

**VILLAGE OF NICHOLS, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2010**

**VILLAGE OF NICHOLS, WISCONSIN**  
December 31, 2010

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## INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the Village Board  
Village of Nichols, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Village of Nichols, Wisconsin ("the Village") as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Nichols management. Our responsibility is to express opinions on these basic financial statements based on our audit. The prior year summarized comparative information has been derived from the Village's 2009 financial statements and, in our report dated April 3, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the major fund, of the Village as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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



Certified Public Accountants  
Green Bay, Wisconsin  
April 4, 2011

## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF NICHOLS, WISCONSIN**  
Statement of Net Assets  
December 31, 2010  
With Summarized Financial Information for December 31, 2009

	Governmental Activities	Business-type Activities	Total	
			2010	2009
<b>ASSETS</b>				
Cash and investments	\$ 327,327	\$ 3,337	\$ 330,664	\$ 312,488
Receivables				
Taxes	135,935	-	135,935	125,106
Accounts	9,153	5,732	14,885	14,204
Internal balances	84,494	(84,494)	-	-
Capital assets, nondepreciable				
Land	28,148	600	28,748	28,748
Capital assets, depreciable				
Buildings and improvements	383,290	53,110	436,400	436,400
Machinery and equipment	75,184	38,330	113,514	115,309
Infrastructure	773,410	439,415	1,212,825	1,203,145
Less: Accumulated depreciation	(751,886)	(292,868)	(1,044,754)	(1,002,408)
<b>TOTAL ASSETS</b>	<b>1,065,055</b>	<b>163,162</b>	<b>1,228,217</b>	<b>1,232,992</b>
<b>LIABILITIES</b>				
Accounts payable	4,640	1,363	6,003	8,518
Accrued and other current liabilities	2,138	-	2,138	2,051
Due to other governments	152,215	-	152,215	155,760
Unearned revenues	46,106	-	46,106	47,155
Long-term obligations				
Due within one year	10,703	-	10,703	10,485
Due in more than one year	30,557	-	30,557	43,381
<b>TOTAL LIABILITIES</b>	<b>246,359</b>	<b>1,363</b>	<b>247,722</b>	<b>267,350</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	466,886	238,587	705,473	639,779
Unrestricted (Deficit)	351,810	(76,788)	275,022	325,863
<b>TOTAL NET ASSETS</b>	<b>\$ 818,696</b>	<b>\$ 161,799</b>	<b>\$ 980,495</b>	<b>\$ 965,642</b>

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

**VILLAGE OF NICHOLS, WISCONSIN**  
Statement of Activities  
For the Year Ended December 31, 2010  
With Summarized Financial Information for Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 44,294	\$ 2,732	\$ 90	\$ -
Public safety	24,980	-	283	-
Public works	64,667	12,030	8,449	-
Sanitation	71,378	24,769	-	-
Culture and recreation	9,112	-	525	-
<b>Total Governmental Activities</b>	<u>214,431</u>	<u>39,531</u>	<u>9,347</u>	<u>-</u>
<b>Business-type Activities</b>				
Water utility	35,420	37,491	-	-
<b>Total</b>	<u>\$ 249,851</u>	<u>\$ 77,022</u>	<u>\$ 9,347</u>	<u>\$ -</u>

General revenues  
Taxes  
  Property taxes, levied for general purposes  
  Other taxes  
Federal and state grants and other contributions  
  not restricted to specific functions  
Interest and investment earnings  
Rental income  
Gain on sale of asset  
Transfers  
  Total general revenues and transfers

Change in net assets

Net assets - January 1

Net assets - December 31

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	
		2010	2009
\$ (41,472)	\$ -	\$ (41,472)	\$ (51,528)
(24,697)	-	(24,697)	(23,846)
(44,188)	-	(44,188)	(45,547)
(46,609)	-	(46,609)	(44,475)
(8,587)	-	(8,587)	(7,496)
<u>(165,553)</u>	<u>-</u>	<u>(165,553)</u>	<u>(172,892)</u>
-	2,071	2,071	(36,305)
<u>(165,553)</u>	<u>2,071</u>	<u>(163,482)</u>	<u>(209,197)</u>
45,786	-	45,786	45,933
3,758	-	3,758	4,413
105,401	-	105,401	106,173
3,389	12	3,401	5,748
16,500	-	16,500	16,500
650	-	650	21
7,548	(7,548)	-	-
<u>183,032</u>	<u>(7,536)</u>	<u>175,496</u>	<u>178,788</u>
17,479	(5,465)	12,014	(30,409)
<u>801,217</u>	<u>167,264</u>	<u>968,481</u>	<u>996,051</u>
<u>\$ 818,696</u>	<u>\$ 161,799</u>	<u>\$ 980,495</u>	<u>\$ 965,642</u>

