

VILLAGE OF SUMMIT
Summit, Wisconsin

**Basic Financial Statements
And Additional Information**

Year Ended December 31, 2011

VILLAGE OF SUMMIT
Summit, Wisconsin

Year Ended December 31, 2011

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Independent Auditor's Report

To the Village Board
Village of Summit
Summit, Wisconsin

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 Summit, Wisconsin, as of and for the year ended December 31, 2011, 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 Summit, Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the significant estimates made by management, as well as evaluating the overall 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, each major fund and the aggregate remaining fund information of the Village of Summit, Wisconsin, as of December 31, 2011, and the respective changes in financial position and, cash flows, where applicable, thereof 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 February 25, 2012, on our consideration of the Village of Summit, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Summit, Wisconsin's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were 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.

February 25, 2012
Milwaukee, Wisconsin

Village of Summit, Waukesha County, Wisconsin Management's Discussion and Analysis December 31, 2011

(UNAUDITED)

The Village of Summit was incorporated by the State of Wisconsin on July 29, 2010. As management of the Village of Summit, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Village's first complete year ended December 31, 2011. The Town implemented the provisions of Governmental Accounting Standards Board Statement 34 effective for the Town on January 1, 2005. The Village of Summit has continued these standards. Based on the fact that this is the seventh year implementing these provisions, we can present comparative information for several years. Future management discussion and analysis reports will continue to build on this material to give a more long-term view.

Throughout the document we will attempt to identify actions of the Village Board as appropriate in the report.

Financial Highlights

The assets of the Village of Summit exceeded its liabilities at the close of the most recent fiscal year by \$9,450,027, an increase of nearly \$500,000 from 2010 and over \$875,000 since 2005.

Beginning with this Financial Statement, the Village of Summit will include GASB 54 fund balance reporting descriptions. This information provides a clearer fund balance classification that can be more consistently applied. This change establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in government funds. The new categories include Nonspendable, Restricted, Committed, Assigned and Unassigned. A further description of these classifications is on Page 34 of the Notes to Financial Statements.

As of the close of the current fiscal year, Summit's governmental funds reported combined ending fund balances of \$2,084,218, an increase of nearly \$50,000 after a significant reduction of \$311,030 in 2010. This increase comes almost entirely from deferred revenues in the Genesee Lakes Utility District. These funds will be received in 2012 as part of the final project assessment for the outfall pipe installation in this District. Of the \$2,084,218 ending fund balance, approximately 80% of this total amount, \$1,668,898 is available for spending at the government's discretion (Unassigned, Assigned or Committed Funds). At year-end, management had committed \$1,282,789 from these monies and assigned another \$41,272 for specific purposes.

At the end of the current fiscal year the Unassigned fund balance for the general fund was \$388,152, or 14.8% of total general fund expenditures. Summit's total debt decreased by \$521,957 during the current fiscal year due to the on-going repayment of Business-Type Activities bonds for two Utility Districts and the ninth payment on the 10-year borrowing for parkland acquisition.

Overview of the Financial Statements

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

Government-wide financial statements

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

Village of Summit, Waukesha County, Wisconsin Management's Discussion and Analysis December 31, 2011

Overview of the Financial Statements (continued)

The *statement of net assets* presents information on all of the Village of Summit's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. Since 2007, the total liabilities and new assets for the community have increased by \$1,607,046, to \$26,593,211.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of 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 vacation leave or sick leave).

Both of the government-wide financial statements distinguish functions of the Village of Summit that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other 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 of Summit include general government, public safety, public works, leisure activities, health and human services. In 2011 the Village also provided specific activities in the Genesee Lakes Utility District through a Federal Emergency Action Plan grant. The business-type activities of the Village include Silver Lake Utility District and Summit Utility District #2, wherein the Village provides District administrative, billing, and limited property maintenance services.

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 of Summit, 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 two categories: governmental funds and enterprise funds. Within each of these classes there are also identified major and non-major funds. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

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

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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2011

Overview of the Financial Statements (continued)

The Village of Summit maintains two major 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 which is considered to be a major fund. Activity in the Genesee Lakes Utility District is called out separately in the 2011 Statement as a one-time major project that used Federal Grant monies for construction. Data from the other governmental funds are combined into a single, aggregated presentation and listed as non-major governmental funds. These five funds include the Debt Service, Land Acquisition, Impact Fee, Summit Utility District #3 and Cemetery Funds. Individual fund data for each of these non-major government funds is provided in the form of *combining statements* elsewhere in this report.

The Village of Summit adopts an annual appropriated budget for the entire general fund and various other funds as required by state statute. Monies spent in the Genesee Lakes Utility District were budgeted and expensed separately from the Village annual budget. A budgetary comparison statement has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

Proprietary Funds

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Village of Summit maintains two proprietary funds. The proprietary fund financial statements provide separate information for the Silver Lake Utility District and Summit Utility District #2, which are considered to be major *enterprise funds* of the Village of Summit.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village of Summit's own programs. The Village maintains a Tax Roll Fund for this purpose. The accounting used for fiduciary funds is much like that used for governmental funds.

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 25-49 of this report.

Supplementary information

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 52-53 of this report.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2011

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Summit, assets exceeded liabilities by \$9,450,027 at the close of the most current fiscal year, as presented in the following table. This is an increase of over \$5,173,000 since December 31, 2005 and reflects a commitment on the part of the Village to reduce the long-term liabilities

Village of Summit Net Assets
December 31, 2011 and December 31, 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$4,158,205	\$4,237,269	\$ 5,104,647	\$ 5,247,210	\$ 9,262,852	\$ 9,484,479
Capital assets	4,306,725	3,785,490	13,023,634	13,312,172	17,330,359	17,097,662
Total assets	\$8,464,930	\$8,022,759	\$18,128,281	\$18,559,382	\$26,593,211	\$26,582,141
Current and other liabilities	\$2,263,292	\$2,320,669	\$ 4,044,054	\$ 3,687,889	\$ 6,307,346	\$ 6,008,558
Long-term liabilities	425,666	520,665	10,410,172	11,078,086	10,835,838	11,598,751
Total liabilities	\$2,688,958	\$2,841,334	\$14,454,226	\$14,765,975	\$17,143,184	\$17,607,309
Net assets:						
Invested in capital assets, net of related debt	\$4,125,246	\$3,514,309	\$ 2,042,123	\$ 1,745,318	\$ 6,167,369	\$ 5,259,627
Restricted	352,159	416,926	572,124	921,604	924,283	1,338,530
Unrestricted	1,298,567	1,250,190	1,059,808	1,126,485	2,358,375	2,376,675
Total net assets	\$5,775,972	\$5,181,425	\$ 3,674,055	\$ 3,793,407	\$ 9,450,027	\$ 8,974,832

The Village of Summit uses capital assets to provide services 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 Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2011

Government-Wide Financial Analysis (continued)

Governmental activities

Governmental activities increased the Village of Summit's net assets by \$594,547. Major reasons for this change are noted below:

Village of Summit's Changes in Net Assets
For the Years ending December 31, 2011 and December 31, 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for services	\$ 800,050	\$ 757,467	\$ 675,890	\$ 636,254	\$ 1,475,940	\$ 1,393,721
Operating grants and contributions	204,702	218,416	---	---	204,702	218,416
Capital grants and contributions	499,576	798,926	81,690	99,811	581,266	898,737
General Revenues:						
Property taxes	1,349,470	1,239,921	218,808	220,076	1,568,278	1,459,997
Taxes levied for debt service	166,951	178,555	---	---	166,951	178,555
Other taxes	25,312	125,885	---	---	25,312	125,885
Intergovernmental	163,156	135,958	---	---	163,156	135,958
Investment income	38,435	48,920	7,817	11,223	46,252	60,143
Loss on disposal of assets	(8,049)	(4,663)	---	---	(8,049)	(4,663)
Miscellaneous	11,758	11,310	---	---	11,758	11,310
Total revenues	3,251,361	3,510,695	984,205	967,364	4,235,566	4,478,059
Expenses:						
General government	527,973	530,726	---	---	527,973	530,726
Public safety	1,201,720	1,110,130	---	---	1,201,720	1,110,130
Public works	853,136	812,635	---	---	853,136	812,635
Culture, education and recreation	32,582	33,323	---	---	32,582	33,323
Health and human services	30,983	42,487	---	---	30,983	42,487
Interest and fiscal charges	10,420	17,436	---	---	10,420	17,436
Utility Districts	---	---	1,103,557	1,092,204	1,103,557	1,092,204
Total expenses	2,656,814	2,546,737	1,103,557	1,092,204	3,760,371	3,638,941
Change in net assets	594,547	963,958	(119,352)	(124,840)	475,195	839,118
Net Assets - Beginning of Year	5,181,425	4,217,467	3,793,407	3,918,247	8,974,832	8,135,714
Net Assets - End of Year	\$ 5,775,972	\$ 5,181,425	\$ 3,674,055	\$ 3,793,407	\$ 9,450,027	\$ 8,974,832

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
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Government-Wide Financial Analysis (continued)

Business-type activities

Business-type activities continued to reduce the Village of Summit's net assets, during 2011 by \$119,352. The Summit Utility District #2 functions to collect and transport sanitary sewage to the Del-Hart Treatment Plant in the City of Delafield. The operating revenue for Summit Utility District #2 during the current fiscal year was \$556,068, generated by monthly charges for treatment. This is an increase of \$51,000 from 2010 and \$163,200 more than 2005. Operating expenses for the current fiscal year increased by \$38,000 to \$262,881. This was still lower than the 2009 expenses of \$333,691. The depreciation of the utility assets cost the District \$234,038, an amount nearly identical to the past five years. Including these depreciation costs results in a positive operating income of \$59,149. This continues a two-year positive operating income statement.

The District continues to suffer from net non-operating revenue losses from the various interest expenses; in this instance another \$134,410. Total net assets for the Summit Utility District #2 decreased by \$86,738 in spite of conservative maintenance and administrative expenses. Net assets at the end of 2011 total \$2,152,213.

The Silver Lake Utility District contracted with the City of Oconomowoc in 2005 for the installation of sanitary sewer through the entire District. This work was completed on January 6, 2006 and continues to be operated by the City of Oconomowoc. As such, all operating revenue goes directly for treatment charges. Expenses for the District included administrative costs totaling \$31,026 during the current fiscal year and net non-operating losses of \$32,614. Total net assets for the Silver Lake Utility District continue to decrease on schedule by \$32,614 based on use of the fund balance created by the initial financing plan. Net assets in the Silver Lake Utility District at the end of 2011 total \$1,521,842.

Financial Analysis of the Government's Funds

Summit uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government funds

The focus of the Summit's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the community's financing requirements. In particular, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Village of Summit's governmental funds reported combined ending fund balances of \$2,084,218, an increase of \$48,134 in comparison with the prior year.

Of the \$2,084,218 ending fund balance, approximately 16.5% of this total amount (\$344,837) constitutes *Unassigned monies* available for spending at the government's discretion. Management has assigned another \$41,272 to pay for future equipment replacement in the police and highway departments. The Village Board committed \$45,699 in a fund for retiree health insurance premiums and another \$1,237,090 for Facility Improvements. \$50,000 of the fund balance remains as a loan commitment to the Summit Fire District to assist in the January, 2009 purchase of fire apparatus. This loan will be repaid from 2009 - 2013 via taxes on properties in the Summit Fire District. The remainder of fund balance is restricted for work or continuing care in the Summit Cemetery (\$251,461), 2) for a variety of other parkland acquisition and development uses(\$3,040), or 3) for payments as allowed by Wisconsin Statutes in the Summit Fire District, Summit Police Department or Summit Park and Recreation Department (Impact Fees of \$97,658).

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2011

Financial Analysis of the Government's Funds

Proprietary funds

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

User charge rates for Summit Utility District #2 have been charged since completion of the system in 2002. The 2004 and 2008 District audits identified on-going concerns over the long-term financing of the District. The District commissioners completed a long-term financial analysis and rate study during 2006 and updated this analysis in 2009. Another long-term financial analysis was completed in 2011 with assistance from the Village's financial advisor, Ehlers Associates. The eight-month study resulted in a financial plan through 2027 that includes increased quarterly charges, increased annual tax assessments and \$1.1 million in funding from the Village to assist in debt payments. Copies of this financial management plan are available on the Village's website or from the Village Administrator.

The Silver Lake Utility District completed installation of the sanitary sewer on January 6, 2006. All of the developed properties are connected and served as of December 31, 2011. The District completed a financial analysis in the spring of 2006 and refinanced the project into a 10-year general obligation note in September, 2006. The overall strength of the District is secure. This District was also part of the 2011 Financial Management Plan for the Village. A single change in the annual tax assessment was necessary to complete the long-term funding of this District. Copies of this financial management plan are available on the Village's website or from the Village Administrator.

Capital Asset and Debt Administration

Capital Assets

The Village of Summit inherited all of the assets and liabilities of the Town of Summit when incorporation was approved by the State of Wisconsin on July 29, 2010. This inheritance included all of the Town's prior investment in capital assets for its governmental and business-type activities. As of December 31, 2011, these investments amount to \$17,330,359, an increase of \$232,697 (net of accumulated depreciation). The governmental-type investment in capital assets includes land, land improvements, buildings, machinery and equipment and street infrastructure. Major capital asset changes during the current fiscal year include the purchase of a police squad, installation of the Genesee Lakes outfall structure, and ball diamond installations at the Summit Village Park. The Village's governmental activities capital assets, net of depreciation total \$4,306,725.

The business-type investment in capital assets includes land, land improvements, buildings, machinery and equipment and sanitary sewer infrastructure. The Village's business activities capital assets, net of depreciation totals \$13,023,634.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2011

Capital Asset and Debt Administration

Village of Summit - Capital Assets (net of accumulated depreciation)

December 31, 2011 and 2010

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land (not being depreciated)	\$ 1,078,420	\$ 1,078,420	\$ 92,861	\$ 92,861	\$ 1,171,281	\$ 1,171,281
Construction in Progress	---	78,506	---	---	---	78,506
Buildings	34,232	8,533	1,610,258	1,650,018	1,644,490	1,658,551
Vehicles and Equipment	530,113	574,167	650,638	686,983	1,180,751	1,261,150
Infrastructure	2,663,960	2,045,864	---	---	2,663,960	2,045,864
Sewer system and services	---	---	8,762,355	8,920,288	8,762,355	8,920,288
Investment in City of Oconomowoc treatment plant	---	---	1,907,522	1,962,022	1,907,522	1,962,022
Total	<u>\$ 4,306,725</u>	<u>\$ 3,785,490</u>	<u>\$ 13,023,634</u>	<u>\$ 13,312,172</u>	<u>\$ 17,330,359</u>	<u>\$ 17,097,662</u>

Additional information on the Village's capital assets can be found in Note 3(E).

Additional information on the Village's capital assets for Business-Type Activities can be found in the separate Financial Statements for the Summit Utility District #2 and Silver Lake Utility District, Note 5 of each report.

Long-term debt

At the end of the current fiscal year, the Village of Summit had total debt outstanding of \$11,691,883. Of this amount, \$10,240,129 comprises debt backed by the full faith and credit of the government. The remainder of the Village's governmental activities debt (\$360,028) represents accumulated sick pay benefits and unfunded retirement liability. The Village Board voted in December, 2011 to finance the unfunded retirement liability during 2012 and pay this \$71,652 liability over five years. Beyond this, the business-type activities in the Summit Utility District #2 account for revenue bonding (\$1,091,726).

