreciated:				
Land improvements	1,996,938	42,807	-	2,039,745
Buildings	3,237,439	-	-	3,237,439
Machinery and equipment	336,440	32,080	6,714	361,806
Infrastructure	1,089,916	-	-	1,089,916
Subtotals	6,660,733	74,887	6,714	6,728,906
Less accumulated depreciation for:				
Land improvements	376,769	61,801	-	438,570
Buildings	775,221	70,076	-	845,297
Machinery and equipment	181,119	16,783	6,043	191,859
Infrastructure	304,668	49,776	-	354,444
Subtotals	1,637,777	198,436	6,043	1,830,170
Total capital assets, being depreciated, net	5,022,956	(123,549)	671	4,898,736
Governmental activities capital assets, net	<u>\$ 14,363,468</u>	<u>\$ 3,276</u>	<u>\$ 6,762</u>	14,359,982
Less related long-term debt outstanding				<u>12,385,750</u>
Net investment in capital assets				<u>\$ 1,974,232</u>

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,741,021	\$ -	\$ -	\$ 1,741,021
Construction in progress	24,801	27,771	-	52,572
Total capital assets, not being depreciated	<u>1,765,822</u>	<u>27,771</u>	<u>-</u>	<u>1,793,593</u>
Capital assets, being depreciated:				
Land improvements	3,643,865	-	-	3,643,865
Buildings	5,660,466	-	-	5,660,466
Machinery and equipment	1,716,401	28,115	7,295	1,737,221
Infrastructure	7,860,110	32,992	6,570	7,886,532
Subtotals	<u>18,880,842</u>	<u>61,107</u>	<u>13,865</u>	<u>18,928,084</u>
Less accumulated depreciation for:				
Land improvements	971,015	209,395	-	1,180,410
Buildings	1,203,197	194,408	-	1,397,605
Machinery and equipment	1,108,945	101,345	13,865	1,196,425
Infrastructure	5,434,165	148,694	-	5,582,859
Subtotals	<u>8,717,322</u>	<u>653,842</u>	<u>13,865</u>	<u>9,357,299</u>
Total capital assets, being depreciated, net	<u>10,163,520</u>	<u>(592,735)</u>	<u>-</u>	<u>9,570,785</u>
Business-type activities capital assets, net	<u>\$ 11,929,342</u>	<u>\$ (564,964)</u>	<u>\$ -</u>	<u>11,364,378</u>
Less related long-term debt outstanding				<u>3,174,250</u>
Net investment in capital assets				<u>\$ 8,190,128</u>
Depreciation expense was charged to functions of the Village as follows:				
Governmental activities				
General government				\$ 78,724
Parks and streets				119,712
Total depreciation expense - governmental activities				<u>\$ 198,436</u>
Business-type activities				
Marina				\$ 225,577
Water utility				103,511
Wastewater utility				324,754
Total depreciation expense - business-type activities				<u>\$ 653,842</u>

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

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, 2012 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds		
General Fund	\$ 172,784	\$ 17,856
Debt Service Fund	-	172,784
Capital Projects Fund	1,887	-
TID Fund	-	1,887
Utility Enterprise Fund	17,856	-
Long-term Advance		
TID Fund	815,017	-
Marina Enterprise Fund	-	815,017
Totals	\$ 1,007,544	\$ 1,007,544

In 2011, \$850,000 was advanced to the Marina enterprise fund from the TID fund. A balance of \$815,017 was outstanding on December 31, 2012. The advance is presently scheduled to be repaid over 20 years ending in 2031.