**VILLAGE OF NICHOLS, WISCONSIN**

Balance Sheet  
Governmental Fund  
December 31, 2010

With Summarized Financial Information for December 31, 2009

	General Fund	
	2010	2009
<b>ASSETS</b>		
Cash and investments	\$ 327,327	\$ 310,208
Receivables		
Taxes	135,935	125,106
Accounts	9,153	8,564
Due from other fund	20,893	7,920
Advance to other fund	78,601	87,549
<b>TOTAL ASSETS</b>	<b>\$ 571,909</b>	<b>\$ 539,347</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 4,640	\$ 7,086
Accrued and other current liabilities	2,138	2,051
Due to other fund	15,000	14,891
Due to other taxing districts	152,215	155,760
Deferred revenues	46,106	47,155
Total Liabilities	220,099	226,943
Fund Balance		
Reserved for advance to enterprise fund	78,601	87,549
Unreserved		
Designated for subsequent year's expenditures	36,749	36,671
Undesignated	236,460	188,184
Total Fund Balance	351,810	312,404
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 571,909</b>	<b>\$ 539,347</b>
<u>Reconciliation to the Statement of Net Assets</u>		
Total Fund Balances as shown above	\$ 351,810	\$ 312,404
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	508,146	542,679
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes payable	(41,260)	(53,866)
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 3)	<b>\$ 818,696</b>	<b>\$ 801,217</b>

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

**VILLAGE OF NICHOLS, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
Year Ended December 31, 2010  
With Summarized Financial Information for Year Ended December 31, 2009

	General Fund	
	2010	2009
Revenues		
Taxes	\$ 49,544	\$ 50,346
Intergovernmental	114,223	115,629
Licenses and permits	945	1,043
Fines and forfeits	260	266
Public charges for services	37,876	36,478
Miscellaneous	20,848	24,127
Total Revenues	<u>223,696</u>	<u>227,889</u>
Expenditures		
Current		
General government	35,818	48,774
Public safety	20,561	19,751
Public works	42,024	35,912
Sanitation	71,378	68,871
Culture and recreation	6,777	6,148
Debt service		
Principal	12,606	12,192
Interest and fiscal charges	2,874	3,405
Capital outlay	450	45,561
Total Expenditures	<u>192,488</u>	<u>240,614</u>
Excess of Revenues Over (Under) Expenditures	<u>31,208</u>	<u>(12,725)</u>
Other Financing Sources		
Long-term debt issued	-	25,795
Sale of capital assets	650	21
Transfers in	7,548	7,136
Total Other Financing Sources	<u>8,198</u>	<u>32,952</u>
Net Change in Fund Balance	39,406	20,227
Fund Balance - January 1	<u>312,404</u>	<u>292,177</u>
Fund Balance - December 31	<u>\$ 351,810</u>	<u>\$ 312,404</u>

(Continued)

**VILLAGE OF NICHOLS, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Fund  
Year Ended December 31, 2010  
With Summarized Financial Information for Year Ended December 31, 2009

General Fund	
2010	2009

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown above	\$	39,406		\$	20,227
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements	-			44,585
Depreciation expense reported in the statement of activities	(34,533)			(38,043)
Amount by which capital outlays are greater (less) than depreciation	(34,533)			6,542

In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.

Cost of assets disposed of	-			(172)
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Some capital assets acquired during the year were financed with debt. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net assets, however, debt constitutes a long-term liability. The amount of debt reported in the governmental fund statement is:

	-			(25,795)
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Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long-term debt principal payments is:

	12,606			12,192
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Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see page 4 and 5)

	\$	17,479		\$	12,994
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The notes to the basic financial statements are an integral part of this statement.