The Village's total debt decreased by \$617,806 during the current fiscal year. The decrease in debt results from the annual repayment of debt in Summit Utility District #2, Silver Lake Utility District and the ninth payment on the Village Park property (of 10 total).

State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total equalized valuation of taxable property within the Village's jurisdiction. The current debt limitation for the Village of Summit is \$49,363,400 which is significantly in excess of the Village's outstanding general obligation debt. The Village's current debt includes approximately 20.74% of the overall statutory amount available.

Additional information on the Village of Summit's long-term debt can be found in note 3(F).

Village of Summit, Waukesha County, Wisconsin Management's Discussion and Analysis December 31, 2011

Economic Factors and Other Budget Notes

The Village of Summit contracted with Ehlers Associates in February, 2011 to complete a financial analysis of the Village and utility districts, assist in creation of a 5-year Capital Improvement Plan, and coordinate overall debt structure with the Village and utility districts. This Plan process included eight meetings with the Village Board and staff, a public meeting with residents of each of the sewer utility districts and a final report approved in November, 2011. The Village Financial Management Plan is available for review on the Village's website. The Plan was used in completion of all 2012 budgets, consideration for capital project financing in 2011 and rate structures for the two utility districts beginning on January 1, 2012.

Currently the Village's equalized value has been determined by the State of Wisconsin at \$987,268,000, a market decline of about \$20 million. The Town completed a community-wide reassessment in September, 2008. Although there have been challenges in the real estate market throughout southeast Wisconsin since the 2008 revaluation, the Village of Summit values have held very steady, allowing for a minimal increase in the budget necessary for 2012 operations.

The Village of Summit tax rate for 2011 was \$1.321 per \$1,000 of assessed value (mil rate). The Village will continue to maintain a low property tax without cutting essential services by keeping administrative costs down and controlling unnecessary expenditures. The 2011 budgeted tax levy increased by 1.28%.

The Village has a full time Village Clerk, Village Treasurer/Deputy Clerk and Village Administrator. While the Administrator is the Chief Financial Officer of the Village and is required to monitor revenues and control expenses to prevent exceeding the various departments' expenditures established by the budget, the Clerk insures proper capital funding for the future and that the Village's capital investments are protected and future maintenance and replacement cost are minimized. Also, the Village Board reviewed and adopted a Financial Management Plan to provide for funds that will adequately meet both current and future debt service needs.

The Village's 2012 adopted budget was approved November 3, 2011 following a public hearing that same evening.

Certain Equipment Replacement Funds act as a savings tool for allocating funds for future major capital equipment purchases. The Village revised their approach to this equipment replacement and other major capital projects. As part of the 2011 financial planning the Village Board and staff developed a 5-year Capital Improvement Plan. This Plan included possible expenditures for utility district sewer repairs, park improvements, road repairs and upgrades, vehicle and equipment replacement and office furnishings. The Village Board used this new tool as part of the 2012 budgeting process to determine both funding sources and expenditures.

The Village's full-time police officers are organized and affiliated with the Wisconsin Professional Police Association. The Village's contract with the Association was renewed on November 3, 2011 for a three year term, expiring on December 31, 2014. Within this contract, the Village agreed to wage increases in each year. The police association offset these wage increases by agreeing to contribute additional monies to their health insurance premiums and State pension system. The Village continued participation in the State of Wisconsin Health Insurance program in an effort to diminish the increases in premium expenses.

The Village continues to maintain the road system by seal-coating and crack-filling on an annual basis. In 2011 the Village devoted \$45,000 to this activity for resurfacing portions of Waterville Road and Four Seasons Road. The Village also completed reconstruction of Interlaken Drive at a cost of \$50,000. The Village's paving schedule is based on the State of Wisconsin PASER road rating system.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2011

Requests for Information

This financial report is designed to provide a general overview of the Village of Summit's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

Henry Elling
Village Administrator
2911 North Dousman Road
Oconomowoc, Wisconsin 53066

(262) 567-2757
ellingh@summittown.org

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Net Assets
December 31, 2011

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Assets:			
Cash and investments	\$ 2,732,177	\$ 656,700	\$ 3,388,877
Taxes receivable	1,242,722	710,010	1,952,732
Accounts receivable	120,145	148,141	268,286
Note receivable	50,000	---	50,000
Other receivables	---	15,781	15,781
Prepaid expenses	13,161	---	13,161
Unamortized debt issuance costs	---	96,575	96,575
Restricted Assets:			
Cash and investments	---	243,149	243,149
Special assessments receivable	---	3,155,424	3,155,424
Connection charges receivable	---	78,867	78,867
Capital Assets:			
Land and construction in progress	1,078,420	92,861	1,171,281
Other capital assets, net of accumulated depreciation	3,228,305	12,930,773	16,159,078
Total assets	\$ 8,464,930	\$ 18,128,281	\$ 26,593,211
Liabilities and Net Assets:			
Liabilities:			
Accounts payable	\$ 109,359	\$ 519,733	\$ 629,092
Accrued wages and benefits	24,217	---	24,217
Deferred revenues	1,940,411	2,661,893	4,602,304
Accrued interest	1,174	112,463	113,637
Liabilities payable from restricted assets:			
Accrued interest	---	3,184	3,184
Current portion of revenue bonds	---	7,755	7,755
Connection charges payable	---	78,867	78,867
Accrued compensated absences - sick	288,376	---	288,376
Unfunded retirement liability	71,652	---	71,652
Bonds and notes - due within one year	116,479	660,159	776,638
Bonds and notes - due in more than one year	137,290	10,410,172	10,547,462
Total liabilities	2,688,958	14,454,226	17,143,184
Net Assets:			
Invested in capital assets, net of related debt	4,125,246	2,042,123	6,167,369
Restricted for:			
Equipment replacement	---	193,379	193,379
Other	352,159	378,745	730,904
Unrestricted	1,298,567	1,059,808	2,358,375
Total net assets	5,775,972	3,674,055	9,450,027
Total liabilities and net assets	\$ 8,464,930	\$ 18,128,281	\$ 26,593,211

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT

Summit, Wisconsin

Statement of Activities

For the Year Ended December 31, 2011

Activities:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental:							
General government	\$ 527,973	\$ 96,198	\$ 6,588	\$ ---	\$ (425,187)	\$ ---	\$ (425,187)
Public safety	1,201,720	241,069	31,181	---	(929,470)	---	(929,470)
Public works	853,136	391,349	166,683	499,576	204,472	---	204,472
Health and human services	30,983	11,875	---	---	(19,108)	---	(19,108)
Culture, education and recreation	32,582	59,559	250	---	27,227	---	27,227
Interest and fiscal charges	10,420	---	---	---	(10,420)	---	(10,420)
Total governmental activities	<u>2,656,814</u>	<u>800,050</u>	<u>204,702</u>	<u>499,576</u>	<u>(1,152,486)</u>	<u>---</u>	<u>(1,152,486)</u>
Business-type:							
Silver Lake Utility District	201,667	119,822	---	21,789	---	(60,056)	(60,056)
Summit Utility District No. 2	901,890	556,068	---	59,901	---	(285,921)	(285,921)
Total business-type activities	<u>1,103,557</u>	<u>675,890</u>	<u>---</u>	<u>81,690</u>	<u>---</u>	<u>(345,977)</u>	<u>(345,977)</u>
Total Primary Government	<u>\$ 3,760,371</u>	<u>\$ 1,475,940</u>	<u>\$ 204,702</u>	<u>\$ 581,266</u>	<u>(1,152,486)</u>	<u>(345,977)</u>	<u>(1,498,463)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					1,349,470	218,808	1,568,278
Property taxes, levied for debt service					166,951	---	166,951
Other taxes					25,312	---	25,312
Intergovernmental revenues not restricted to specific programs					163,156	---	163,156
Investment income					38,435	7,817	46,252
Loss on retirement of capital assets					(8,049)	---	(8,049)
Miscellaneous					11,758	---	11,758
Total General Revenues					<u>1,747,033</u>	<u>226,625</u>	<u>1,973,658</u>
Change in net assets					594,547	(119,352)	475,195
Net assets - beginning					<u>5,181,425</u>	<u>3,793,407</u>	<u>8,974,832</u>
Net assets - ending					<u>\$ 5,775,972</u>	<u>\$ 3,674,055</u>	<u>\$ 9,450,027</u>