Interfund transfers for the year ended December 31, 2012 were as follows:

Transfer In	Transfer Out	Purpose	Amount
Governmental Funds			
General	Water utility	Payment in lieu of tax	\$ 158,376
Capital Projects	General	Capital outlay	240,988
Ice Rink	General	Operations	5,000
Debt Service	Capital projects	Retirement of debt	160,000
Total Governmental Funds			<u>\$ 564,364</u>
Government fund transfers in			\$ 564,364
Less: Fund eliminations			<u>(405,988)</u>
Total Transfers - Government-wide Statement of Activities			<u>\$ 158,376</u>

VILLAGE OF SISTER BAY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2012:

	Outstanding 1/1/12	Issued	Retired	Outstanding 12/31/12	Due Within One Year
Governmental activities:					
General Obligation Debt					
Refunding bonds	\$ 12,681,800	\$ -	\$ 296,050	\$ 12,385,750	\$ 374,350
Compensated absences	21,438	-	321	21,117	-
Governmental activities					
Long-term obligations	<u>\$ 12,703,238</u>	<u>\$ -</u>	<u>\$ 296,371</u>	<u>\$ 12,406,867</u>	<u>\$ 374,350</u>
Business-type activities:					
General Obligation Debt					
Refunding bonds	\$ 3,363,200	\$ -	\$ 188,950	\$ 3,174,250	\$ 225,650
Compensated absences	11,807	-	322	11,485	-
Business-type activities					
Long-term obligations	<u>\$ 3,375,007</u>	<u>\$ -</u>	<u>\$ 189,272</u>	<u>\$ 3,185,735</u>	<u>\$ 225,650</u>

Total interest paid during the year on long-term debt totaled \$511,012.

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; \$500,000 to \$625,000 due annually through 2019; interest 4.0% to 4.75%	\$ 3,760,000
\$5,350,000 issued 4/26/11; \$25,000 to \$500,000 due annually through 2031; interest 2.0% to 5.0%	5,325,000
\$6,500,000 issued 5/24/11; \$75,000 to \$600,000 due annually through 2031; interest 2.0% to 5.0%	<u>6,475,000</u>
Total Outstanding General Obligation Debt	<u>\$ 15,560,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$15,560,000 on December 31, 2012 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 374,350	\$ 673,276	\$ 225,650	\$ 177,859	\$ 600,000	\$ 851,135
2014	460,150	508,154	164,850	136,349	625,000	644,503
2015	536,400	494,339	188,600	127,273	725,000	621,612
2016	599,700	477,923	210,300	120,893	810,000	598,816
2017	659,250	458,369	240,750	113,447	900,000	571,816
2018-2022	2,834,650	1,915,075	840,350	416,212	3,675,000	2,331,287
2023-2027	3,452,500	1,331,377	647,500	257,720	4,100,000	1,589,097
2028-2031	3,468,750	529,841	656,250	100,909	4,125,000	630,750
	<u>\$ 12,385,750</u>	<u>\$ 6,388,354</u>	<u>\$ 3,174,250</u>	<u>\$ 1,450,662</u>	<u>\$ 15,560,000</u>	<u>\$ 7,839,016</u>

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The Village's legal margin for creation of additional general obligation debt on December 31, 2012 was \$4,922,345 as follows:

Equalized valuation of the Village	\$ 409,646,900
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	20,482,345
Outstanding general obligation debt applicable to debt limitation	<u>15,560,000</u>
Legal Margin for New Debt	<u><u>\$ 4,922,345</u></u>

7. Minimum Fund Balance Policy

The Village Board has adopted a policy that fund balance in the amount of 20% of the budgeted general fund expenditures be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2013 General Fund Expenditures	\$ 1,498,983
Minimum Fund Balance %	<u>x 20%</u>
Minimum Fund Balance Amount	<u><u>\$ 299,797</u></u>

The Village's unassigned general fund balance of \$523,912 exceeds the minimum fund balance amount.

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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

VILLAGE OF SISTER BAY, WISCONSIN

Notes to Basic Financial Statements

December 31, 2012

NOTE D - OTHER INFORMATION (Continued)

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2012	
	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for Village employees covered by the WRS for the year ended December 31, 2012 was \$377,388; the employer's total payroll was \$691,031. The total required contribution for the year ended December 31, 2012 was \$44,532, which consisted of \$22,266 or 5.9% of covered payroll from the employer, and \$22,266, or 5.9% of covered payroll from employees. Total contributions for the years ended December 31, 2011 and 2010 were \$42,098 and \$39,274, 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. A 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 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be 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 that 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, 2012

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, 2012 from future excess tax increment revenues follows:

	TID No. 1
Net Unreimbursed Project Costs	<u>\$ 2,678,068</u>

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 2012 and 2013 budget years, Wisconsin statutes limit the increase in the maximum allowable tax levy to the percentage 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%. The actual limit for the Village for the 2013 budget was 1.6%. 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.

