

VILLAGE OF SULLIVAN

Sullivan, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013

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, 2013, 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, 2013 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. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sullivan's basic financial statements. The combining statement as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
February 20, 2014

VILLAGE OF SULLIVAN

MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED As of and for the Year Ended December 31, 2013

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, 2013. We encourage readers to consider the information presented here in conjunction with the village's financial statements.

FINANCIAL HIGHLIGHTS

- > 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 \$3,940,201 (*net position*). Of this amount, \$1,526,023 (*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 \$49,979.
 - > As of the close of the current fiscal year, the Village of Sullivan's governmental funds reported combined ending fund balances of \$608,909, an increase of \$9,538 in comparison with the prior year.
 - > At the end of the current fiscal year, the village had committed fund balance of \$35,955 and assigned fund balance of \$572,954. There was no unassigned fund balance for the general fund as of December 31, 2013.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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 agency 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, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

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.

Agency Funds – Agency funds are used to account for resources held for the benefit of parties outside the government. Agency 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 agency funds is much like that used for proprietary funds.

The statement of assets and liabilities – agency funds 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 37 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 38 to 41 of this report.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

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 \$3,940,201 as of December 31, 2013.

The largest portion of the village's net position (approximately 60%) 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, 2013

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

A summary of the village's Statement of Net Position for 2013 and 2012 is presented in the table below.

VILLAGE OF SULLIVAN'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 989,043	\$ 974,982	\$ 1,012,654	\$ 917,527	\$ 2,001,697	\$ 1,892,509
Capital assets	<u>2,036,265</u>	<u>2,062,030</u>	<u>1,326,135</u>	<u>1,382,083</u>	<u>3,362,400</u>	<u>3,444,113</u>
Total Assets	<u>3,025,308</u>	<u>3,037,012</u>	<u>2,338,789</u>	<u>2,299,610</u>	<u>5,364,097</u>	<u>5,336,622</u>
Long-term liabilities	905,968	964,608	10,990	9,878	916,958	974,486
Other liabilities	<u>147,814</u>	<u>468,872</u>	<u>6,877</u>	<u>3,042</u>	<u>154,691</u>	<u>471,914</u>
Total Liabilities	<u>1,053,782</u>	<u>1,433,480</u>	<u>17,867</u>	<u>12,920</u>	<u>1,071,649</u>	<u>1,446,400</u>
Unearned revenues	<u>352,247</u>	-	-	-	<u>352,247</u>	-
Total Deferred Inflows of Resources	<u>352,247</u>	-	-	-	<u>352,247</u>	-
Net Position						
Net investment in capital assets	1,055,775	1,040,024	1,326,135	1,382,083	2,381,910	2,422,107
Restricted	-	-	32,268	32,240	32,268	32,240
Unrestricted	<u>563,504</u>	<u>563,508</u>	<u>962,519</u>	<u>872,367</u>	<u>1,526,023</u>	<u>1,435,875</u>
TOTAL NET POSITION	<u>\$ 1,619,279</u>	<u>\$ 1,603,532</u>	<u>\$ 2,320,922</u>	<u>\$ 2,286,690</u>	<u>\$ 3,940,201</u>	<u>\$ 3,890,222</u>

The majority of the village's net position (approximately 60%) represents net investment in capital assets. 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, 2013

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, 2013 and 2012. Governmental activities increased the Village of Sullivan's net position by \$15,747. Business-type activities increased the village's net position by \$34,232.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for services	\$ 117,546	\$ 109,635	\$ 237,684	\$ 208,200	\$ 355,230	\$ 317,835
Operating grants and contributions	59,600	50,596	-	-	59,600	50,596
Capital grants and contributions	11,140	11,538	6,400	-	17,540	11,538
General Revenues						
Property taxes	170,756	177,049	-	-	170,756	177,049
Other taxes - debt service	125,518	114,697	-	-	125,518	114,697
Intergovernmental	53,628	53,600	-	-	53,628	53,600
Investment income	950	1,061	4,100	4,130	5,050	5,191
Miscellaneous	29,102	26,043	-	-	29,102	26,043
Total Revenues	<u>568,240</u>	<u>544,219</u>	<u>248,184</u>	<u>212,330</u>	<u>816,424</u>	<u>756,549</u>
Expenses						
General government	162,743	156,117	-	-	162,743	156,117
Public safety	146,157	86,166	-	-	146,157	86,166
Public Works	169,628	136,890	-	-	169,628	136,890
Leisure activities	14,657	10,546	-	-	14,657	10,546
Conservation and development	4,303	1,933	-	-	4,303	1,933
Interest and fiscal charges	64,085	56,163	-	-	64,085	56,163
Sewer utility	-	-	204,872	216,399	204,872	216,399
Total Expenses	<u>561,573</u>	<u>447,815</u>	<u>204,872</u>	<u>216,399</u>	<u>766,445</u>	<u>664,214</u>
Increase (decrease) in net position before transfers	6,667	96,404	43,312	(4,069)	49,979	92,335
Transfers	9,080	-	(9,080)	-	-	-
Increase (decrease) in net position	15,747	96,404	34,232	(4,069)	49,979	92,335
NET POSITION – January 1	<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>
NET POSITION – December 31	<u>\$ 1,619,279</u>	<u>\$ 1,603,532</u>	<u>\$ 2,320,922</u>	<u>\$ 2,286,690</u>	<u>\$ 3,940,201</u>	<u>\$ 3,890,222</u>

