

# **VILLAGE OF SULLIVAN**

Sullivan, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2012

# VILLAGE OF SULLIVAN

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## INDEPENDENT AUDITORS' REPORT

To the Village Board  
Village of Sullivan  
Sullivan, 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 Sullivan, 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 Sullivan's basic financial statements as listed in the table of contents.

### ***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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 of Sullivan'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 of Sullivan'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.

To the Village Board  
Village of Sullivan

**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 of Sullivan, Wisconsin, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note I, the Village of Sullivan adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinion is not modified with respect to this matter.

**Other Matter**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Baker Tilly Vuchow Krause, LLP*

Madison, Wisconsin

March 19, 2013

# VILLAGE OF SULLIVAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED As of and for the Year Ended December 31, 2012

The management of the Village of Sullivan, Wisconsin offers readers of the village's financial statements this narrative overview and analysis of the financial activities of the village for the fiscal year ending December 31, 2012. We encourage readers to consider the information presented here in conjunction with the village's financial statements.

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### **FINANCIAL HIGHLIGHTS**

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- > The total assets of the Village of Sullivan, including the sewer utility, exceeded its liabilities at the close of the most recent fiscal year by \$3,890,222 (*net position*). Of this amount, \$1,435,875 (*unrestricted net position*) may be used to meet the government's obligations to citizens and creditors.
  - > The village's total net position, including the sewer utility, increased by \$92,335.
  - > As of the close of the current fiscal year, the Village of Sullivan's governmental funds reported combined ending fund balances of \$599,371, an increase of \$90,618 in comparison with the prior year.
  - > At the end of the current fiscal year, the village had committed fund balance of \$34,125 and assigned fund balance of \$565,246. There was no unassigned fund balance for the general fund as of December 31, 2012.
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### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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This discussion and analysis is intended to serve as an introduction to the village's basic financial statements. The village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### ***GOVERNMENT-WIDE STATEMENTS***

The government-wide financial statements are designed to provide readers with a broad overview of the village's finances, in a manner similar to a private – sector business.

The *Statement of Net Position* presents information on all of the village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the village is improving or deteriorating. To assess the overall health of the village you need to consider additional non-financial factors such as changes in the village's property tax base and the condition of the village's infrastructure.

The *Statement of Activities* presents information showing how the village's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

# VILLAGE OF SULLIVAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED As of and for the Year Ended December 31, 2012

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### **OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)**

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#### ***GOVERNMENT-WIDE STATEMENTS (cont.)***

Both of the government-wide financial statements distinguish functions of the village that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the village include general government; public safety; public works; leisure activities; and conservation and development. The business-type activities of the Village of Sullivan include the sewer utility.

The government-wide financial statements can be found on pages 1 to 3 of this report.

#### ***FUND FINANCIAL STATEMENTS***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the fire department fund and debt service fund. The general fund and debt service fund are considered to be major funds. The fire department is a nonmajor fund.

The basic governmental fund financial statements can be found on pages 4 and 6 of this report.

# VILLAGE OF SULLIVAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED As of and for the Year Ended December 31, 2012

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### OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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#### *FUND FINANCIAL STATEMENTS (cont.)*

*Proprietary Funds* – The village maintains one (1) proprietary fund- the Sewer Utility. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 8 to 11 of this report.

*Fiduciary Funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 12 of this report.

*Notes to the Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 to 38 of this report.

*Other Information* – In addition to the basic financial statements and accompanying notes, *required supplementary information* presents a detailed budgetary comparison schedule for the General Fund to demonstrate compliance with the budget. This schedule can be found on pages 39 to 41 of this report.

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### FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

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An analysis of the village's financial position begins with a review of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. These two statements report the village's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Village of Sullivan, total assets exceeded liabilities by \$3,890,222 as of December 31, 2012.

The largest portion of the village's net position (approximately 62%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The village uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## VILLAGE OF SULLIVAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED As of and for the Year Ended December 31, 2012

#### FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

A summary of the village's Statement of Net Position for 2012 and 2011 is presented in the table below.

#### VILLAGE OF SULLIVAN'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 974,982	\$ 913,414	\$ 917,527	\$ 867,396	\$ 1,892,509	\$ 1,780,810
Capital assets	<u>2,062,030</u>	<u>2,125,471</u>	<u>1,382,083</u>	<u>1,436,573</u>	<u>3,444,113</u>	<u>3,562,044</u>
Total Assets	<u>3,037,012</u>	<u>3,038,885</u>	<u>2,299,610</u>	<u>2,303,969</u>	<u>5,336,622</u>	<u>5,342,854</u>
Long-term liabilities	964,608	1,109,526	9,878	8,469	974,486	1,117,995
Other liabilities	<u>468,872</u>	<u>422,231</u>	<u>3,042</u>	<u>4,741</u>	<u>471,914</u>	<u>426,972</u>
Total Liabilities	<u>1,433,480</u>	<u>1,531,757</u>	<u>12,920</u>	<u>13,210</u>	<u>1,446,400</u>	<u>1,544,967</u>
Net Position						
Invested in capital assets, net of related debt	1,040,024	1,034,004	1,382,083	1,436,573	2,422,107	2,470,577
Restricted	-	-	32,240	32,170	32,240	32,170
Unrestricted	<u>563,508</u>	<u>473,124</u>	<u>872,367</u>	<u>822,016</u>	<u>1,435,875</u>	<u>1,295,140</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,603,532</u>	<u>\$ 1,507,128</u>	<u>\$ 2,286,690</u>	<u>\$ 2,290,759</u>	<u>\$ 3,890,222</u>	<u>\$ 3,797,887</u>

The majority of the village's net position (approximately 62%) represent an investment in capital assets, net of related debt. An additional portion of the village's net position (approximately 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligation to citizens and creditors.