6. Subsequent Event

As described in Note C.1, the FDIC insurance coverage changed on January 1, 2013. At that date, noninterest-bearing transaction (demand deposit) accounts changed from fully insured to a \$250,000 limit for the total of noninterest-bearing and interest-bearing demand deposit accounts. As of January 1, 2013 the Village's uninsured balance was \$769,759.

SUPPLEMENTARY INFORMATION

VILLAGE OF SISTER BAY, WISCONSIN
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2012
 (With Comparative Amounts as of December 31, 2011)

	Ice Rink	Skate Park	Total Governmental Funds	
			2012	2011
ASSETS				
Cash and investments	\$ 15,076	\$ 2,646	\$ 17,722	\$ 11,363
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 56	\$ -	\$ 56	\$ 1,764
Fund Balances				
Committed for				
Ice rink	15,020	-	15,020	7,214
Skate park	-	2,646	2,646	2,385
Total Fund Balances	15,020	2,646	17,666	9,599
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,076	\$ 2,646	\$ 17,722	\$ 11,363

VILLAGE OF SISTER BAY, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2012
(With Comparative Amounts for the Year Ended December 31, 2011)

	Ice Rink	Skate Park	Total Governmental Funds	
			2012	2011
Revenues				
Public charges for services	\$ 11,550	\$ 261	\$ 11,811	\$ 10,116
Miscellaneous	761	-	761	2,029
Total Revenues	12,311	261	12,572	12,145
Expenditures				
Current				
Parks and streets	9,505	-	9,505	31,464
Excess of Revenues Over (Under) Expenditures	2,806	261	3,067	(19,319)
Other Financing Sources				
Transfers in	5,000	-	5,000	5,000
Net Change in Fund Balances	7,806	261	8,067	(14,319)
Fund Balances - January 1	7,214	2,385	9,599	23,918
Fund Balances - December 31	\$ 15,020	\$ 2,646	\$ 17,666	\$ 9,599

VILLAGE OF SISTER BAY, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Revenues

For the Year Ended December 31, 2012

(With Comparative Amounts for the Year Ended December 31, 2011)

	Budget		Actual	Variance with Final Budget Positive (Negative)	Actual 2011
	Original	Final			
Taxes					
General property	\$ 1,075,943	\$ 1,075,943	\$ 1,076,000	\$ 57	\$ 1,313,532
Managed forestland taxes	57	57	30	(27)	56
Interest and penalties on taxes	150	150	350	200	257
Total Taxes	1,076,150	1,076,150	1,076,380	230	1,313,845
Intergovernmental					
State					
Fire insurance	12,000	12,000	12,824	824	11,715
Transportation	64,737	64,737	64,737	-	71,930
Shared taxes	9,108	9,108	9,036	(72)	12,047
Exempt computer aid	750	750	696	(54)	776
Forest cropland	4	4	-	(4)	4
County recycling rebates	9,000	9,000	5,418	(3,582)	9,283
Total Intergovernmental	95,599	95,599	92,711	(2,888)	105,755
Licenses and Permits					
Liquor	8,000	8,000	8,333	333	8,142
Operators	500	500	740	240	625
Soda	130	130	115	(15)	135
Cigarette	25	25	40	15	25
Dog	7	7	12	5	13
Zoning	2,000	2,000	4,225	2,225	1,875
Building permits	23,000	23,000	14,268	(8,732)	26,482
Other permits	600	600	1,970	1,370	1,230
Total Licenses and Permits	34,262	34,262	29,703	(4,559)	38,527
Fines, Forfeits & Penalties					
Court fines and citations	250	250	175	(75)	482
Parking tickets	500	500	1,000	500	694
Total Fines, Forfeits & Penalties	750	750	1,175	425	1,176
Public Charges for Services					
Publication fees	400	400	460	60	420
Subdivision plat fees	-	-	100	100	-
Plan commission fees	-	-	600	600	280
Snow plowing and sanding fees	1,200	1,200	1,433	233	1,410
Services to other governments	10,500	10,500	9,132	(1,368)	9,202
Festivals and event fees	500	500	592	92	473
Miscellaneous fees	8,000	8,000	9,297	1,297	8,650
Total Public Charges for Services	20,600	20,600	21,614	1,014	20,435
Miscellaneous					
Rental income	24,450	24,450	24,702	252	24,385
Interest on investments	2,500	2,500	1,719	(781)	2,365
Miscellaneous	600	600	13,535	12,935	2,291
Total Miscellaneous	27,550	27,550	39,956	12,406	29,041
Total Revenues	\$ 1,254,911	\$ 1,254,911	\$ 1,261,539	\$ 6,628	\$ 1,508,779