**VILLAGE OF NICHOLS, WISCONSIN**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 48,286	\$ 48,286	\$ 49,544	\$ 1,258
Intergovernmental	108,030	108,030	114,223	6,193
Licenses and permits	925	925	945	20
Fines and forfeits	200	200	260	60
Public charges for services	36,150	36,150	37,876	1,726
Miscellaneous	21,500	21,500	20,848	(652)
<b>Total Revenues</b>	<b>215,091</b>	<b>215,091</b>	<b>223,696</b>	<b>8,605</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	39,800	39,800	35,818	3,982
Public safety	21,000	21,000	20,561	439
Public works	56,211	56,211	42,024	14,187
Sanitation	80,000	80,000	71,378	8,622
Culture and recreation	6,000	6,000	6,777	(777)
<b>Debt service</b>				
Principal	12,404	12,404	12,606	(202)
Interest and fiscal charges	3,076	3,076	2,874	202
Capital outlay	3,000	3,000	450	2,550
<b>Total Expenditures</b>	<b>221,491</b>	<b>221,491</b>	<b>192,488</b>	<b>29,003</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(6,400)</b>	<b>(6,400)</b>	<b>31,208</b>	<b>37,608</b>
<b>Other Financing Sources</b>				
Sale of capital assets	-	-	650	650
Transfer in	6,400	6,400	7,548	1,148
<b>Total Other Financing Sources</b>	<b>6,400</b>	<b>6,400</b>	<b>8,198</b>	<b>1,798</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>39,406</b>	<b>39,406</b>
<b>Fund Balance - January 1</b>	<b>312,404</b>	<b>312,404</b>	<b>312,404</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 312,404</b>	<b>\$ 312,404</b>	<b>\$ 351,810</b>	<b>\$ 39,406</b>

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

**VILLAGE OF NICHOLS, WISCONSIN**  
**Statement of Net Assets**  
**Enterprise Fund**  
**December 31, 2010**  
**With Summarized Financial Information for December 31, 2009**

	Water Utility	
	2010	2009
<b>ASSETS</b>		
Cash and investments	\$ 3,337	\$ 2,280
Receivables		
Accounts	5,732	5,640
Due from other fund	15,000	14,891
Capital assets, nondepreciable		
Land	600	600
Capital assets, depreciable		
Buildings and improvements	53,110	53,110
Machinery and equipment	38,330	38,330
Infrastructure	439,415	429,735
Less: Accumulated depreciation	<u>(292,868)</u>	<u>(283,260)</u>
<b>TOTAL ASSETS</b>	<u>262,656</u>	<u>261,326</u>
<b>LIABILITIES</b>		
Accounts payable	1,363	1,432
Due to other fund	20,893	7,920
Advance from other fund	<u>78,601</u>	<u>87,549</u>
<b>TOTAL LIABILITIES</b>	<u>100,857</u>	<u>96,901</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	238,587	150,966
Unrestricted (deficit)	<u>(76,788)</u>	<u>13,459</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 161,799</u>	<u>\$ 164,425</u>

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

**VILLAGE OF NICHOLS, WISCONSIN**  
Statement of Revenues, Expenses and Changes in Net Assets  
Enterprise Fund  
Year Ended December 31, 2010  
With Summarized Financial Information for Year Ended December 31, 2009

	Water Utility	
	2010	2009
Operating Revenues		
Charges for services		
Metered sales		
Residential	\$ 16,063	\$ 15,832
Commercial	2,694	2,669
Industrial	1,552	1,970
Public authority	836	787
Private fire protection	1,208	1,208
Public fire protection	14,297	14,297
Other operating revenues		
Forfeited discounts	233	247
Other	608	114
Total Operating Revenues	<u>37,491</u>	<u>37,124</u>
Operating Expenses		
Operation and maintenance		
Salaries and wages	5,552	5,540
Maintenance and repairs	1,817	35,114
Fuel for pumping	1,870	2,482
Supplies	2,263	1,778
Chemicals	-	486
Uncollectible accounts	66	-
Administrative salaries	1,065	912
Office supplies and expense	956	1,012
Outside services	5,687	8,972
Insurance	1,149	1,188
Employee benefits	1,827	1,770
Miscellaneous	-	8
Depreciation	11,466	11,242
Taxes	450	448
Total Operating Expenses	<u>34,168</u>	<u>70,952</u>
Operating Income (Loss)	<u>3,323</u>	<u>(33,828)</u>
Nonoperating Revenues (Expenses)		
Interest income	12	38
Interest expense	(1,252)	(2,477)
Total Nonoperating Revenues (Expenses)	<u>(1,240)</u>	<u>(2,439)</u>
Income (Loss) Before Transfers	2,083	(36,267)
Transfers out	<u>(7,548)</u>	<u>(7,136)</u>
Change in Net Assets	(5,465)	(43,403)
Net Assets - January 1	<u>167,264</u>	<u>207,828</u>
Net Assets - December 31	<u>\$ 161,799</u>	<u>\$ 164,425</u>