VILLAGE OF SULLIVAN

MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
As of and for the Year Ended December 31, 2013

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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 \$608,909. Approximately 94% of this total amount, \$572,954 constitutes assigned fund balance. The remainder of the fund balance (\$35,955) 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 \$565,246 to \$572,954 an increase of \$7,708.

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 \$35,955.

PROPRIETARY FUND

The Village of Sullivan's proprietary fund provides 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 income for the year was \$32,812. Total increase in net position was \$34,232.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General Fund budget had total appropriations equal to the original budget. The village budgeted for a \$37,013 fund balance deficit and the actual result was a \$7,708 increase in fund balance.

VILLAGE OF SULLIVAN

MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED As of and for the Year Ended December 31, 2013

CAPITAL ASSETS

At the end of 2013, the village had invested a total of \$3,362,400 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,201	\$ 4,201	\$ 818	\$ 818	\$ 5,019	\$ 5,019
Right-of-way	124,539	124,539	-	-	124,539	124,539
Improvements	18,220	19,233	-	-	18,220	19,233
Buildings	268,814	273,115	-	-	268,814	273,115
Machinery and equipment	382,041	376,994	-	-	382,041	376,994
Infrastructure	1,238,450	1,263,948	-	-	1,238,450	1,263,948
Sewer plant	-	-	1,325,317	1,381,265	1,325,317	1,381,265
Totals	<u>\$ 2,036,265</u>	<u>\$ 2,062,030</u>	<u>\$ 1,326,135</u>	<u>\$ 1,382,083</u>	<u>\$ 3,362,400</u>	<u>\$ 3,444,113</u>

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

LONG-TERM DEBT

During 2013, the village retired debt of \$54,660, resulting in \$913,934 in general obligation debt outstanding bonds at the end of 2013.

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 \$913,934 which is 43% of the maximum allowed (\$2,144,465).

The business-type activities have no debt outstanding as of December 31, 2013.

VILLAGE OF SULLIVAN

MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
As of and for the Year Ended December 31, 2013

LONG-TERM DEBT (cont.)

VILLAGE OF SULLIVAN'S OUTSTANDING LONG-TERM OBLIGATIONS

	Governmental Activities	
	2013	2012
General obligation bonds	\$ 325,000	\$ 355,000
State Trust Fund Loan	588,934	613,594
Capital Leases	<u>66,556</u>	<u>53,412</u>
Total Outstanding Long-Term Obligations	<u>\$ 980,490</u>	<u>\$ 1,022,006</u>

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

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

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

REQUESTS FOR INFORMATION

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.

VILLAGE OF SULLIVAN

STATEMENT OF NET POSITION As of December 31, 2013

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 640,062	\$ 893,836	\$ 1,533,898
Taxes receivable	368,860	-	368,860
Accounts	1,000	57,546	58,546
Accrued interest	-	628	628
Internal balances	(28,376)	28,376	-
Delinquent charges held by county	7,497	-	7,497
Restricted assets	-	32,268	32,268
Capital Assets (net of accumulated depreciation)			
Land	128,740	818	129,558
Other capital assets, net of depreciation	<u>1,907,525</u>	<u>1,325,317</u>	<u>3,232,842</u>
Total Assets	<u>3,025,308</u>	<u>2,338,789</u>	<u>5,364,097</u>
LIABILITIES			
Accounts payable and accrued expenses	55,189	6,877	62,066
Noncurrent Liabilities			
Due within one year	92,625	-	92,625
Due in more than one year	<u>905,968</u>	<u>10,990</u>	<u>916,958</u>
Total Liabilities	<u>1,053,782</u>	<u>17,867</u>	<u>1,071,649</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	<u>352,247</u>	-	<u>352,247</u>
Total Deferred Inflows of Resources	<u>352,247</u>	-	<u>352,247</u>
NET POSITION			
Net investment in capital assets	1,055,775	1,326,135	2,381,910
Restricted for			
Equipment replacement	-	32,268	32,268
Unrestricted	<u>563,504</u>	<u>962,519</u>	<u>1,526,023</u>
TOTAL NET POSITION	<u>\$ 1,619,279</u>	<u>\$ 2,320,922</u>	<u>\$ 3,940,201</u>

See accompanying notes to financial statements.