## VILLAGE OF SULLIVAN

MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED  
As of and for the Year Ended December 31, 2012

### FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

**Analysis of the Village's Operations** – The following table provides a summary of the village's operations for the years ended December 31, 2012 and 2011. Governmental activities increased the Village of Sullivan's net position by \$96,404. Business-type activities decreased the village's net position by \$4,069.

#### VILLAGE OF SULLIVAN CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 109,635	\$ 124,522	\$ 208,200	\$ 204,446	\$ 317,835	\$ 328,968
Operating grants and contributions	50,596	51,535	-	-	50,596	51,535
Capital grants and contributions	11,538	6,678	-	-	11,538	6,678
General Revenues						
Property taxes	177,049	175,408	-	-	177,049	175,408
Other taxes - debt service	114,697	120,776	-	-	114,697	120,776
Intergovernmental	53,600	51,487	-	-	53,600	51,487
Investment income	1,061	1,097	4,130	6,690	5,191	7,787
Miscellaneous	26,043	26,337	-	-	26,043	26,337
Total Revenues	<u>544,219</u>	<u>557,840</u>	<u>212,330</u>	<u>211,136</u>	<u>756,549</u>	<u>768,976</u>
<b>Expenses</b>						
General government	156,117	163,753	-	-	156,117	163,753
Public safety	86,166	102,462	-	-	86,166	102,462
Public Works	136,890	173,086	-	-	136,890	173,086
Leisure activities	10,546	11,174	-	-	10,546	11,174
Conservation and development	1,933	4,840	-	-	1,933	4,840
Interest and fiscal charges	56,163	58,207	-	-	56,163	58,207
Sewer utility	-	-	216,399	242,506	216,399	242,506
Total Expenses	<u>447,815</u>	<u>513,522</u>	<u>216,399</u>	<u>242,506</u>	<u>664,214</u>	<u>756,028</u>
Increase (decrease) in net position	96,404	44,318	(4,069)	(31,370)	92,335	12,948
NET POSITION – January 1	<u>1,507,128</u>	<u>1,462,810</u>	<u>2,290,759</u>	<u>2,322,129</u>	<u>3,797,887</u>	<u>3,784,939</u>
<b>NET POSITION – December 31</b>	<u><u>\$ 1,603,532</u></u>	<u><u>\$ 1,507,128</u></u>	<u><u>\$ 2,286,690</u></u>	<u><u>\$ 2,290,759</u></u>	<u><u>\$ 3,890,222</u></u>	<u><u>\$ 3,797,887</u></u>

# VILLAGE OF SULLIVAN

## MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED As of and for the Year Ended December 31, 2012

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### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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#### *GOVERNMENTAL FUNDS*

The focus of the Village of Sullivan's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the village's financing requirements. In particular, assigned and unassigned fund balances may serve as useful measures of the government's net resources available for spending at the end of the fiscal year.

At the end of current fiscal year, the Village of Sullivan's governmental funds reported combined ending fund balances of \$599,371. Approximately 94% of this total amount, \$565,246 constitutes assigned fund balance. The remainder of the fund balance (\$34,125) is committed to indicate that it is not available for new spending because it has already been committed for fire department expenditures.

**General Fund:** The general fund is the main operating fund of the village. The general fund balance increased from \$481,257 to \$565,246 an increase of \$83,989.

**Debt Service Fund:** The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than enterprise debt. There was no fund balance as of year end.

**Fire Department Fund:** The fire department fund reports the activities of the fire department separate bank accounts. Fund balance at year end is \$34,125.

#### *PROPRIETARY FUND*

The Village of Sullivan's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**Sewer Utility:** The Sullivan Sewer Utility is an enterprise fund of the Village of Sullivan. The operating loss for the year was \$8,199. Total decrease in net position was \$4,069.

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### GENERAL FUND BUDGETARY HIGHLIGHTS

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The final amended General Fund budget had total appropriations equal to the original budget. The village budgeted for a \$8,134 fund balance deficit and the actual result was an \$83,989 increase in fund balance.

## VILLAGE OF SULLIVAN

### MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED As of and for the Year Ended December 31, 2012

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#### CAPITAL ASSETS

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At the end of 2012, the village had invested a total of \$3,444,113 in capital assets (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, infrastructure and construction work in progress.

#### CAPITAL ASSETS AT YEAR-END NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 4,201	\$ 4,201	\$ 818	\$ 818	\$ 5,019	\$ 5,019
Right-of-way	124,539	124,539	-	-	124,539	124,539
Improvements	19,233	20,245	-	-	19,233	20,245
Buildings	273,115	277,417	-	-	273,115	277,417
Machinery and equipment	376,994	409,623	-	-	376,994	409,623
Infrastructure	1,263,948	1,289,446	-	-	1,263,948	1,289,446
Sewer plant	-	-	1,381,265	1,435,755	1,381,265	1,435,755
Totals	<u>\$ 2,062,030</u>	<u>\$ 2,125,471</u>	<u>\$1,382,083</u>	<u>\$ 1,436,573</u>	<u>\$ 3,444,113</u>	<u>\$ 3,562,044</u>

Additional information on the Village of Sullivan's capital assets can be found in note IV.D. of this report.

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#### LONG-TERM DEBT

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During 2012, the village retired debt of \$53,384, resulting in \$968,594 in general obligation debt outstanding bonds at the end of 2012.

Under Wisconsin State Statutes, Chapter 67, the Village of Sullivan's aggregate general obligation indebtedness may not exceed 5% of the equalized value of taxable property located in the village. The net amount of debt that is applicable to the statutory limit is \$968,594 which is 42% of the maximum allowed (\$2,306,705).