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

**VILLAGE OF NICHOLS, WISCONSIN**

Statement of Cash Flows

Enterprise Fund

Year Ended December 31, 2010

With Summarized Financial Information for Year Ended December 31, 2009

	Water Utility	
	2010	2009
Cash Flows from Operating Activities		
Cash received from user charges	\$ 37,399	\$ 37,735
Cash payments to suppliers	(10,838)	(57,596)
Cash payments to employees	(6,617)	(6,452)
Net Cash Provided (Used) by Operating Activities	<u>19,944</u>	<u>(26,313)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(9,034)	(7,493)
Repayment of advance from general fund	(8,613)	30,581
Interest on advance from general fund	(1,252)	(2,477)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(18,899)</u>	<u>20,611</u>
Cash Flows from Investing Activities		
Interest on investments	<u>12</u>	<u>38</u>
Net Change in Cash and Cash Equivalents	1,057	(5,664)
Cash and Cash Equivalents - January 1	<u>2,280</u>	<u>7,944</u>
Cash and Cash Equivalents - December 31	<u>\$ 3,337</u>	<u>\$ 2,280</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 3,323	\$ (33,828)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	11,801	11,545
Depreciation charged to sewer	(335)	(303)
Changes in assets and liabilities		
Accounts receivable	(92)	611
Accounts payable	(69)	1,350
Due to/from other funds	5,316	(5,688)
Net Cash Provided (Used) by Operating Activities	<u>\$ 19,944</u>	<u>\$ (26,313)</u>

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

## VILLAGE OF NICHOLS, WISCONSIN

### Notes to Basic Financial Statements

December 31, 2010

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village of Nichols, Wisconsin ("the Village"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Village are described below:

1. Reporting Entity

The Village of Nichols is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Village (the primary government) and any separate component units that have a significant operational or financial relationship with the Village. The Village has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statements Nos. 14 and 39.

2. Joint Venture

Effective January 1, 1999, the Village of Nichols and the Towns of Maine and Cicero formed a joint fire department to provide for services to its citizens. The mutually owned fire department is known as the Nichols Rural Fire Department. The costs of these services are shared by the Village and Towns on a basis of percentage of the equalized property value of the Village and Towns to the total equalized property of the combined entities. During 2010, the Village remitted an operating appropriation of \$4,312.

3. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include the general fund. Proprietary funds include an enterprise fund. The Village has no internal service funds. The major individual governmental fund and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The Village reports the following major governmental fund:

**GENERAL FUND**

This is the Village's main operating fund. It accounts for all financial resources of the general government.

The Village reports the following major enterprise fund:

**WATER UTILITY FUND**

This fund accounts for the operations of the Village's water utility.

**VILLAGE OF NICHOLS, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2010

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

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, public charges for services and interest. Other revenues such as licenses and permits, fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

Certain private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following certain subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**VILLAGE OF NICHOLS, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

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

5. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are reported as "advances to other funds" and are offset by a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation.

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental and business-type activities.

d. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of \$1,000 or higher and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Village's governmental activities are depreciated using the straight-line method over the following estimated useful lives:

	Governmental Activities	Business-type Activities
	Years	
<u>Assets</u>		
Buildings and improvements	20 - 40	25 - 50
Machinery and equipment	3 - 10	3 - 10
Infrastructure	30	25 - 100

**VILLAGE OF NICHOLS, WISCONSIN**

Notes to Basic Financial Statements

December 31, 2010

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

e. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet recognizable.

f. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

g. Fund Equity

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS**

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

- Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Amount of net assets that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

7. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

**VILLAGE OF NICHOLS, WISCONSIN**  
Notes to Basic Financial Statements  
December 31, 2010

**NOTE B - STEWARDSHIP AND COMPLIANCE**

Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During November, the Village Clerk and the Village Treasurer along with the Village Board prepare a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Village Board action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund.
- d. Expenditures may not exceed appropriations by major departmental classifications. Amendments to the budget during the year require authorization by the Village Board.
- e. Encumbrance accounting is not used by the Village to record commitments related to unperformed contracts for goods or services.

The Village did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2010.

**NOTE C - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

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

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

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

The carrying amount of the Village's cash and investments totaled \$330,664 on December 31, 2010 as summarized below:

Deposits with financial institutions	\$ 282,552
Investments	
Wisconsin local government investment pool	48,112
	<u>\$ 330,664</u>