VILLAGE OF SULLIVAN

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 162,743	\$ 3,430	\$ 4,936	\$ -
Public safety	146,157	72,765	12,457	-
Public works	169,628	40,218	42,207	11,140
Culture, recreation and education	14,657	-	-	-
Conservation and development	4,303	1,133	-	-
Interest and fiscal charges	<u>64,085</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>561,573</u>	<u>117,546</u>	<u>59,600</u>	<u>11,140</u>
Business-type Activities				
Sewer Utility	<u>204,872</u>	<u>237,684</u>	<u>-</u>	<u>6,400</u>
Total Business-type Activities	<u>204,872</u>	<u>237,684</u>	<u>-</u>	<u>6,400</u>
Totals	<u>\$ 766,445</u>	<u>\$ 355,230</u>	<u>\$ 59,600</u>	<u>\$ 17,540</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

Transfers

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (154,377)	\$ -	\$ (154,377)
(60,935)	-	(60,935)
(76,063)	-	(76,063)
(14,657)	-	(14,657)
(3,170)	-	(3,170)
<u>(64,085)</u>	<u>-</u>	<u>(64,085)</u>
<u>(373,287)</u>	<u>-</u>	<u>(373,287)</u>
<u>-</u>	<u>39,212</u>	<u>39,212</u>
<u>-</u>	<u>39,212</u>	<u>39,212</u>
<u>(373,287)</u>	<u>39,212</u>	<u>(334,075)</u>
170,756	-	170,756
125,518	-	125,518
53,628	-	53,628
950	4,100	5,050
<u>29,102</u>	<u>-</u>	<u>29,102</u>
<u>379,954</u>	<u>4,100</u>	<u>384,054</u>
<u>9,080</u>	<u>(9,080)</u>	<u>-</u>
15,747	34,232	49,979
<u>1,603,532</u>	<u>2,286,690</u>	<u>3,890,222</u>
<u>\$ 1,619,279</u>	<u>\$ 2,320,922</u>	<u>\$ 3,940,201</u>

See accompanying notes to financial statements.

VILLAGE OF SULLIVAN

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2013

	General	Debt Service	Nonmajor Governmental Fund - Fire Department	Totals
ASSETS				
Cash and investments	\$ 604,107	\$ -	\$ 35,955	\$ 640,062
Receivables				
Taxes	228,859	140,001	-	368,860
Accounts	1,000	-	-	1,000
Delinquent charges held by County	7,497	-	-	7,497
	<u>841,463</u>	<u>140,001</u>	<u>35,955</u>	<u>1,017,419</u>
TOTAL ASSETS	\$ 841,463	\$ 140,001	\$ 35,955	\$ 1,017,419
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 25,468	\$ -	\$ -	\$ 25,468
Accrued liabilities	2,419	-	-	2,419
Due to other funds	28,376	-	-	28,376
Total Liabilities	<u>56,263</u>	<u>-</u>	<u>-</u>	<u>56,263</u>
Deferred Inflows of Resources				
Unearned revenues	212,246	140,001	-	352,247
Total Deferred Inflows of Resources	<u>212,246</u>	<u>140,001</u>	<u>-</u>	<u>352,247</u>
Fund Balances				
Committed	-	-	35,955	35,955
Assigned	572,954	-	-	572,954
Total Fund Balances	<u>572,954</u>	<u>-</u>	<u>35,955</u>	<u>608,909</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 841,463	\$ 140,001	\$ 35,955	\$ 1,017,419

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, 2013

Total Fund Balances - Governmental Funds	\$ 608,909
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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.	2,036,265
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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>(1,025,895)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,619,279</u>
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VILLAGE OF SULLIVAN