The business-type activities have no debt outstanding as of December 31, 2012.

## VILLAGE OF SULLIVAN

MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED  
As of and for the Year Ended December 31, 2012

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### LONG-TERM DEBT (cont.)

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#### VILLAGE OF SULLIVAN'S OUTSTANDING GENERAL OBLIGATION DEBT

	Governmental Activities	
	2012	2011
General obligation bonds	\$ 355,000	\$ 385,000
State Trust Fund Loan	606,260	636,978
Capital Leases	<u>7,334</u>	<u>69,489</u>
Total Outstanding Long-Term Obligations	<u>\$ 968,594</u>	<u>\$ 1,091,467</u>

Additional information on the Village of Sullivan's long-term debt can be found in footnote IV.F. of this report.

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### CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

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All currently known facts or economic conditions were considered in preparing this report.

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### REQUESTS FOR INFORMATION

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The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the village's finances. If you have questions about this report or need any additional information, contact the Village of Sullivan 500 Madison Avenue (Hwy. 18), Attn: Dale E. Horton, call 262 593 2388, or e-mail [clerk@villageofsullivan.com](mailto:clerk@villageofsullivan.com).

## VILLAGE OF SULLIVAN

### STATEMENT OF NET POSITION As of December 31, 2012

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 634,112	\$ 794,047	\$ 1,428,159
Taxes receivable	369,201	-	369,201
Accounts	1,000	49,693	50,693
Accrued interest	-	628	628
Internal balances	(40,919)	40,919	-
Unamortized debt issuance expense	11,588	-	11,588
Restricted assets	-	32,240	32,240
Capital assets (net of accumulated depreciation)			
Land	128,740	818	129,558
Other capital assets, net of depreciation	<u>1,933,290</u>	<u>1,381,265</u>	<u>3,314,555</u>
Total Assets	<u>3,037,012</u>	<u>2,299,610</u>	<u>5,336,622</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	43,993	3,042	47,035
Unearned revenue	348,577	-	348,577
Noncurrent liabilities			
Due within one year	76,302	-	76,302
Due in more than one year	<u>964,608</u>	<u>9,878</u>	<u>974,486</u>
Total Liabilities	<u>1,433,480</u>	<u>12,920</u>	<u>1,446,400</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,040,024	1,382,083	2,422,107
Restricted for			
Equipment replacement	-	32,240	32,240
Unrestricted	<u>563,508</u>	<u>872,367</u>	<u>1,435,875</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,603,532</u>	<u>\$ 2,286,690</u>	<u>\$ 3,890,222</u>

See accompanying notes to financial statements.

# VILLAGE OF SULLIVAN

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 156,117	\$ 2,988	\$ 3,165	\$ -
Public safety	86,166	65,834	17,439	-
Public works	136,890	39,690	29,992	11,538
Culture, recreation and education	10,546	-	-	-
Conservation and development	1,933	1,123	-	-
Interest and fiscal charges	<u>56,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>447,815</u>	<u>109,635</u>	<u>50,596</u>	<u>11,538</u>
Business-type Activities				
Sewer Utility	<u>216,399</u>	<u>208,200</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>216,399</u>	<u>208,200</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 664,214</u>	<u>\$ 317,835</u>	<u>\$ 50,596</u>	<u>\$ 11,538</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total General Revenues

### Change in Net Position

NET POSITION - Beginning of Year

**NET POSITION - END OF YEAR**

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Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (149,964)	\$ -	\$ (149,964)
(2,893)	-	(2,893)
(55,670)	-	(55,670)
(10,546)	-	(10,546)
(810)	-	(810)
<u>(56,163)</u>	<u>-</u>	<u>(56,163)</u>
<u>(276,046)</u>	<u>-</u>	<u>(276,046)</u>
<u>-</u>	<u>(8,199)</u>	<u>(8,199)</u>
<u>-</u>	<u>(8,199)</u>	<u>(8,199)</u>
<u>(276,046)</u>	<u>(8,199)</u>	<u>(284,245)</u>
177,049	-	177,049
114,697	-	114,697
53,600	-	53,600
1,061	4,130	5,191
<u>26,043</u>	<u>-</u>	<u>26,043</u>
<u>372,450</u>	<u>4,130</u>	<u>376,580</u>
96,404	(4,069)	92,335
<u>1,507,128</u>	<u>2,290,759</u>	<u>3,797,887</u>
<u>\$ 1,603,532</u>	<u>\$ 2,286,690</u>	<u>\$ 3,890,222</u>

See accompanying notes to financial statements.

## VILLAGE OF SULLIVAN

### BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2012

	General	Debt Service	Nonmajor Governmental Fund - Fire Department	Totals
<b>ASSETS</b>				
Cash and investments	\$ 599,987	\$ -	\$ 34,125	\$ 634,112
Receivables				
Taxes	264,131	105,070	-	369,201
Accounts	1,000	-	-	1,000
<b>TOTAL ASSETS</b>	<b>\$ 865,118</b>	<b>\$ 105,070</b>	<b>\$ 34,125</b>	<b>\$ 1,004,313</b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$ 13,716	\$ -	\$ -	\$ 13,716
Accrued liabilities	1,730	-	-	1,730
Due to other funds	40,919	-	-	40,919
Deferred revenues	243,507	105,070	-	348,577
Total Liabilities	299,872	105,070	-	404,942
Fund Balances				
Committed	-	-	34,125	34,125
Assigned	565,246	-	-	565,246
Total Fund Balances	565,246	-	34,125	599,371
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 865,118</b>	<b>\$ 105,070</b>	<b>\$ 34,125</b>	<b>\$ 1,004,313</b>

See accompanying notes to financial statements.