The accompanying notes to financial statements are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Balance Sheet
Governmental Funds
December 31, 2011

	General Fund	Genesee Lakes Utility District	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and investments	\$ 2,211,139	\$ ---	\$ 521,038	\$ 2,732,177
Receivables				
Taxes	1,081,823	61,374	99,525	1,242,722
Accounts	120,145	---	---	120,145
Note	50,000	---	---	50,000
Due from other funds	170,044	---	---	170,044
Prepaid expenses	13,161	---	---	13,161
	Total assets	\$ 61,374	\$ 620,563	\$ 4,328,249
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 109,359	\$ ---	\$ ---	\$ 109,359
Accrued wages and benefits	24,217	---	---	24,217
Due to other funds	---	42,975	127,069	170,044
Deferred revenues	1,737,362	61,374	141,675	1,940,411
	Total liabilities	104,349	268,744	2,244,031
Fund Balances (Deficit):				
Nonspendable	63,161	---	---	63,161
Restricted	---	---	352,159	352,159
Committed	1,282,789	---	---	1,282,789
Assigned	41,272	---	---	41,272
Unassigned	388,152	(42,975)	(340)	344,837
	Total fund balance	(42,975)	351,819	2,084,218
	Total liabilities and fund balance	\$ 61,374	\$ 620,563	\$ 4,328,249

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

December 31, 2011

Total fund balance of governmental funds		\$	2,084,218
Amounts reported for governmental activities in the Government-wide Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.			
Land and construction in progress	\$	1,078,420	
Other capital assets net of accumulated depreciation		<u>3,228,305</u>	
			4,306,725
The following long-term liabilities which are not due and payable in the current period are not reported in the fund financial statements.			
Bonds and notes payable		(253,769)	
Compensated absences payable - sick pay		(288,376)	
Unfunded retirement liability		(71,652)	
Accrued interest payable on long-term bonds and notes		<u>(1,174)</u>	
			<u>(614,971)</u>
Total net assets of governmental activities		\$	<u>5,775,972</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2011

	General Fund	Genesee Lakes Utility District	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property tax	\$ 1,269,782	\$ 85,000	\$ 186,951	\$ 1,541,733
Operating grants and contributions:				
Intergovernmental	361,020	---	---	361,020
Other	6,588	---	250	6,838
Capital grants and contributions:				
Intergovernmental	---	499,576	---	499,576
Licenses and permits	195,865	---	---	195,865
Fines, forfeitures and penalties	41,146	---	---	41,146
Public charges for services	433,686	---	23,412	457,098
Intergovernmental charges for services	105,939	---	---	105,939
Investment income	32,714	---	5,721	38,435
Other revenues	11,758	---	---	11,758
Total revenues	<u>2,458,498</u>	<u>584,576</u>	<u>216,334</u>	<u>3,259,408</u>
Expenditures:				
Current:				
General government	541,678	---	---	541,678
Public safety	1,164,014	---	---	1,164,014
Public works	755,985	5,858	20,315	782,158
Health and human services	30,983	---	---	30,983
Culture, recreation and education	25,243	---	---	25,243
Capital outlay	111,784	532,061	---	643,845
Debt service:				
Principal	---	---	154,702	154,702
Interest and fiscal charges	---	---	12,249	12,249
Total expenditures	<u>2,629,687</u>	<u>537,919</u>	<u>187,266</u>	<u>3,354,872</u>
Excess (deficit) of revenues over (under) expenditures	(171,189)	46,657	29,068	(95,464)
Other Financing Sources (Uses):				
Bonds and notes issued	137,290	---	---	137,290
Proceeds from sale of capital assets	6,308	---	---	6,308
Transfers in	5,376	---	---	5,376
Transfers out	---	---	(5,376)	(5,376)
Total other financing sources (uses)	<u>148,974</u>	<u>---</u>	<u>(5,376)</u>	<u>143,598</u>
Net change in fund balance	(22,215)	46,657	23,692	48,134
Fund Balance (Deficit), beginning of year	<u>1,797,589</u>	<u>(89,632)</u>	<u>328,127</u>	<u>2,036,084</u>
Fund Balance (Deficit), end of year	<u>\$ 1,775,374</u>	<u>\$ (42,975)</u>	<u>\$ 351,819</u>	<u>\$ 2,084,218</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**
Year Ended December 31, 2011

Net change in fund balances - total governmental funds	\$	48,134
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. In the government-wide statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation.</p>		
Governmental capital outlay in the fund financial statements	\$	643,845
Depreciation expense in government-wide financial statements		<u>(108,253)</u>
		535,592
<p>In the statement of activities, the net gain or loss on the sale or retirement of capital assets is reported. However, in the governmental funds, only the proceeds from the sale of capital assets provides a current financial resource to be reported. Therefore, the change in fund balance differs from the change in net assets by the cost of the assets sold or retired net of the accumulated depreciation on those assets.</p>		
		(14,357)
<p>Governmental funds report proceeds from the issuance of long-term debt as other financing sources, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of long-term debt principal are expenditures in the governmental funds but the repayments reduce long-term liabilities in the statement of net assets.</p>		
Proceeds from the issuance of debt in governmental fund financial statements		(137,290)
Principal payments on debt in governmental fund financial statements		154,702
<p>Interest on long-term debt in the governmental funds is reported as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest costs are reported as they accrue, regardless of when they are due.</p>		
This is the amount by which the prior year accrual exceeds the current accrual.		1,830
<p>Certain expenses do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. These expenses are accrued in the government-wide statement of net assets and reported as expenses in the statement of activities.</p>		
Increase in accrued compensated absences - sick pay		(5,504)
Decrease in unfunded retirement liability		<u>11,440</u>
Net change in net assets	\$	<u><u>594,547</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Net Assets
Proprietary Funds
December 31, 2011

	Business-Type Activities -		Total
	Enterprise Funds		
	<u>Summit Utility</u>	<u>Silver Lake</u>	
	<u>District No. 2</u>	<u>Utility District</u>	<u></u>
Assets:			
Current Assets:			
Cash and investments	\$ 303,801	\$ 352,899	\$ 656,700
Receivables:			
Customer	121,142	26,999	148,141
Taxes	334,731	50,000	384,731
Special charges on the tax roll	213,049	112,230	325,279
Total current assets	<u>972,723</u>	<u>542,128</u>	<u>1,514,851</u>
Non-Current Assets:			
Restricted assets:			
Cash and investments	243,149	---	243,149
Special assessments receivable	2,505,112	650,312	3,155,424
Connection charges receivable	---	78,867	78,867
Capital assets:			
Land	92,861	---	92,861
Capital assets being depreciated	13,290,953	2,180,025	15,470,978
Accumulated depreciation	(2,267,702)	(272,503)	(2,540,205)
Other assets:			
Other receivable	15,781	---	15,781
Unamortized debt issuance costs	88,655	7,920	96,575
Total non-current assets	<u>13,968,809</u>	<u>2,644,621</u>	<u>16,613,430</u>
Total assets	<u>\$ 14,941,532</u>	<u>\$ 3,186,749</u>	<u>\$ 18,128,281</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Net Assets
Proprietary Funds
December 31, 2011