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

For the Year Ended December 31, 2013

	General	Debt Service	Nonmajor Governmental Fund - Fire Department	Totals
REVENUES				
Taxes	\$ 170,756	\$ 125,518	\$ -	\$ 296,274
Intergovernmental	101,376	11,140	61	112,577
Licenses and permits	22,331	-	-	22,331
Public charges for services	40,355	-	3,800	44,155
Intergovernmental charges for services	62,006	-	-	62,006
Investment income	806	-	144	950
Miscellaneous	23,092	-	6,855	29,947
Total Revenues	<u>420,722</u>	<u>136,658</u>	<u>10,860</u>	<u>568,240</u>
EXPENDITURES				
Current				
General government	162,535	-	-	162,535
Public safety	91,008	-	20,424	111,432
Public works	134,434	-	-	134,434
Culture, recreation and education	13,920	-	-	13,920
Conservation and development	4,303	-	-	4,303
Capital Outlay	41,400	-	4,500	45,900
Debt Service				
Principal	-	82,916	-	82,916
Interest and fiscal charges	-	53,742	-	53,742
Total Expenditures	<u>447,600</u>	<u>136,658</u>	<u>24,924</u>	<u>609,182</u>
Deficiency of revenues under expenditures	<u>(26,878)</u>	<u>-</u>	<u>(14,064)</u>	<u>(40,942)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,080	-	15,894	24,974
Transfers out	(15,894)	-	-	(15,894)
Capital leases issued	41,400	-	-	41,400
Total Other Financing Sources (Uses)	<u>34,586</u>	<u>-</u>	<u>15,894</u>	<u>50,480</u>
Net Change in Fund Balances	7,708	-	1,830	9,538
FUND BALANCES - Beginning of Year	<u>565,246</u>	<u>-</u>	<u>34,125</u>	<u>599,371</u>
FUND BALANCES - END OF YEAR	<u>\$ 572,954</u>	<u>\$ -</u>	<u>\$ 35,955</u>	<u>\$ 608,909</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, 2013

Net change in fund balances - total governmental funds	\$	9,538
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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.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	45,900
Some items reported as capital outlay were not capitalized	(4,500)
Depreciation is reported in the government-wide financial statements	(67,165)

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.

Capital leases issued	(41,400)
Principal repaid	82,916

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	801
Accrued interest and other debt expenses	<u>(10,343)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>15,747</u>
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VILLAGE OF SULLIVAN

STATEMENT OF NET POSITION PROPRIETARY FUND As of December 31, 2013

	<u>Sewer Utility</u>
ASSETS	
Current Assets	
Cash and investments	\$ 305,051
Interest receivable	628
Customer accounts receivable	57,546
Due from other funds	28,376
Cash and investments - depreciation account	<u>588,785</u>
Total Current Assets	<u>980,386</u>
Noncurrent Assets	
Restricted Assets	
Cash and investments - replacement account	32,268
Capital Assets	
Property and equipment	2,215,911
Less: Accumulated depreciation	<u>(889,776)</u>
Total Noncurrent Assets	<u>1,358,403</u>
Total Assets	<u>2,338,789</u>
LIABILITIES	
Current Liabilities	
Accounts payable	6,476
Accrued wages	401
Total Current Liabilities	<u>6,877</u>
Noncurrent Liabilities	
Compensated absences	<u>10,990</u>
Total Noncurrent Liabilities	<u>10,990</u>
Total Liabilities	<u>17,867</u>
NET POSITION	
Net investment in capital assets	1,326,135
Restricted for	
Equipment replacement	32,268
Unrestricted	<u>962,519</u>
TOTAL NET POSITION	<u>\$ 2,320,922</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, 2013

	<u>Sewer Utility</u>
OPERATING REVENUES	
Treatment charges	\$ 230,250
Other	<u>7,434</u>
Total Operating Revenues	<u>237,684</u>
OPERATING EXPENSES	
Operation and maintenance	138,374
Depreciation	<u>66,498</u>
Total Operating Expenses	<u>204,872</u>
Operating Income	<u>32,812</u>
NONOPERATING REVENUES	
Investment income	<u>4,100</u>
Total Nonoperating Revenues	<u>4,100</u>
Income before contributions and transfers	36,912
Contributions in aid of construction	6,400
Transfers out	<u>(9,080)</u>
Change in Net Position	34,232
NET POSITION - Beginning of Year	<u>2,286,690</u>
NET POSITION - END OF YEAR	<u>\$ 2,320,922</u>

See accompanying notes to financial statements.

VILLAGE OF SULLIVAN

STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended December 31, 2013

	<u>Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 241,504
Paid to suppliers for goods and services	(90,300)
Paid to employees for services	<u>(43,127)</u>
Net Cash Flows From Operating Activities	<u>108,077</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments sold and matured	213,142
Investment income	4,100
Investments purchased	<u>(93,397)</u>
Net Cash Flows From Investing Activities	<u>123,845</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer out	<u>(9,080)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(9,080)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Special assessments received	870
Acquisition and construction of capital assets	(10,550)
Capital contributions	<u>6,400</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(3,280)</u>
Net Change in Cash and Cash Equivalents	219,562
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>613,027</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 832,589</u>

See accompanying notes to financial statements.