## VILLAGE OF SULLIVAN

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2012

---

Total Fund Balances - Governmental Funds	\$ 599,371
--	------------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II. A.	2,062,030
--	-----------

Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A.	<u>(1,057,869)</u>
--	--------------------

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,603,532</u></b>
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## VILLAGE OF SULLIVAN

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2012

	General	Debt Service	Nonmajor Governmental Fund - Fire Department	Totals
<b>REVENUES</b>				
Taxes	\$ 177,049	\$ 114,697	\$ -	\$ 291,746
Intergovernmental	89,474	11,538	-	101,012
Licenses and permits	16,948	-	-	16,948
Public charges for services	39,746	-	1,802	41,548
Intergovernmental charges for services	61,461	-	-	61,461
Investment income	954	-	107	1,061
Miscellaneous	18,886	-	11,557	30,443
Total Revenues	<u>404,518</u>	<u>126,235</u>	<u>13,466</u>	<u>544,219</u>
<b>EXPENDITURES</b>				
Current				
General government	154,343	-	-	154,343
Public safety	28,422	-	27,517	55,939
Public works	105,342	-	-	105,342
Culture, recreation and education	9,809	-	-	9,809
Conservation and development	1,933	-	-	1,933
Debt Service				
Principal	-	69,461	-	69,461
Interest and fiscal charges	-	56,774	-	56,774
Total Expenditures	<u>299,849</u>	<u>126,235</u>	<u>27,517</u>	<u>453,601</u>
Excess (deficiency) of revenues over expenditures	<u>104,669</u>	<u>-</u>	<u>(14,051)</u>	<u>90,618</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	20,680	20,680
Transfers out	(20,680)	-	-	(20,680)
Total Other Financing Sources (Uses)	<u>(20,680)</u>	<u>-</u>	<u>20,680</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	83,989	-	6,629	90,618
FUND BALANCES - Beginning of Year	<u>481,257</u>	<u>-</u>	<u>27,496</u>	<u>508,753</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 565,246</u>	<u>\$ -</u>	<u>\$ 34,125</u>	<u>\$ 599,371</u>

See accompanying notes to financial statements.

## VILLAGE OF SULLIVAN

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

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Net change in fund balances - total governmental funds	\$	90,618
--	----	--------

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Depreciation is reported in the government-wide financial statements	(63,441)
--	----------

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repaid	69,461
------------------	--------

Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net position, these are deferred and reported as other assets or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Amortization of debt discount and issuance costs	(643)
--	-------

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(845)
Accrued interest on debt	1,254

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>96,404</u></b>
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# VILLAGE OF SULLIVAN

## STATEMENT OF NET POSITION PROPRIETARY FUND As of December 31, 2012

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	<u>Sewer Utility</u>
<b>ASSETS</b>	
Current Assets	
Cash and investments	\$ 327,566
Interest receivable	628
Customer accounts receivable	49,693
Due from other funds	40,919
Cash and investments - depreciation account	<u>466,481</u>
Total Current Assets	<u>885,287</u>
Noncurrent Assets	
Restricted Assets	
Cash and investments - replacement account	32,240
Capital Assets	
Property and equipment	2,206,702
Less: Accumulated depreciation	<u>(824,619)</u>
Total Noncurrent Assets	<u>1,414,323</u>
Total Assets	<u>2,299,610</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	2,557
Accrued wages	<u>485</u>
Total Current Liabilities	<u>3,042</u>
Noncurrent Liabilities	
Compensated absences	<u>9,878</u>
Total Noncurrent Liabilities	<u>9,878</u>
Total Liabilities	<u>12,920</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,382,083
Restricted for	
Equipment replacement	32,240
Unrestricted	<u>872,367</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 2,286,690</b></u>

See accompanying notes to financial statements.

# VILLAGE OF SULLIVAN

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2012

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	<u>Sewer Utility</u>
<b>OPERATING REVENUES</b>	
Treatment charges	\$ 199,965
Other	<u>8,235</u>
Total Operating Revenues	<u>208,200</u>
<b>OPERATING EXPENSES</b>	
Operation and maintenance	150,419
Depreciation	<u>65,980</u>
Total Operating Expenses	<u>216,399</u>
Operating Income (Loss)	<u>(8,199)</u>
<b>NONOPERATING REVENUES</b>	
Investment income	<u>4,130</u>
Total Nonoperating Revenues	<u>4,130</u>
<b>Change in Net Position</b>	(4,069)
NET POSITION - Beginning of Year	<u>2,290,759</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 2,286,690</u>

See accompanying notes to financial statements.

# VILLAGE OF SULLIVAN

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2012

---

	<u>Sewer Utility</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from customers	\$ 197,022
Paid to suppliers for goods and services	(105,543)
Paid to employees for services	<u>(45,166)</u>
Net Cash Flows From Operating Activities	<u>46,313</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investments sold and matured	180,983
Investment income	4,130
Investments purchased	<u>(182,235)</u>
Net Cash Flows From Investing Activities	<u>2,878</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Special assessments received	870
Acquisition and construction of capital assets	<u>(11,490)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(10,620)</u>
<b>Net Change in Cash and Cash Equivalents</b>	38,571
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>574,456</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 613,027</u>

See accompanying notes to financial statements.