VILLAGE OF SISTER BAY, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Expenditures

For the Year Ended December 31, 2012

(With Comparative Amounts for the Year Ended December 31, 2011)

	Budget		Actual	Variance with Final Budget Positive (Negative)	Actual 2011
	Original	Final			
General Government					
Direct employee costs	\$ 33,757	\$ 33,757	\$ 36,156	\$ (2,399)	\$ 34,202
Indirect employee costs	2,600	2,600	1,631	969	1,674
Utility costs	98,250	98,250	87,462	10,788	97,693
Supplies	7,100	7,100	4,809	2,291	7,362
Other services	124,538	124,538	113,638	10,900	120,252
Maintenance	30,500	30,500	28,663	1,837	8,802
Support	191,947	191,947	192,375	(428)	186,152
Miscellaneous/Contingency	26,100	26,100	4,388	21,712	17,211
Total General Government	514,792	514,792	469,122	45,670	473,348
Administration					
Direct employee costs	184,242	184,242	187,017	(2,775)	183,861
Indirect employee costs	5,550	5,550	4,137	1,413	4,315
Utility costs	4,900	4,900	4,850	50	4,838
Supplies	16,300	16,300	17,490	(1,190)	15,553
Other services	12,300	12,300	13,193	(893)	11,486
Maintenance	850	850	361	489	349
Total Administration	224,142	224,142	227,048	(2,906)	220,402
Parks and Streets					
Direct employee costs	202,242	207,442	192,563	14,879	190,748
Indirect employee costs	1,775	1,775	883	892	836
Utility costs	58,650	58,650	54,946	3,704	54,978
Supplies	11,600	6,800	6,804	(4)	8,590
Recreational programs	9,000	9,000	9,432	(432)	9,744
Other services	128,250	128,250	123,265	4,985	119,418
Maintenance	73,687	73,287	49,591	23,696	74,613
Vehicles	27,000	27,000	19,702	7,298	26,173
Total Parks and Streets	512,204	512,204	457,186	55,018	485,100
Total Expenditures	\$ 1,251,138	\$ 1,251,138	\$ 1,153,356	\$ 97,782	\$ 1,178,850

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, 2012
(With Comparative Amounts for the Year Ended December 31, 2011)