	<u>Sewer Utility</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 32,812
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities	
Depreciation	66,498
Changes in assets and liabilities	
Accounts receivable	(7,853)
Due from other funds	11,673
Accounts payable	3,919
Compensated absences	1,112
Other current liabilities	<u>(84)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 108,077</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS	
Cash and investments - statement of net position	\$ 305,051
Restricted cash and investments - statement of net position	32,268
Cash and investments - depreciation account	<u>588,785</u>
Total Cash and Investments	926,104
Less: Noncash equivalents	<u>(93,515)</u>
CASH AND CASH EQUIVALENTS	<u>\$ 832,589</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	

See accompanying notes to financial statements.

VILLAGE OF SULLIVAN

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 579,407
Taxes receivable	<u>200,308</u>
TOTAL ASSETS	<u>\$ 779,715</u>
LIABILITIES	
Due to other governments	<u>\$ 779,715</u>
TOTAL LIABILITIES	<u>\$ 779,715</u>

See accompanying notes to financial statements.

VILLAGE OF SULLIVAN

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VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The reporting entity for the village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The village has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/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, 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.

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

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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 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 Funds - 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
Fire Donations 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.

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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

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 unearned 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 unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable 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.

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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

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, DEFERRED INFLOWS OF RESOURCES, 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.
- 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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

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, 2013, 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 statement of assets and liabilities - agency funds.

Property tax calendar - 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale - 2013 delinquent real estate taxes	October 2016

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

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.

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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

4. Capital Assets (cont.)

Government-Wide Statements (cont.)

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. 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.

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, 2013, are determined on the basis of current salary rates and include salary related payments.

6. 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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Long-Term Obligations/Conduit Debt (cont.)

For the government-wide statements and proprietary fund statements, bond premiums and discounts are 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 premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in 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.

7. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

8. 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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Equity Classifications (cont.)

Fund Statements

Governmental fund equity is classified as fund balance and displayed 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 Board. 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 Board that originally created the commitment.
- 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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Basis for Existing Rates

Sewer Utility

Current sewer rates were approved by the village board on December 6, 2012 and made effective starting the first quarter of 2013. The charge is \$150 per quarter per Residential Equivalency Charge.

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

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.

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		839,899
Land improvements		25,305
Infrastructure		1,375,657
Less: Accumulated depreciation		<u>(690,956)</u>
Combined Adjustment for Capital Assets	\$	<u>2,036,265</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	\$	913,934
Compensated absences		18,103
Capital leases		66,556
Accrued interest		<u>27,302</u>
Combined Adjustment for Long-Term Liabilities	\$	<u>1,025,895</u>

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LIMITATIONS ON THE VILLAGE'S TAX LEVY

Wisconsin law 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. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The village is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

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	\$ 1,061,300	\$ 1,067,396	Custodial credit
Certificates of deposit	260,307	260,458	Custodial credit
LGIP	823,966	823,966	Credit
Total Deposits and Investments	\$ 2,145,573	\$ 2,151,820	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 1,533,898		
Restricted cash and investments	32,268		
Per statement of assets and liabilities -			
agency funds			
Agency Funds	579,407		
Total Deposits and Investments	\$ 2,145,573		

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) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). 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 nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2013, \$65,138 of the village's total bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>65,138</u>
Total	\$ <u><u>65,138</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.

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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

B. RECEIVABLES (cont.)

Governmental funds report *unavailable or unearned 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 village had no unavailable revenue, and the various components of *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>
Property taxes receivable for subsequent year	\$ 299,747
Special charges on the tax roll	38,100
2014 rent paid for village property during 2013	<u>14,400</u>
 Total Unearned/Unavailable Revenue for Governmental Funds	 <u>\$ 352,247</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.

Following is a list of restricted assets at December 31, 2013:

Restricted Assets	
Equipment replacement account	\$ <u>32,268</u>
Total Restricted Assets	\$ <u>32,268</u>

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 4,201	\$ -	\$ -	\$ 4,201
Right of way	124,539	-	-	124,539
Total Capital Assets Not Being Depreciated	128,740	-	-	128,740
Capital assets being depreciated				
Land Improvements	25,305	-	-	25,305
Buildings	357,620	-	-	357,620
Machinery and equipment	808,687	41,400	10,188	839,899
Streets	1,085,646	-	-	1,085,646
Sidewalks	56,395	-	-	56,395
Storm sewer	233,616	-	-	233,616
Total Capital Assets Being Depreciated	2,567,269	41,400	10,188	2,598,481
Total Capital Assets	2,696,009	41,400	10,188	2,727,221
Less: Accumulated depreciation for				
Land Improvements	(6,072)	(1,013)	-	(7,085)
Buildings	(84,505)	(4,301)	-	(88,806)
Machinery and equipment	(431,693)	(36,353)	10,188	(457,858)
Streets	(83,503)	(19,698)	-	(103,201)
Sidewalks	(6,768)	(1,128)	-	(7,896)
Storm sewer	(21,438)	(4,672)	-	(26,110)
Total Accumulated Depreciation	(633,979)	(67,165)	10,188	(690,956)
Net Capital Assets Being Depreciated	1,933,290	(25,765)	-	1,907,525
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 2,062,030	\$ (25,765)	\$ -	\$ 2,036,265