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	<u>Sewer Utility</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	\$ (8,199)
Adjustments to Reconcile Operating Loss to Net Cash	
Flows From Operating Activities	
Depreciation	65,980
Changes in assets and liabilities	
Accounts receivable	(474)
Due from other funds	(10,704)
Accounts payable	(1,228)
Compensated absences	1,409
Other current liabilities	<u>(471)</u>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>\$ 46,313</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS</b>	
Cash and investments - statement of net position	\$ 327,566
Restricted cash and investments - statement of net position	32,240
Cash and investments - depreciation account	<u>466,481</u>
Total Cash and Investments	826,287
Less: Noncash equivalents	<u>(213,260)</u>
<b>CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 613,027</u></b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
None	

See accompanying notes to financial statements.

**VILLAGE OF SULLIVAN**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
As of December 31, 2012

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 575,347
Taxes receivable	<u>244,128</u>
<b>TOTAL ASSETS</b>	<u>\$ 819,475</u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$ 819,475</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 819,475</u>

See accompanying notes to financial statements.

# VILLAGE OF SULLIVAN

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the Village of Sullivan, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

This report includes all of the funds of the Village of Sullivan. The reporting entity for the village consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable for the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. This report does not contain any component units.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

In June 2011, the GASB issued statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities.

The village made the decision to implement this standard effective January 1, 2012.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

##### ***Government-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The village does not allocate indirect expenses to functions in the statement of activities. 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 or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

##### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditure/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the village or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the village believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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## **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

---

### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

#### ***Fund Financial Statements (cont.)***

The village reports the following major governmental funds:

- General Fund - accounts for the village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than enterprise debt.

The village reports the following major enterprise fund:

- Sewer Utility - accounts for operations of the sewer system

The village reports the following nonmajor governmental fund:

- Special Revenue Fund - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Fire Department

In addition, the village reports the following fund type:

Agency fund is used to account for and report assets held by the village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection Fund

### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

#### ***Government-Wide Financial Statements***

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

##### ***Government-Wide Financial Statements (cont.)***

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the village's sewer and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the village is entitled the resources and the amounts are available. Amounts owed to the village which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The village reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the village has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the village has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

##### ***Fund Financial Statements (cont.)***

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The 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 sewer utility are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY***

##### ***1. Deposits and Investments***

For purposes of the statement of cash flows, the village considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of village funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.

# VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY*** (cont.)

#### ***1. Deposits and Investments*** (cont.)

- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The village has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

- Credit risk
- Custodial credit risk
- Interest rate risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2012, the fair value of the village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

#### ***2. Receivables***

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the village, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund statement of fiduciary net position.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY*** (cont.)

##### ***2. Receivables*** (cont.)

Property tax calendar - 2012 tax roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax sale - 2012 delinquent real estate taxes	October 2015

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the sewer utility because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

##### ***3. Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

##### ***4. Capital Assets***

###### ***Government-Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)***

##### ***4. Capital Assets (cont.)***

###### ***Government-Wide Statements (cont.)***

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	85 Years
Land Improvements	25-50 Years
Machinery and Equipment	10-20 Years
Infrastructure	25-100 Years

###### ***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

##### ***5. Other Assets***

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

##### ***6. Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY*** (cont.)

##### ***6. Compensated Absences*** (cont.)

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2012, are determined on the basis of current salary rates and include salary related payments.

##### ***7. Long-Term Obligations/Conduit Debt***

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net position.

The village may approve the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the village. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. There were no IRB's outstanding at year end.

##### ***8. Claims and Judgments***

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. Refer to Note V. C. on commitments and contingencies.

# VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)***

#### ***9. Equity Classifications***

##### ***Government-Wide Statements***

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either 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.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the village's policy to use restricted resources first, then unrestricted resources as they are needed.

##### ***Fund Statements***

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, the village classifies governmental fund balance as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either 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.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the village. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the village that originally created the commitment.

# VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

---

## NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)***

#### ***9. Equity Classifications (cont.)***

##### ***Fund Statements (cont.)***

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) Board, committee, or management identification 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The village considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the village would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note IV. H. for further information.

#### ***10. Basis for Existing Rates***

##### ***Sewer Utility***

Current sewer rates were approved by the village board on December 2, 2008 and made effective starting the first quarter of 2009. The charge is \$130 per quarter per Residential Equivalency Charge.

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## NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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### ***A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION***

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The details of this reconciliation include the following items.

# VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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## NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

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### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION (cont.)

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$	4,201
Right of Way		124,539
Buildings		357,620
Machinery and equipment		808,687
Land improvements		25,305
Infrastructure		1,375,657
Less: Accumulated depreciation		<u>(633,979)</u>
Combined Adjustment for Capital Assets	\$	<u>2,062,030</u>

Long-term liabilities applicable to the village's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported in the statement of net position.

Bonds and notes payable	\$	968,594
Compensated absences		18,904
Capital leases		53,412
Unamortized debt discount and issue costs		(11,588)
Accrued interest		<u>28,547</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>1,057,869</u>

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## NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

A budget has been adopted for the the general fund and debt service fund. A budget has not been formally adopted for the fire department fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds village board action.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

#### A. BUDGETARY INFORMATION (cont.)

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$587,517. However, \$565,246 is reported as assigned since this is the available fund balance. Budgets are adopted at the department level of expenditure.

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The village controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the village's year-end budget to actual report.

#### C. LIMITATIONS ON THE VILLAGE'S TAX LEVY

As part of Wisconsin's Act 32 (2011), legislation was passed that limits the village's future tax levies. Generally the village is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the village's equalized value due to new construction or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

### NOTE IV - DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The village's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Demand deposits	\$ 1,051,546	\$ 1,053,294	Custodial credit
Certificates of deposit	258,523	259,023	Custodial credit
LGIP	725,677	725,789	Credit, interest rate
 Total Deposits and Investments	 \$ 2,035,746	 \$ 2,038,106	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 1,428,159		
Restricted cash and investments	32,240		
Per statement of net position- fiduciary funds			
Agency Fund	575,347		
 Total Deposits and Investments	 \$ 2,035,746		

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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#### **A. DEPOSITS AND INVESTMENTS** (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest-bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

#### ***Custodial Credit Risk***

##### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the village's deposits may not be returned to the village.