	Budget		Actual	Variance with Final Budget Positive (Negative)	Actual 2011
	Original	Final			
Revenues					
Taxes					
General property	\$ 849,000	\$ 849,000	\$ 849,000	\$ -	\$ 547,570
Room taxes	124,000	124,000	125,986	1,986	121,995
Total Taxes	<u>973,000</u>	<u>973,000</u>	<u>974,986</u>	<u>1,986</u>	<u>669,565</u>
Miscellaneous					
Interest on investments	717	717	-	(717)	1,491
Total Revenues	<u>973,717</u>	<u>973,717</u>	<u>974,986</u>	<u>1,269</u>	<u>671,056</u>
Expenditures					
Debt Service					
Principal	296,050	296,050	296,050	-	321,500
Interest and fiscal charges	673,274	673,274	673,274	-	302,870
Total Expenditures	<u>969,324</u>	<u>969,324</u>	<u>969,324</u>	<u>-</u>	<u>624,370</u>
Excess of Revenues Over (Under)					
Expenditures	<u>4,393</u>	<u>4,393</u>	<u>5,662</u>	<u>1,269</u>	<u>46,686</u>
Other Financing Sources (Uses)					
Debt proceeds	-	-	-	-	9,977,500
Debt refunding payment	-	-	-	-	(9,977,500)
Transfers in	160,000	160,000	160,000	-	-
Transfers out	(530,000)	(530,000)	-	530,000	-
Total Other Financing Sources (Uses)	<u>(370,000)</u>	<u>(370,000)</u>	<u>160,000</u>	<u>530,000</u>	<u>-</u>
Net Change in Fund Balance	<u>(365,607)</u>	<u>(365,607)</u>	<u>165,662</u>	<u>531,269</u>	<u>46,686</u>
Fund Balance (Deficit) - January 1	<u>(333,947)</u>	<u>(333,947)</u>	<u>(333,947)</u>	<u>-</u>	<u>(380,633)</u>
Fund Balance (Deficit) - December 31	<u>\$ (699,554)</u>	<u>\$ (699,554)</u>	<u>\$ (168,285)</u>	<u>\$ 531,269</u>	<u>\$ (333,947)</u>

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Water Department Operating Revenues and Expenses
For the Year Ended December 31, 2012
(With Comparative Amounts for the Year Ended December 31, 2011)

	2012	2011
Operating Revenues		
Sales of water		
Residential sales	\$ 140,965	\$ 136,653
Commercial sales	85,189	87,279
Public authorities	11,267	11,291
Public fire protection	93,451	92,358
Private fire protection	7,282	7,280
Unmetered sales	553	919
Sales for resale	10,317	9,472
Total Sales of Water	<u>349,024</u>	<u>345,252</u>
Other operating		
Forfeited discounts	801	804
Rent	4,800	4,800
Services to other systems	6,560	5,516
Other water revenues	15,627	19,507
Total Other Operating	<u>27,788</u>	<u>30,627</u>
Total Operating Revenues	<u>376,812</u>	<u>375,879</u>
Operating Expenses		
Operation and maintenance		
Supervision and labor	74,841	74,036
Power purchased for pumping	20,169	23,072
Chemicals	1,287	1,396
Operating supplies and expenses	1,740	3,875
Repairs of water plant	7,536	186,508
Transportation expense	3,666	4,450
Total Operation and Maintenance	<u>109,239</u>	<u>293,337</u>
General and administrative		
Administrative and general salaries	21,208	20,932
Office supplies and expenses	8,878	6,951
Outside services employed	12,082	9,595
Insurance expense	5,708	3,187
Employee pensions and benefits	35,136	29,220
Miscellaneous general expenses	4,295	4,416
Total General and Administrative	<u>87,307</u>	<u>74,301</u>
Depreciation	100,380	97,781
Taxes	7,610	7,773
Total Operating Expenses	<u>304,536</u>	<u>473,192</u>
Operating Income (Loss)	<u>\$ 72,276</u>	<u>\$ (97,313)</u>

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Wastewater Department Operating Revenues and Expenses
For the Year Ended December 31, 2012
(With Comparative Amounts for the Year Ended December 31, 2011)