	Business-Type Activities - Enterprise Funds		Total
	Summit Utility District No. 2	Silver Lake Utility District	
Liabilities and Net Assets:			
Liabilities:			
Current Liabilities:			
Accounts payable	\$ ---	\$ 3,392	\$ 3,392
Accrued interest	100,213	12,250	112,463
Deferred revenues	312,724	50,000	362,724
Current portion of general obligation debt	354,854	220,000	574,854
Current portion of revenue bonds	85,305	---	85,305
Total current liabilities	<u>853,096</u>	<u>285,642</u>	<u>1,138,738</u>
Liabilities payable from restricted assets:			
Accrued interest	3,184	---	3,184
Current portion of revenue bonds	7,755	---	7,755
Connection charges payable	---	78,867	78,867
Total liabilities payable from restricted assets	<u>10,939</u>	<u>78,867</u>	<u>89,806</u>
Non-Current Liabilities:			
General obligation debt	8,421,506	990,000	9,411,506
Revenue bonds	998,666	---	998,666
Due to other utilities	516,341	---	516,341
Deferred revenues	1,988,771	310,398	2,299,169
Total non-current liabilities	<u>11,925,284</u>	<u>1,300,398</u>	<u>13,225,682</u>
Total liabilities	<u>12,789,319</u>	<u>1,664,907</u>	<u>14,454,226</u>
Net Assets:			
Invested in capital assets, net of related debt	1,336,681	705,442	2,042,123
Restricted for:			
Equipment replacement	193,379	---	193,379
Other	38,831	339,914	378,745
Unrestricted	583,322	476,486	1,059,808
Total net assets	<u>2,152,213</u>	<u>1,521,842</u>	<u>3,674,055</u>
Total liabilities and net assets	<u>\$ 14,941,532</u>	<u>\$ 3,186,749</u>	<u>\$ 18,128,281</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds
Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		Total
	Summit Utility District No. 2	Silver Lake Utility District	
Operating Revenues	\$ 556,068	\$ 119,822	\$ 675,890
Operating Expenses			
Operation and maintenance	169,894	62,928	232,822
Administrative and general	92,987	31,026	124,013
Depreciation	234,038	---	234,038
Amortization	---	54,500	54,500
Total operating expenses	<u>496,919</u>	<u>148,454</u>	<u>645,373</u>
Operating Income (Loss)	59,149	(28,632)	30,517
Non-Operating Revenues (Expenses)			
Taxes	194,058	24,750	218,808
Investment income	5,125	2,692	7,817
Interest on special assessments	12,229	21,789	34,018
Interest expense	(404,971)	(53,213)	(458,184)
Total non-operating revenues (expenses)	<u>(193,559)</u>	<u>(3,982)</u>	<u>(197,541)</u>
Loss before Contributions	(134,410)	(32,614)	(167,024)
Capital Contributions	<u>47,672</u>	<u>---</u>	<u>47,672</u>
Change in Net Assets	(86,738)	(32,614)	(119,352)
Net Assets - Beginning of year	<u>2,238,951</u>	<u>1,554,456</u>	<u>3,793,407</u>
Net Assets - End of year	<u>\$ 2,152,213</u>	<u>\$ 1,521,842</u>	<u>\$ 3,674,055</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		Total
	Summit Utility District No. 2	Silver Lake Utility District	
Cash Flows From Operating Activities:			
Receipts from customers	\$ 551,893	\$ 149,543	\$ 701,436
Payments to suppliers	(254,611)	(96,900)	(351,511)
Internal activity - payments to other funds	(4,025)	---	(4,025)
Net cash provided by operating activities	<u>293,257</u>	<u>52,643</u>	<u>345,900</u>
Cash Flows From Noncapital Financing Activities			
Taxes received	194,058	24,750	218,808
Cash Flows From Capital and Related Financing Activities:			
Special assessments received	258,724	111,911	370,635
Debt retired	(384,458)	(210,000)	(594,458)
Interest paid	(400,504)	(53,600)	(454,104)
Net cash used by capital and related financing activities	<u>(526,238)</u>	<u>(151,689)</u>	<u>(677,927)</u>
Cash Flows From Investing Activities:			
Investment earnings	<u>17,354</u>	<u>31,492</u>	<u>48,846</u>
Net change in cash and cash equivalents	(21,569)	(42,804)	(64,373)
Cash and equivalents, beginning of year	<u>568,519</u>	<u>395,703</u>	<u>964,222</u>
Cash and equivalents, end of year	<u>\$ 546,950</u>	<u>\$ 352,899</u>	<u>\$ 899,849</u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2011
(Continued)

	Business-Type Activities - Enterprise Funds		Total
	Summit Utility District No. 2	Silver Lake Utility District	
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ 59,149	\$ (28,632)	\$ 30,517
Noncash items in operating loss:			
Depreciation	234,038	---	234,038
Amortization	---	54,500	54,500
Changes in assets and liabilities:			
Customer accounts receivable	(40,942)	29,721	(11,221)
Due from municipality	36,767	---	36,767
Other receivables	(4,820)	---	(4,820)
Accounts payable	---	(154)	(154)
Due from (to) other funds	(4,025)	(2,792)	(6,817)
Due to other utilities	13,090	---	13,090
Net cash flows provided by operating activities	\$ 293,257	\$ 52,643	\$ 345,900
 Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets Accounts			
Unrestricted - current	\$ 303,801	\$ 352,899	\$ 656,700
Restricted - non-current	243,149	---	243,149
Cash and cash equivalents	\$ 546,950	\$ 352,899	\$ 899,849
 Noncash Capital Activities:			
Special assessments assessed	\$ 47,672	\$ ---	\$ 47,672

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT

Summit, Wisconsin

Statement of Net Assets - Fiduciary (Agency) Fund

December 31, 2011

		<u>Tax Roll Fund</u>
Assets:		
Cash and investments	\$	5,023,942
Taxes receivable		<u>9,478,604</u>
Total assets	\$	<u><u>14,502,546</u></u>
Liabilities:		
Due to other governmental units	\$	<u><u>14,502,546</u></u>

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

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December 31, 2011

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VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies

The accounting policies of the Village of Summit, 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. Financial Reporting Entity

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

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

The Village has included in its financial statements for the following entities, which are not considered separate entities with corporate powers:

Community Development Authority

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net assets 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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

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

Fund Financial Statements

Fund 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 that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or non-major 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:

- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- In addition, any other governmental or enterprise fund that the Village believes is particularly important to financial statement users may be reported as a major fund.

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

The Village reports the following major funds:

Major Governmental Fund

- General Fund - The General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all financial transactions except those legally or administratively required to be accounted for in another fund.
- Genesee Lakes Utility District Fund - The Genesee Lakes Utility District Fund accounts for activities within the District.

Major Enterprise Funds

- Silver Lake Utility District Fund – This Fund accounts for operations of the sanitary sewer system.
- Summit Utility District No. 2 Fund – This Fund accounts for operations of the sanitary sewer system.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

The Village reports the following non-major funds:

- Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term obligations principal, interest and related costs (other than debt accounted for in the Proprietary Funds).
- Special Revenue Funds – are used to account for revenues requiring separate accounting because of legal or regulatory provisions, and consist of the following individual funds:

Land Acquisition and Public Improvements Fund
Impact Fees Funds
Summit Utility District #3 Fund

- Permanent Funds – are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Cemetery Fund

In addition, the Village reports the following fund types:

Agency funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Roll Fund

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net assets 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 expense are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or 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 deferred 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 SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 the expendable available financial resources.

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

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held by the county are reported as receivable and deferred revenue.

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

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

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds allow the accrual basis of accounting, and do not have a measurement focus.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fund Financial Statements (continued)

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. 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 proprietary funds 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 of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

For the purpose of the statement of net assets and for 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 in Village funds is restricted by Wisconsin state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less
- 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, or by the University of Wisconsin Hospitals and Clinics Authority
- Bonds or securities issued or guaranteed by the federal government
- The Local Government Investment Pool
- Any security maturing in seven years or less and having the highest or second highest rating category of nationally recognized rating agency
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- 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 SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Cash and Investments (continued)

The Village may deposit funds in authorized banks, the Wisconsin Local Government Investment Pool and Wisconsin Investment Trust without restriction of amounts. The Village may deposit funds in savings and loan associations and credit unions up to \$500,000. Deposits in authorized banks may be limited to \$500,000 upon the determination of the Investment Officer of the Village that circumstances exist regarding the viability of the bank.