As of December 31, 2012, \$31,476 of the village's total bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>31,476</u>
Total	\$ <u><u>31,476</u></u>

##### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The village does not have any investments exposed to custodial credit risk.

#### ***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The village had investments in the external Wisconsin Local Government Investment Pool which is not rated.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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#### A. DEPOSITS AND INVESTMENTS (cont.)

##### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2012, the village's investments were as follows:

The village had \$725,789 invested in the local government investment pool, which had a weighted average maturity of less than 6 months.

See Note I.D.1. for further information on deposit and investment policies.

#### B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

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

	<u>Unearned</u>
Property taxes receivable for subsequent year	\$ 296,227
Special charges on the tax roll	37,950
2013 rent paid for village property during 2012	<u>14,400</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 348,577</u>

#### C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

##### *Equipment Replacement Account*

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement.

## VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2012:

Restricted Assets	
Equipment replacement account	\$ <u>32,240</u>
Total Restricted Assets	\$ <u><u>32,240</u></u>

#### D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 4,201	\$ -	\$ -	\$ 4,201
Right of way	124,539	-	-	124,539
Total Capital Assets Not Being Depreciated	<u>128,740</u>	-	-	<u>128,740</u>
Capital assets being depreciated				
Land Improvements	25,305	-	-	25,305
Buildings	357,620	-	-	357,620
Machinery and equipment	808,687	-	-	808,687
Streets	1,085,646	-	-	1,085,646
Sidewalks	56,395	-	-	56,395
Storm sewer	233,616	-	-	233,616
Total Capital Assets Being Depreciated	<u>2,567,269</u>	-	-	<u>2,567,269</u>
Total Capital Assets	<u>2,696,009</u>	-	-	<u>2,696,009</u>
Less: Accumulated depreciation for				
Land Improvements	(5,060)	(1,012)	-	(6,072)
Buildings	(80,203)	(4,302)	-	(84,505)
Machinery and equipment	(399,064)	(32,629)	-	(431,693)
Streets	(63,805)	(19,698)	-	(83,503)
Sidewalks	(5,640)	(1,128)	-	(6,768)
Storm sewer	(16,766)	(4,672)	-	(21,438)
Total Accumulated Depreciation	<u>(570,538)</u>	<u>(63,441)</u>	-	<u>(633,979)</u>
Net Capital Assets Being Depreciated	<u>1,996,731</u>	<u>(63,441)</u>	-	<u>1,933,290</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 2,125,471</u>	<u>\$ (63,441)</u>	<u>\$ -</u>	<u>\$ 2,062,030</u>

# VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

## NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

### D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

#### Governmental Activities

General government	\$ 1,457
Public safety	30,227
Public works	31,020
Culture, recreation and education	<u>737</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 63,441</u></u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated				
Land	\$ 818	\$ -	\$ -	\$ 818
Total Capital Assets Not Being Depreciated	<u>818</u>	<u>-</u>	<u>-</u>	<u>818</u>
Capital assets being depreciated				
Collecting system	601,615	-	-	601,615
Collecting system pumping	386,505	-	-	386,505
Treatment and disposal	1,115,573	-	-	1,115,573
General	<u>90,701</u>	<u>11,490</u>	<u>-</u>	<u>102,191</u>
Total Capital Assets Being Depreciated	<u>2,194,394</u>	<u>11,490</u>	<u>-</u>	<u>2,205,884</u>
Total Capital Assets	<u>2,195,212</u>	<u>11,490</u>	<u>-</u>	<u>2,206,702</u>
Less: Accumulated depreciation for				
Sewer	<u>(758,639)</u>	<u>(65,980)</u>	<u>-</u>	<u>(824,619)</u>
Total Accumulated Depreciation	<u>(758,639)</u>	<u>(65,980)</u>	<u>-</u>	<u>(824,619)</u>
Net Capital Assets Being Depreciated	<u>1,435,755</u>	<u>(54,490)</u>	<u>-</u>	<u>1,381,265</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 1,436,573</u></u>	<u><u>\$ (54,490)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,382,083</u></u>

Depreciation expense was charged to functions as follows:

#### Business-type Activities

Sewer	\$ <u>65,980</u>
Total Business-type Activities Depreciation Expense	<u><u>\$ 65,980</u></u>

**VILLAGE OF SULLIVAN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

***E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS***

***Interfund Receivables/Payables***

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
Sewer utility	General fund	\$ <u>40,919</u>
Total		\$ <u><u>40,919</u></u>

All amounts are due within one year.

The principal purpose of these interfunds is for amounts placed on the tax roll and payroll items.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

***Transfers***

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Fire	General	\$ <u>20,680</u>	Uniform allowances and reimbursement of capital purchases
Total		\$ <u><u>20,680</u></u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### *F. LONG-TERM OBLIGATIONS*

Long-term obligations activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 1,021,978	\$ -	\$ 53,384	\$ 968,594	\$ 54,660
Sub-totals	1,021,978	-	53,384	968,594	54,660
Other Liabilities					
Vested compensated absences	18,059	1,221	376	18,904	4,726
Capital leases	69,489	-	16,077	53,412	16,916
Total Other Liabilities	87,548	1,221	16,453	72,316	21,642
Total Governmental Activities Long-Term Liabilities	\$ 1,109,526	\$ 1,221	\$ 69,837	\$ 1,040,910	\$ 76,302
<b>Business-type Activities</b>					
Other Liabilities					
Vested compensated absences	\$ 8,469	\$ 1,409	\$ -	\$ 9,878	\$ -
Total Other Liabilities	8,469	1,409	-	9,878	-
Total Business-type Activities Long-Term Liabilities	\$ 8,469	\$ 1,409	\$ -	\$ 9,878	\$ -

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed 5% of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2012, was \$2,306,705. Total general obligation debt outstanding at year end was \$968,594.