	2012	2011
Operating Revenues		
Sewage service		
Residential	\$ 335,311	\$ 312,160
Commercial	218,488	204,446
Service to public authorities	12,580	12,863
Total Sewage Service	<u>566,379</u>	<u>529,469</u>
Other operating		
Forfeited discounts	1,524	1,498
Rent	1,445	1,080
Services to other systems	63,518	55,360
Other sewage service	98,621	71,331
Miscellaneous	5,314	6,518
Total Other Operating	<u>170,422</u>	<u>135,787</u>
 Total Operating Revenues	 <u>736,801</u>	 <u>665,256</u>
Operating Expenses		
Operation and maintenance		
Supervision and labor	130,808	127,632
Power purchased for pumping	59,864	70,522
Chemicals	17,065	18,902
Operating supplies and expenses	7,382	13,072
Maintenance of collection system	15,461	19,194
Maintenance of treatment and disposal equipment	48,847	43,238
Maintenance of general plant structures and equipment	1,867	4,994
Transportation expense	6,652	9,543
Sludge expense	22,898	23,265
Total Operation and Maintenance	<u>310,844</u>	<u>330,362</u>
General and administrative		
Administrative and general salaries	35,401	32,256
Office supplies and expenses	12,601	9,772
Outside services employed	20,051	15,613
Insurance expense	8,853	8,086
Employee pensions and benefits	55,126	49,220
Miscellaneous general expenses	5,646	6,743
Total General and Administrative	<u>137,678</u>	<u>121,690</u>
Depreciation	327,885	325,904
Taxes - FICA	<u>12,725</u>	<u>12,483</u>
 Total Operating Expenses	 <u>789,132</u>	 <u>790,439</u>
 Operating Loss	 <u>\$ (52,331)</u>	 <u>\$ (125,183)</u>

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Marina Operating Revenues and Expenses
For the Year Ended December 31, 2012
(With Comparative Amounts for the Year Ended December 31, 2011)

	2012	2011
Operating Revenues		
Marina service		
Docking and launch charges	\$ 510,201	\$ 509,895
Marina services	465	1,495
Product and vending sales	7,999	9,929
Total Marina Service	<u>518,665</u>	<u>521,319</u>
Other operating		
Building rent	20,000	20,000
Marina fest	8,209	8,293
Other	2,940	263
Total Other Operating	<u>31,149</u>	<u>28,556</u>
 Total Operating Revenues	 <u>549,814</u>	 <u>549,875</u>
Operating Expenses		
Operation and maintenance		
Supervision and labor	61,005	55,049
Operating supplies and expenses	40,826	28,925
Maintenance	48,644	32,278
Festival costs	20,301	27,375
Total Operation and Maintenance	<u>170,776</u>	<u>143,627</u>
General and administrative		
Administrative and general salaries	13,011	11,664
Office supplies and expenses	8,710	16,504
Outside services employed	7,677	4,428
Insurance expense	7,690	6,939
Employee pensions and benefits	17,120	12,957
Miscellaneous general expenses	7,647	17,253
Total General and Administrative	<u>61,855</u>	<u>69,745</u>
Depreciation	225,577	225,577
Taxes - FICA	7,197	6,303
 Total Operating Expenses	 <u>465,405</u>	 <u>445,252</u>
 Operating Income	 <u>\$ 84,409</u>	 <u>\$ 104,623</u>

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



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

Independent Auditors' Report

To the Village Board
Village of Sister Bay, Wisconsin

We have audited, in accordance with the 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the Village of Sister Bay's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated April 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Sister Bay, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village of Sister Bay, Wisconsin's internal control.

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 Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2012-01 that we consider to be a significant deficiency.



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 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*.

Village of Sister Bay, Wisconsin's Response to Findings

Village of Sister Bay, Wisconsin's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Village of Sister Bay, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Village of Sister Bay, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Sister Bay, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
April 1, 2013

VILLAGE OF SISTER BAY, WISCONSIN
Schedule of Findings and Responses
For the Year Ended December 31, 2012

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
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2012-01 Preparation of Annual Financial Report

Condition: Current Village staff maintain accounting records which reflect the Village's financial transactions; however, preparing the Village's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The Village contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.

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

Cause: Village management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect: Without our involvement, the Village may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the Village continue reviewing the annual financial report prepared by Schenck. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Village is necessary to obtain a complete and adequate understanding of the Village's annual 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. Currently, the Finance Director reviews the entries and approves the reports.

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, 2012.