The Village's investment policy does not address other types of risks.

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 to the general fund. The difference between the bank statement and carrying value is due to outstanding checks and/or deposits in transit.

Receivables

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are provided. In addition to property taxes for the municipality, taxes are collected for and remitted to the state and county governments as well as the local and vocational school districts. Taxes for all state and other local governmental units billed in the current year for the succeeding year are reflected as receivables and as due to other taxing units on the statement of net assets – fiduciary (agency) fund. Taxes are levied in December on the assessed value as of the prior January 1.

Property Tax Calendar – 2011 Tax Roll:

Lien and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	July 31, 2012
Personal property taxes due in full	January 31, 2012
Tax sale by County - 2011 delinquent real estate taxes	October 2014

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 enterprise funds 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 assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

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 assets.

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment and intangible assets, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$100 for general capital assets and \$100 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical costs if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but GASB No. 34 does not require the Village to retroactively report all major general infrastructure assets. As of December 31, 2011, the Village has not retroactively reported all infrastructure acquired by its governmental fund types.

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 funds proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	40 years
Machinery and Equipment	7 - 20 years
Infrastructure	50 - 65 years
Utility System	5 - 80 years
Investment in City of Oconomowoc treatment plant	40 years

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Capital Assets (continued)

Fund Financial Statements

In the fund financial statements, capital assets acquired in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund. Fixed assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

Other Assets

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

Compensated Absences

The Village does not accrue vacation or sick leave, but rather expenses these costs as paid. Vacation time is not cumulative from year to year. Unused vacation is paid at year end. Accumulated sick leave benefits up to a maximum of 120 days are payable upon retirement. There are no provisions for payment of accumulated sick leave benefits if employment is terminated prior to retirement. Accumulated benefits are recorded as expenditures in the funds statements in the year used. Due to the long-term nature of the accumulated sick leave benefits, the governmental funds do not report this liability in the fund financial statements. The accumulated sick leave benefits are recorded as long-term debt in the government-wide financial statements.

Long-term Obligations and 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 the debt and premiums on issuance are reported as other financing sources. Discounts on issuance are reported as other financing uses. Payments of principal and interest, losses on debt refundings, as well as costs of issuance are reported as expenditures. The accounting for proprietary fund obligations is the same in the fund financial statements as it is in the government-wide financial statements.

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

The Village, under the authority of the Community Development Authority, has permitted the issuance of Redevelopment Revenue Bonds ("RRB") for a privately-owned company with the Village limits. The Village has no obligation for the RRBs in the event of default by the borrowers. Accordingly, no liability for the bonds is included in the Village's financial statements. The aggregate amount of these conduit obligations outstanding as of December 31, 2011 was \$15,000,000.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Equity Classifications

Government-Wide Statements

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

- a. **Invested in capital assets, net of related debt** – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted net assets** – Consists of net assets with constraints placed on the 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 assets** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Equity Classifications

Fund Statements

Governmental fund equity is classified as fund balance. GASB establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made is identifying amounts that are considered nonspendable. Fund balance is further classified as restricted, committed, assigned and unassigned. The Village's fund balance classification policies and procedures are as follows:

- a. Nonspendable – Amounts that cannot be spent because they are either not in spendable form (i.e. convertible into cash) or legally required to be maintained intact.
- b. Restricted – Either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- c. Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's Board of Trustees.
- d. Assigned – Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- e. Unassigned – The residual classification for the General Fund (fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund), and deficit fund balances within other funds.

Currently, the Village does not have an official policy regarding the fund balance classifications. Amounts noted as committed relate to constraints previously approved by the Board of Trustees as designated funds in prior years. Amounts noted as assigned relate to constraints currently and previously approved by either the Village Administrator or designated department heads.

The Village's current fund balance policy is to maintain a minimum unassigned fund balance of 15% of total General Fund budgeted revenues.

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

E. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (February 25, 2012). See note 3.F. related to the payoff of the unfunded retirement liability for further information on subsequent events that have occurred.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1. C.

A budget has been adopted for the general and debt service funds. Budgets have not been formally adopted for the special revenue fund. Wisconsin Statue 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. 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. There were no carryovers to the following year. Budgets are adopted at the fund level of expenditure.

B. Excess Expenditures Over Appropriations

<u>Department</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General Fund:			
Public safety	\$ 1,077,289	\$ 1,164,014	\$ (86,725)
Health and human services	739,466	755,985	(16,519)
Culture, recreation and education	25,215	25,243	(28)

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

C. Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. At December 31, 2011, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Summit Utility District #3	\$ 340
Genesee Lake Utility District	42,975

The deficits will be financed through tax levies in future periods.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts

A. Cash and Investments

As of December 31, 2011, the Village held the following cash and investments.

	<u>Custodial Balance</u>	<u>Carrying Amount</u>
Cash and Equivalents:		
Demand deposits	\$ <u>7,756,475</u>	\$ <u>8,655,968</u>
Reconciliation to Financial Statements:		
Cash and equivalents:		
Per Statement of Net Assets:		
Cash and investments		\$ 3,388,877
Restricted assets – cash and investments		243,149
Per Statement of Net Assets – Fiduciary (Agency) Fund		<u>5,023,942</u>
Total cash and investments		\$ <u><u>8,655,968</u></u>

Deposits in local and area banks are insured by the FDIC in the amount of \$250,000 per financial institution. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total coverage and other legal implications, recovery of material principal losses may be significant to individual municipalities. Accordingly, this coverage has not been included when calculating the insured amount of such deposits.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in uninsured balances during the year significantly exceeding uninsured amounts at year end.

Custodial Credit Risk - Cash and Investments

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it.

As of December 31, 2011, the Village's demand deposits were exposed to custodial credit risk in that \$7,054,131 of those balances were uninsured, and uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the Village's name.

For an investment, custodial 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.

B. Receivables

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

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

B. Receivables (continued)

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

	<u>Unearned</u>
Property taxes receivable for subsequent year	\$ 1,940,411
Total deferred/unearned revenue for governmental funds	\$ 1,940,411

At the end of the current fiscal year, the various components of unearned revenue in the proprietary funds were as follows:

	<u>Unearned</u>
Property taxes receivable for subsequent year	\$ 362,724
Deferred special assessments	<u>2,299,169</u>
Total unearned revenue for proprietary funds	\$ <u>2,661,893</u>

Note receivable

In January 2008, the Village loaned \$140,000 to the Summit Fire District. The loan is interest free and requires four equal annual payments of \$30,000 and a final payment of \$20,000 beginning on October 1, 2009. The balance as of December 31, 2011 is \$50,000.

C. Restricted Assets

The following represent the balances of the restricted assets:

Long-term Debt Accounts

Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.

Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.

Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Equipment Replacement Account

The Summit Utility District No. 2 established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

C. Restricted Assets (continued)

Equipment Replacement Account (continued)

The following is a list of restricted assets at December 31, 2011:

	Restricted Assets
Bond redemption account	\$ 10,939
Equipment replacement account	193,379
Operations and maintenance account	38,831
Special assessments receivable	2,505,112
Total restricted assets	\$ 2,748,261

D. Interfund Balances and Transfers

Internal Balances (Due to (from) other funds)

Balances due to and from other funds include interfund accounts receivable or payable for goods or services received or provided. Interfund balances are the result of timing differences and are settled on a monthly basis.

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 127,069
General Fund	Genesee Lakes Utility District	42,975

All amounts are due within one year.