#### ***General Obligation Debt***

All general obligation notes and bonds payable are backed by the full faith and credit of the village. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund.

**VILLAGE OF SULLIVAN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**F. LONG-TERM OBLIGATIONS (cont.)**

**General Obligation Debt (cont.)**

**Governmental Activities**

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2012
2001 G.O. Debt	05/01/01	05/01/21	4.70-5.40%	\$ 605,000	\$ 355,000
2004 State Trust Fund Loan	07/30/04	03/15/14	4.00%	32,000	7,334
2010 State Trust Fund Loan	08/26/10	03/15/30	5.25%	660,000	<u>606,260</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 968,594</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2013	\$ 54,660	\$ 50,047
2014	60,909	47,141
2015	58,334	44,041
2016	64,482	40,951
2017	65,845	37,488
2018-2022	325,988	132,753
2023-2027	195,026	69,439
2028-2030	<u>143,350</u>	<u>15,329</u>
Totals	<u>\$ 968,594</u>	<u>\$ 437,189</u>

**Capital Leases**

Refer to Note IV. G.

**VILLAGE OF SULLIVAN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**G. LEASE DISCLOSURES**

***Lessee - Capital Leases***

In 2005 the acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$191,323, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2012, are as follows:

<u>Years</u>	Governmental Activities		
	Principal	Interest	Totals
2013	\$ 16,916	\$ 2,756	\$ 19,672
2014	17,789	1,883	19,672
2015	18,707	965	19,672
Totals	\$ 53,412	\$ 5,604	\$ 59,016

**H. NET POSITION/FUND BALANCES**

Net position reported on the government wide statement of net position at December 31, 2012, includes the following:

***Governmental Activities***

Net Investment in Capital Assets	
Land	\$ 4,201
Right of way	124,539
Other capital assets, net of accumulated depreciation	1,933,290
Less: Long-term debt outstanding	(968,594)
Less: Capital leases	(53,412)
Total Net Investment in Capital Assets	1,040,024
Unrestricted	563,508
Total Governmental Activities Net Position	\$ 1,603,532

**VILLAGE OF SULLIVAN**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**H. NET POSITION/FUND BALANCES (cont.)**

**Governmental Funds**

Governmental fund balances reported on the fund financial statements at December 31, 2012, include the following:

	<u>General Fund</u>	<u>Nonmajor Govern- mental Fund - Fire Department</u>	<u>Totals</u>
<b>Fund Balances</b>			
<b>Committed to:</b>			
Fire department expenditures	\$ -	\$ 34,125	\$ 34,125
<b>Assigned to:</b>			
Future capital projects	<u>565,246</u>	<u>-</u>	<u>565,246</u>
Total Fund Balances	<u>\$ 565,246</u>	<u>\$ 34,125</u>	<u>\$ 599,371</u>

**Business-type Activities**

Net Investment in Capital Assets		
Land		\$ 818
Other capital assets, net of accumulated depreciation		<u>1,381,265</u>
Total Net Investment in Capital Assets		<u>1,382,083</u>
Restricted		
Equipment replacement		<u>32,240</u>
Total Restricted		<u>32,240</u>
Unrestricted		
		<u>872,367</u>
Total Business-type Activities Net Position		<u>\$ 2,286,690</u>

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE V - OTHER INFORMATION

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#### *A. EMPLOYEES' RETIREMENT SYSTEM*

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 over 600 hours a year 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 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Prior to June 29, 2011, covered employees in the General 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 the fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same 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 for December 31, 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.8%	5.9%
Executives and 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 \$121,160; the employer's total payroll was \$138,235. The total required contribution for the year ended December 31, 2012 was \$14,297 or 11.8% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$15,082 and \$14,814, respectively, equal to the required contributions for each year.

# VILLAGE OF SULLIVAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE V - OTHER INFORMATION (cont.)

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#### **A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years 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 System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2012 there was no pension related debt for the village.

#### **B. RISK MANAGEMENT**

The village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

#### **C. COMMITMENTS AND CONTINGENCIES**

The village has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Funding for the operating budget of the village comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the village. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the village.

# VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2012

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## **NOTE V - OTHER INFORMATION (cont.)**

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### ***D. JOINT VENTURES***

#### ***Sullivan EMS, Ltd. District***

The Village of Sullivan and Towns of Concord, Farmington, Jefferson, and Sullivan jointly operate the local EMS District, which is called the Sullivan EMS, Ltd. District.

The district adopts its own budget. Net operating costs including debt service are shared by the three communities based on the ratio of equalized values. The department is governed by the board of directors. The board consists of the citizens from each community. The Village of Sullivan representatives are appointed by the village board. The village believes that the district will continue to provide services in the future at similar rates.

The village does not have an equity interest in the joint venture.