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 1,458
Public safety	30,225
Public works	34,745
Culture, recreation and education	<u>737</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 67,165</u></u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type Activities				
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	10,550	1,341	395,714
Treatment and disposal	1,115,573	-	-	1,115,573
General	<u>102,191</u>	<u>-</u>	<u>-</u>	<u>102,191</u>
Total Capital Assets Being Depreciated	<u>2,205,884</u>	<u>10,550</u>	<u>1,341</u>	<u>2,215,093</u>
Total Capital Assets	<u>2,206,702</u>	<u>10,550</u>	<u>1,341</u>	<u>2,215,911</u>
Less: Accumulated depreciation for				
Sewer	<u>(824,619)</u>	<u>(66,498)</u>	<u>1,341</u>	<u>(889,776)</u>
Total Accumulated Depreciation	<u>(824,619)</u>	<u>(66,498)</u>	<u>1,341</u>	<u>(889,776)</u>
Net Capital Assets Being Depreciated	<u>1,381,265</u>	<u>(55,948)</u>	<u>-</u>	<u>1,325,317</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 1,382,083</u></u>	<u><u>\$ (55,948)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,326,135</u></u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Sewer	\$ <u>66,498</u>
Total Business-type Activities Depreciation Expense	<u><u>\$ 66,498</u></u>

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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>28,376</u>
Total		\$ <u><u>28,376</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	\$ 15,894	Uniform allowances and reimbursement of capital purchases
General	Sewer	<u>9,080</u>	Forgiveness of receivable balance related to prior years
Total - Fund Financial Statements		\$ <u>24,974</u>	
Less: Fund eliminations		<u>(15,894)</u>	
Total Transfers - Government-Wide Statement of Activities		\$ <u><u>9,080</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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

E. INTERFUND RECEIVABLES/PAYABLES (cont.)

Transfers (cont.)

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 968,594	\$ -	\$ 54,660	\$ 913,934	\$ 60,909
Sub-totals	968,594	-	54,660	913,934	60,909
Other Liabilities					
Vested compensated absences	18,904	826	1,627	18,103	4,526
Capital leases	53,412	41,400	28,256	66,556	27,190
Total Other Liabilities	72,316	42,226	29,883	84,659	31,716
Total Governmental Activities Long-Term Liabilities	\$ 1,040,910	\$ 42,226	\$ 84,543	\$ 998,593	\$ 92,625
Business-type Activities					
Other Liabilities					
Vested compensated absences	\$ 9,878	\$ 1,112	\$ -	\$ 10,990	\$ -
Total Other Liabilities	9,878	1,112	-	10,990	-
Total Business-type Activities Long-Term Liabilities	\$ 9,878	\$ 1,112	\$ -	\$ 10,990	\$ -

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, 2013, was \$2,144,465. Total general obligation debt outstanding at year end was \$913,934.

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, 2013

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, 2013
2001 G.O. Debt	05/01/01	05/01/21	4.70-5.40%	\$ 605,000	\$ 325,000
2004 State Trust Fund Loan	07/30/04	03/15/14	4.00%	32,000	3,739
2010 State Trust Fund Loan	08/26/10	03/15/30	5.25%	660,000	<u>585,195</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 913,934</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 60,909	\$ 47,141
2015	58,334	44,041
2016	64,482	40,951
2017	65,845	37,488
2018	67,201	34,032
2019-2023	293,915	116,486
2024-2028	205,245	59,220
2029-2030	<u>98,003</u>	<u>7,783</u>
Totals	<u>\$ 913,934</u>	<u>\$ 387,142</u>

Capital Leases

Refer to Note IV. G.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

G. LEASE DISCLOSURES

Lessee - Capital Leases

In 2005 and 2013 the Village acquired capital assets through lease/purchase agreements. The gross amount of these assets under capital leases are \$250,990 and \$41,400, respectively, 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, 2013, are as follows:

<u>Years</u>	Governmental Activities		
	Principal	Interest	Totals
2014	\$ 27,190	\$ 3,822	\$ 31,012
2015	28,714	2,298	31,012
2016	10,652	687	11,339
Totals	\$ 66,556	\$ 6,807	\$ 73,363

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2013, 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	1,907,525
Less: Long-term debt outstanding	(913,934)
Less: Capital leases	(66,556)
Total Net Investment in Capital Assets	1,055,775
Unrestricted	563,504
Total Governmental Activities Net Position	\$ 1,619,279