The principal purpose of these interfund balances is the allocation of commingled cash and investment balances. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

Transfers

Transfers between governmental funds are summarized as follows:

Transfers in	Transfers out	Amount
General Fund	Other governmental funds	\$ 5,376

Transfers from other governmental funds to the General Fund were made to transfer investment income from the Cemetery Fund.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2011 is summarized as follows:

Governmental Activities

	Balance January 1, 2011	Additions	Disposals	Balance December 31, 2011
Nondepreciable capital assets:				
Land	\$ 1,078,420	\$ ---	\$ ---	\$ 1,078,420
Construction in progress	<u>78,506</u>	<u>---</u>	<u>(78,506)</u>	<u>---</u>
Total nondepreciable capital assets	1,156,926	---	(78,506)	1,078,420
Depreciable capital assets:				
Vehicles and Equipment	1,161,056	34,596	(32,314)	1,163,338
Buildings and Improvement	366,006	26,578	---	392,584
Infrastructure	<u>2,133,561</u>	<u>661,177</u>	<u>---</u>	<u>2,794,738</u>
Total depreciable capital assets	3,660,623	722,351	(32,314)	4,350,660
Less accumulated depreciation:				
Vehicles and Equipment	586,889	64,293	(17,957)	633,225
Buildings and Improvement	357,473	879	---	358,352
Infrastructure	<u>87,697</u>	<u>43,081</u>	<u>---</u>	<u>130,778</u>
Total accumulated depreciation	<u>1,032,059</u>	<u>108,253</u>	<u>(17,957)</u>	<u>1,122,355</u>
Net depreciable capital assets	<u>2,628,564</u>	<u>614,098</u>	<u>(14,357)</u>	<u>3,228,305</u>
Net total capital assets	<u>\$ 3,785,490</u>	<u>\$ 614,098</u>	<u>\$ (92,863)</u>	<u>\$ 4,306,725</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 1,476
Public safety	32,066
Public works	67,373
Culture and recreation	<u>7,338</u>
Total depreciation	<u>\$ 108,253</u>

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

E. Capital Assets (continued)

Business-type Activities

	Balance January 1, 2011	Addition	Disposals	Balance December 31, 2011
Nondepreciable capital assets:				
Land	\$ 92,861	\$ ---	\$ ---	\$ 92,861
Total nondepreciable capital assets	92,861	---	---	92,861
Depreciable capital assets:				
Buildings	1,987,978	---	---	1,987,978
Sewer system and services	10,260,674	---	---	10,260,674
Equipment	1,042,301	---	---	1,042,301
Investment in City of Oconomowoc treatment plant	2,180,025	---	---	2,180,025
Total depreciable capital assets	15,470,978	---	---	15,470,978
Accumulated depreciation	(2,251,667)	(288,538)	---	(2,540,205)
Net depreciable capital assets	13,219,311	(288,538)	---	12,930,773
Net total capital assets	\$ 13,312,172	\$ (288,538)	\$ ---	\$ 13,023,634

Depreciation was charged to business-type activities as follows:

Business-type Activities	
Summit Utility District No. 2	\$ 234,038
Silver Lake Utility District	54,500
Total depreciation	<u>\$ 288,538</u>

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation debt	\$ 271,181	\$ 137,290	\$ (154,702)	\$ 253,769	\$ 116,479
Other liabilities:					
Vested compensated absences	282,872	7,923	(2,419)	288,376	---
Unfunded retirement liability	<u>83,092</u>	<u>863</u>	<u>(12,303)</u>	<u>71,652</u>	<u>71,652</u>
Total long-term obligations	\$ <u>637,145</u>	\$ <u>146,076</u>	\$ <u>(169,424)</u>	\$ <u>613,797</u>	\$ <u>188,131</u>
Business-type Activities:					
Long-term debt:					
General obligation debt	\$ 10,490,905	\$ ---	\$ (504,545)	\$ 9,986,360	\$ 574,854
Revenue bonds	<u>1,181,639</u>	<u>---</u>	<u>(89,913)</u>	<u>1,091,726</u>	<u>93,060</u>
Total long-term debt	\$ <u>11,672,544</u>	\$ <u>---</u>	\$ <u>(594,458)</u>	\$ <u>11,078,086</u>	\$ <u>667,914</u>

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the Village, and will be retired by resources derived from various sources, including property tax levies, special assessments and impact fees. Details of general obligation debt are presented below:

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/11</u>
Notes:	06/13/01	05/01/21	3.50%	\$ 5,895,593	\$ 3,576,360
	12/15/02	12/01/12	3.75-4.40%	800,000	105,000
	09/28/07	03/15/12	5.00%	41,822	11,479
	11/17/11	03/15/16	3.25%	65,000	65,000
	12/20/11	03/15/16	3.75%	72,290	72,290
Bonds:	09/01/06	09/01/26	4.35-4.50%	5,200,000	5,200,000
	04/15/06	04/01/16	4.00-4.13%	2,015,000	1,210,000
Total general obligation debt					\$ <u>10,240,129</u>
Government activity debt					\$ 253,769
Business-type activity debt					<u>9,986,360</u>
Total general obligation debt					\$ <u>10,240,129</u>

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations (continued)

General Obligation Debt (continued)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed five percent of the equalized value of taxable property within the Village's jurisdiction. As of December 31, 2011, the Village has used 20.74% of the debt limit.

The following summarizes the debt limit calculation as of December 31, 2011:

Equalized Value January 1, 2011	\$	<u>987,268,000</u>
Debt limit (5% of equalized value)	\$	49,363,400
General Obligation Debt outstanding		<u>(10,240,129)</u>
Remaining Margin of Indebtedness Available	\$	<u>39,123,271</u>
Ratio of applicable general obligation debt to debt limit		<u>20.74 %</u>

Unfunded Retirement Liability

In January 2012, the Village paid off the balance of the unfunded retirement liability with the Wisconsin Retirement System. The Village used proceeds from a 2011 debt issue to pay off the balance of \$71,652.

Revenue Bonds

Summit Utility District No. 2 revenue bonds are payable solely from revenues generated by the District. A statutory mortgage lien upon the sewerage system and any additions, improvements, and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the resolutions authorizing the revenue bond issues. The earnings of the District remain subject to the lien until payment in full of the principal and interest on the bonds.

Details of revenue bonds outstanding are presented below:

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/11</u>
Revenue Bonds:					
Sewer System Revenue Bonds	6/13/01	5/1/2021	3.50%	\$ 1,799,698	\$ <u>1,091,726</u>

All District revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Total principal and interest paid for 2011 was \$129,697. Total net revenues as defined by the bond resolution for the same period were \$763,323.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations (continued)

Debt Maturities

Debt service requirements to maturity for long-term debt are as follows:

Governmental Activities:

<u>Year</u>	<u>General Obligation Debt</u>		<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 116,479	\$ 5,195	\$ ---	\$ ---	\$ 121,674
2013	31,588	6,151	---	---	37,739
2014	34,026	3,714	---	---	37,740
2015	35,221	2,518	---	---	37,739
2016	36,455	1,285	---	---	37,740
2017-2021	---	---	---	---	---
2022-2026	---	---	---	---	---
Totals	\$ 253,769	\$ 18,863	\$ ---	\$ ---	\$ 272,632

Business-type Activities:

<u>Year</u>	<u>General Obligation Debt</u>		<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 574,854	\$ 394,599	\$ 93,060	\$ 36,582	\$ 1,099,095
2013	595,524	372,211	96,317	33,268	1,097,320
2014	621,567	348,927	99,688	29,838	1,100,020
2015	647,997	124,895	103,177	26,287	902,356
2016	669,827	300,083	106,789	22,613	1,099,312
2017-2021	2,361,591	1,229,897	592,695	53,289	4,237,472
2022-2026	4,515,000	620,778	---	---	5,135,778
Totals	\$ 9,986,360	\$ 3,391,390	\$ 1,091,726	\$ 201,877	\$ 14,671,353

Total Primary Government

<u>Year</u>	<u>General Obligation Debt</u>		<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 691,333	\$ 399,794	\$ 93,060	\$ 36,582	\$ 1,220,769
2013	627,112	378,362	96,317	33,268	1,135,059
2014	655,593	352,641	99,688	29,838	1,137,760
2015	683,218	127,413	103,177	26,287	940,095
2016	706,282	301,368	106,789	22,613	1,137,052
2017-2021	2,361,591	1,229,897	592,695	53,289	4,237,472
2022-2026	4,515,000	620,778	---	---	5,135,778
Totals	\$ 10,240,129	\$ 3,410,253	\$ 1,091,726	\$ 201,877	\$ 14,943,985

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations (continued)

Debt Issuance Costs

Governmental Activities:

Debt issuance costs are recognized as expenditures in the year in which they occur in the fund financial statements, but deferred and amortized using the straight-line method over the life of the debt issue in the government-wide statements. Deferred amounts are reported in the asset section of the statement of net assets similar to a prepaid expense.