### ***E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS***

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

## VILLAGE OF SULLIVAN

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 177,049	\$ 177,049	\$ 177,049	\$ -
<b>INTERGOVERNMENTAL</b>				
State shared revenues	52,969	52,969	52,982	13
Fire insurance tax (2% fire dues)	6,000	6,000	5,882	(118)
Exempt computer aid	537	537	538	1
State aid - road allotment	27,830	27,830	27,814	(16)
DNR - in lieu of taxes	80	80	80	-
County aid - highway	2,000	2,000	-	(2,000)
State aid - recycling	2,000	2,000	2,178	178
Total Intergovernmental	91,416	91,416	89,474	(1,942)
<b>LICENSES AND PERMITS</b>				
Liquor and malt beverage licenses	1,750	1,750	1,700	(50)
Business and occupational licenses	1,300	1,300	1,123	(177)
Dog and cat licenses	750	750	1,102	352
Building permits	1,650	1,650	2,571	921
Other permits	-	-	55	55
Cable television franchise fees	10,200	10,200	10,322	122
Zoning permits and fees	-	-	75	75
Total Licenses and Permits	15,650	15,650	16,948	1,298
<b>PUBLIC CHARGES FOR SERVICES</b>				
Snow and ice control	3,150	3,150	845	(2,305)
Recycling	38,450	38,450	38,845	395
Publication fees	-	-	56	56
Total Public Charges for Services	41,600	41,600	39,746	(1,854)
<b>INTERGOVERNMENTAL CHARGES FOR SERVICES</b>				
Local - fire services	62,584	62,584	61,461	(1,123)
<b>INVESTMENT INCOME</b>				
Investment income	1,000	1,000	954	(46)
<b>MISCELLANEOUS REVENUES</b>				
Rent	1,200	1,200	3,165	1,965
Sprint lease agreement	14,400	14,400	14,400	-
Other miscellaneous	-	-	1,321	1,321
Total Miscellaneous Revenues	15,600	15,600	18,886	3,286
Total Revenues	404,899	404,899	404,518	(381)

See independent auditors' report and accompanying notes to required supplementary information.

## VILLAGE OF SULLIVAN

### DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
Council/Board	\$ 6,950	\$ 6,700	\$ 6,370	\$ 330
Village President	3,800	3,800	3,768	32
Clerk - Treasurer	48,000	48,000	47,892	108
Clerk - Treasurer assistant	22,600	22,600	18,640	3,960
Assessment of property	4,500	4,500	4,822	(322)
Zoning and appeals board	1,760	1,060	762	298
Special accounting and auditing	14,500	14,500	14,181	319
Legal	5,750	5,750	3,659	2,091
Municipal building	26,700	25,000	16,421	8,579
Printing and postage	3,500	3,500	3,558	(58)
Maps and platbooks	200	200	15	185
Property and liability insurance	12,000	12,000	11,446	554
Elections	6,300	8,500	7,769	731
Mileage and per diem	1,000	1,400	846	554
General administration	2,500	1,850	1,350	500
Other insurance	13,500	13,500	12,844	656
Total Expenditures	<u>173,560</u>	<u>172,860</u>	<u>154,343</u>	<u>18,517</u>
<b>PUBLIC SAFETY</b>				
Fire protection	58,965	58,965	22,998	35,967
Ambulance	-	-	1,300	(1,300)
Building inspection	1,500	4,000	3,768	232
Emergency government	1,000	1,000	356	644
Total Public Safety	<u>61,465</u>	<u>63,965</u>	<u>28,422</u>	<u>35,543</u>
<b>PUBLIC WORKS</b>				
Machinery and equipment	26,500	31,500	20,112	11,388
Garages and sheds	4,000	4,500	4,215	285
Street maintenance	8,700	6,728	4,744	1,984
Street replacement	14,500	14,500	1,416	13,084
Snow and ice control	21,000	13,750	6,928	6,822
Street lighting	13,000	13,500	13,311	189
Refuse and garbage collection	28,150	28,150	27,938	212
Recycling	21,250	27,900	26,678	1,222
Storm sewers	1,000	-	-	-
Total Public Works	<u>138,100</u>	<u>140,528</u>	<u>105,342</u>	<u>35,186</u>
<b>LEISURE ACTIVITIES</b>				
Parks	10,050	11,050	9,559	1,491
Recreation administration	-	250	250	-
Total Leisure Activities	<u>10,050</u>	<u>11,300</u>	<u>9,809</u>	<u>1,491</u>

See independent auditors' report and accompanying notes to required supplementary information.

## VILLAGE OF SULLIVAN

### DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>CONSERVATION AND DEVELOPMENT</b>				
Conservation and development	\$ 2,000	\$ 2,200	\$ 520	\$ 1,680
Weed control	<u>1,500</u>	<u>1,500</u>	<u>1,413</u>	<u>87</u>
Total Conservation and Development	<u>3,500</u>	<u>3,700</u>	<u>1,933</u>	<u>1,767</u>
<b>DEBT SERVICE</b>				
Interest and fiscal charges	<u>5,678</u>	-	-	-
Total Debt Service	<u>5,678</u>	-	-	-
 Total Expenditures	<u>392,353</u>	<u>392,353</u>	<u>299,849</u>	<u>92,504</u>
 Excess of revenues over expenditures	<u>12,546</u>	<u>12,546</u>	<u>104,669</u>	<u>92,123</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	<u>(20,680)</u>	<u>(20,680)</u>	<u>(20,680)</u>	-
Total Other Financing Sources (Uses)	<u>(20,680)</u>	<u>(20,680)</u>	<u>(20,680)</u>	-
 <b>Net Change in Fund Balance</b>	 (8,134)	 (8,134)	 83,989	 92,123
 FUND BALANCE - Beginning of Year	 <u>481,257</u>	 <u>481,257</u>	 <u>481,257</u>	 -
 <b>FUND BALANCE - END OF YEAR</b>	 <u>\$ 473,123</u>	 <u>\$ 473,123</u>	 <u>\$ 565,246</u>	 <u>\$ 92,123</u>

See independent auditors' report and accompanying notes to required supplementary information.

## VILLAGE OF SULLIVAN

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2012

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#### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.