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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, 2013, include the following:

	General Fund	Nonmajor Governmental Fund - Fire Department	Totals
Fund Balances			
Committed to:			
Fire department expenditures	\$ -	\$ 35,955	\$ 35,955
Assigned to:			
Future capital projects	565,589	-	565,589
Future expenditures	7,365	-	7,365
Total Fund Balances	\$ 572,954	\$ 35,955	\$ 608,909

Business-type Activities

Net Investment in Capital Assets		
Land		\$ 818
Other capital assets, net of accumulated depreciation		1,325,317
Total Net Investment in Capital Assets		1,326,135
Restricted		
Equipment replacement		32,268
Total Restricted		32,268
Unrestricted		962,519
Total Business-type Activities Net Position		\$ 2,320,922

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION

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.

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 employees 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, 2013 are:

	<u>Employee</u>	<u>Employer</u>
General	6.65%	6.65%
Executives and Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for village employees covered by the WRS for the year ended December 31, 2013 was \$122,896; the employer's total payroll was \$134,670. The total required contribution for the year ended December 31, 2013 was \$16,345 or 13.3% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending 2012 and 2011 were \$14,297 and \$15,082, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest 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 WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2013 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

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.

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.

D. JOINT VENTURE

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 five 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.

VILLAGE OF SULLIVAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE V - OTHER INFORMATION (cont.)

D. JOINT VENTURES (cont.)

Sullivan EMS, Ltd. District (cont.)

Effective January 1, 2014 the Townships of Farmington and Jefferson have left the district. The Village of Sullivan, Township of Sullivan, and the Township of Concord have renamed the district to the Sullivan EMS District Ltd, and effective January 1, 2014, the three municipalities are being serviced by the Dousman EMS District.

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

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- > Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- > Statement No. 69, *Government Combinations and Disposals of Government Operations*
- > Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

When they become effective, 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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
TAXES				
General property taxes	\$ 171,682	\$ 171,682	\$ 170,756	\$ (926)
Total Taxes	<u>171,682</u>	<u>171,682</u>	<u>170,756</u>	<u>(926)</u>
INTERGOVERNMENTAL REVENUES				
State shared revenues	53,341	53,341	52,820	(521)
Fire insurance tax (2% fire dues)	6,000	6,000	5,541	(459)
Exempt computer aid	726	726	728	2
State aid - road allotment	31,986	31,986	31,986	-
DNR - in lieu of taxes	80	80	80	-
County aid - highway	2,000	2,000	8,041	6,041
State aid - recycling	1,200	1,200	2,180	980
State aid - other public safety	5,694	5,694	-	(5,694)
Total Intergovernmental Revenues	<u>101,027</u>	<u>101,027</u>	<u>101,376</u>	<u>349</u>
LICENSES AND PERMITS				
Liquor and malt beverage licenses	1,700	1,700	2,138	438
Business and occupational licenses	1,100	1,100	1,133	33
Dog and cat licenses	825	825	1,055	230
Building permits	2,200	2,200	6,809	4,609
Other permits	50	50	-	(50)
Cable television franchise fees	10,157	10,157	11,096	939
Zoning permits and fees	-	-	100	100
Total Licenses and Permits	<u>16,032</u>	<u>16,032</u>	<u>22,331</u>	<u>6,299</u>
PUBLIC CHARGES FOR SERVICES				
Snow and ice control	1,000	1,000	1,365	365
Recycling	38,000	38,000	38,853	853
Publication fees	-	-	137	137
Total Public Charges for Services	<u>39,000</u>	<u>39,000</u>	<u>40,355</u>	<u>1,355</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES				
Local - fire services	<u>62,584</u>	<u>62,584</u>	<u>62,006</u>	<u>(578)</u>
INVESTMENT INCOME				
Investment income	<u>750</u>	<u>750</u>	<u>806</u>	<u>56</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
MISCELLANEOUS REVENUES				
Sale of village property	\$ -	\$ -	\$ 400	\$ 400
Rent	1,500	1,500	4,936	3,436
Sprint lease agreement	14,400	14,400	14,400	-
Insurance dividends	-	-	2,719	2,719
Other miscellaneous	-	-	637	637
Total Miscellaneous Revenues	<u>15,900</u>	<u>15,900</u>	<u>23,092</u>	<u>7,192</u>
 Total Revenues	<u>406,975</u>	<u>406,975</u>	<u>420,722</u>	<u>13,747</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Council/Board	6,471	6,221	5,952	269
Village President	3,800	1,350	1,346	4
Clerk - Treasurer	48,000	51,000	48,976	2,024
Clerk - Treasurer assistant	25,400	23,445	20,129	3,316
Assessment of property	7,150	7,150	5,677	1,473
Zoning and appeals board	1,050	1,085	944	141
Special accounting and auditing	15,965	15,965	17,487	(1,522)
Legal	5,250	8,600	8,089	511
Municipal building	27,200	27,900	22,840	5,060
Printing and postage	3,500	3,000	2,643	357
Maps and platbooks	200	200	3	197
Property and liability insurance	10,000	10,000	7,899	2,101
Elections	4,700	2,950	2,503	447
Mileage and per diem	1,200	1,200	993	207
General administration	2,500	4,000	4,288	(288)
Other insurance	13,500	13,500	12,766	734
Miscellaneous wages	12,100	6,000	-	6,000
Total General Government	<u>187,986</u>	<u>183,566</u>	<u>162,535</u>	<u>21,031</u>
PUBLIC SAFETY				
Fire protection	59,985	59,185	64,693	(5,508)
Ambulance	18,320	20,540	20,540	-
Building inspection	2,000	2,000	5,242	(3,242)
Emergency government	-	-	433	(433)
Police	6,943	6,943	100	6,843
Total Public Safety	<u>87,248</u>	<u>88,668</u>	<u>91,008</u>	<u>(2,340)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
PUBLIC WORKS				
Machinery and equipment	\$ 25,000	\$ 31,000	\$ 15,327	\$ 15,673
Garages and sheds	4,000	3,000	2,376	624
Street maintenance	7,500	9,500	44,847	(35,347)
Street replacement	15,000	15,000	(375)	15,375
Snow and ice control	19,000	21,000	16,423	4,577
Street lighting	13,500	13,500	14,223	(723)
Refuse and garbage collection	28,510	26,160	25,613	547
Recycling	24,400	21,700	14,250	7,450
Storm sewers	1,000	-	-	-
Sidewalks, with street reconstruction	-	-	1,750	(1,750)
Total Public Works	<u>137,910</u>	<u>140,860</u>	<u>134,434</u>	<u>6,426</u>
LEISURE ACTIVITIES				
Parks	10,000	10,500	13,820	(3,320)
Other culture	750	100	100	-
Total Leisure Activities	<u>10,750</u>	<u>10,600</u>	<u>13,920</u>	<u>(3,320)</u>
CONSERVATION AND DEVELOPMENT				
Conservation and development	2,600	2,100	2,020	80
Weed control	1,600	2,300	2,283	17
Total Conservation and Development	<u>4,200</u>	<u>4,400</u>	<u>4,303</u>	<u>97</u>
CAPITAL OUTLAY				
Capital investments	-	-	41,400	(41,400)
Total Expenditures	<u>428,094</u>	<u>428,094</u>	<u>447,600</u>	<u>(19,506)</u>
Excess (deficiency) of revenues over expenditures	<u>(21,119)</u>	<u>(21,119)</u>	<u>(26,878)</u>	<u>(5,759)</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES				
(USES)				
Transfers out	\$ (15,894)	\$ (15,894)	\$ (15,894)	\$ -
Transfers in	-	-	9,080	9,080
Capital leases issued	-	-	<u>41,400</u>	<u>41,400</u>
Total Other Financing Sources (Uses)	<u>(15,894)</u>	<u>(15,894)</u>	<u>34,586</u>	<u>50,480</u>
Net Change in Fund Balance	(37,013)	(37,013)	7,708	44,721
FUND BALANCE - Beginning of Year	<u>565,246</u>	<u>565,246</u>	<u>565,246</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 528,233</u>	<u>\$ 528,233</u>	<u>\$ 572,954</u>	<u>\$ 44,721</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, 2013

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 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 council action.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$565,589. Budgets are adopted at the department level of expenditure.

EXCESS EXPENDITURES OVER APPROPRIATIONS

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

VILLAGE OF SULLIVAN

COMBINING STATEMENT OF ASSETS AND LIABILITIES AGENCY FUNDS As of December 31, 2013

	<u>Tax Collection Fund</u>	<u>Fire Donation Fund</u>	<u>Agency Funds</u>
ASSETS			
Cash and investments	\$ 567,606	\$ 11,801	\$ 579,407
Tax roll receivable	<u>200,308</u>	<u>-</u>	<u>200,308</u>
TOTAL ASSETS	<u>\$ 767,914</u>	<u>\$ 11,801</u>	<u>\$ 779,715</u>
LIABILITIES			
Due to other governments	<u>\$ 767,914</u>	<u>\$ 11,801</u>	<u>\$ 779,715</u>
TOTAL LIABILITIES	<u>\$ 767,914</u>	<u>\$ 11,801</u>	<u>\$ 779,715</u>