Business-type Activities:

Debt issuance costs are deferred and amortized using the straight-line method over the life of the debt issue in both the fund statements and the government-wide statements. Deferred amounts are reported in the asset section, similar to a prepaid expense, in both the fund statements and the government-wide statements.

Activity for the year ended December 31, 2011 is summarized as follows:

	Balance January <u>1, 2011</u>		<u>Additions</u>		<u>Amortization</u>		Balance December <u>31, 2011</u>
Business-type Activities	\$ <u>105,690</u>	\$	<u>---</u>	\$	<u>(9,115)</u>	\$	<u>96,575</u>

Other Debt Information

Estimated payments of compensated absences and unfunded retirement liability are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund. The unfunded retirement liability attributable to governmental activities will be liquidated primarily by the general fund. As previously noted, the unfunded retirement liability was paid off subsequent to year end.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The Village believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

G. Net Assets and Fund Balances

Government-wide Financial Statement Net Assets

Governmental Activities

Governmental net assets consist of the following:

Invested in Capital Assets, Net of Related Debt:

Land	\$ 1,078,420	
Other capital assets net of accumulated depreciation	3,228,305	
Less: related long-term debt, net of unamortized debt issuance costs	<u>(181,479)</u>	
Total Invested in Capital Assets Net of Related Debt		\$ 4,125,246

Restricted for:

Other:

Land acquisition	3,040	
Cemetery	251,461	
Impact fees	<u>97,658</u>	
Total Restricted for Other		352,159

Unrestricted		<u>1,298,567</u>
Total Governmental Net Assets		\$ <u>5,775,972</u>

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

G. Net Assets and Fund Balances (continued)

Government-Wide Financial Statement Net Assets (continued)

Business-type Activities

Business-type net assets consist of the following:

Invested in Capital Assets, Net of Related Debt:

Land	\$	92,861	
Other capital assets net of accumulated depreciation		12,930,773	
Less: related long-term debt, net of unamortized debt issuance costs		<u>(10,981,511)</u>	
Total Invested in Capital Assets Net of Related Debt			\$ 2,042,123

Restricted for:

Equipment replacement:

Restricted cash and investments			193,379
---------------------------------	--	--	---------

Other:

Restricted cash and investments		49,770	
Special assessments receivable		3,155,424	
Connection charges receivable		78,867	
Less: accrued interest		(3,184)	
Less: current portion of revenue bonds		(7,755)	
Less: connection charges payable		(78,867)	
Less: due to other utilities		(516,341)	
Less: deferred revenues		<u>(2,299,169)</u>	
Total restricted for other			378,745

Unrestricted			<u>1,059,808</u>
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Total Business-type Net Assets			\$ <u>3,674,055</u>
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VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

G. Net Assets and Fund Balances (continued)

Fund Financial Statements

Governmental fund balances consist of the following:

Major Funds:

General Fund:

Nonspendable:

Loan to Summit Fire District	\$	50,000	
Prepaid expenses		<u>13,161</u>	
Subtotal			\$ 63,161

Committed:

Retiree health insurance		45,699	
Facility improvements		<u>1,237,090</u>	
Subtotal			1,282,789

Assigned:

Equipment replacement			41,272
Unassigned			<u>388,152</u>
Total General Fund			\$ <u><u>1,775,374</u></u>

Genesee Lakes Utility District:

Unassigned			\$ <u>(42,975)</u>
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Nonmajor Governmental Funds:

Restricted:

Land acquisition	\$	3,040	
Cemetery		251,461	
Impact fees		<u>97,658</u>	
Subtotal			\$ 352,159
Unassigned			<u>(340)</u>
Total nonmajor governmental funds			<u><u>351,819</u></u>

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

4. Other Notes

A. Employee Pension Plan

All eligible Village of Summit employees participate in the Wisconsin Retirement System (“WRS”), a cost-sharing multiple-employer, defined benefit, public employee retirement system (“PERS”). All permanent employees expected to work at least 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the plan. Prior to July 1, 2011, employers had the option to make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Village of Summit employees covered by WRS for the year ended December 31, 2011 was \$918,947; the employer’s total payroll was \$994,543. The total required contribution for the year ended December 31, 2011 was \$136,024, which consisted of \$109,103, or 11.9% of payroll from the employer and \$26,921, or 2.9% of payroll from employees. Total contributions for the years ending December 31, 2010 and 2009 were \$123,835 and \$119,839, 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. 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 benefits. 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 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

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

The pension-related debt for the Village as of December 31, 2011, was \$71,652. This liability was determined in accordance with provisions of GASB Statement No. 27 regarding pension-related debt. Depending on actuarial assumptions, this estimate can vary significantly. As previously noted, the unfunded retirement liability was paid off subsequent to year end.

B. Risk Management

The Village is exposed to various risks of loss related to torts; theft of; damage to, or destruction of assets; and 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 are no significant reductions in coverage compared to the prior year.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2011

4. Other Notes (continued)

C. Contingent Liabilities

From time to time, the Village is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and of the Village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Village's financial position or results of operations.

D. Police Contract

Starting in 2011, the Village began providing police services to a local municipality. The Village received approximately \$22,000 in the current year related to these services. In future years, the services will provide approximately \$260,000 in revenues for the Village.

VILLAGE OF SUMMIT
Summit, Wisconsin

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 1,253,439	\$ 1,253,439	\$ 1,269,782	\$ 16,343
Operating grants and contributions:				
Intergovernmental	337,559	337,559	361,020	23,461
Other	5,000	5,000	6,588	1,588
Licenses and permits	90,725	90,725	195,865	105,140
Fines, forfeitures and penalties	50,100	50,100	41,146	(8,954)
Public charges for services	443,825	443,825	433,686	(10,139)
Intergovernmental charges for services	112,502	112,502	105,939	(6,563)
Investment income	70,750	70,750	32,714	(38,036)
Other revenues	1,000	1,000	11,758	10,758
Total revenues	<u>2,364,900</u>	<u>2,364,900</u>	<u>2,458,498</u>	<u>93,598</u>
Expenditures:				
Current:				
General government	546,404	546,404	541,678	4,726
Public safety	1,077,289	1,077,289	1,164,014	(86,725)
Public works	739,466	739,466	755,985	(16,519)
Health and human services	31,356	31,356	30,983	373
Culture, recreation and education	25,215	25,215	25,243	(28)
Capital outlay	124,770	124,770	111,784	12,986
Total expenditures	<u>2,544,500</u>	<u>2,544,500</u>	<u>2,629,687</u>	<u>(85,187)</u>
Excess (deficiency) of revenues over (under) expenditures	(179,600)	(179,600)	(171,189)	8,411
Other Financing Sources:				
Debt issued	64,400	64,400	137,290	72,890
Sales of property	5,200	5,200	6,308	1,108
Transfer in	---	---	5,376	5,376
Total other financing sources	<u>69,600</u>	<u>69,600</u>	<u>148,974</u>	<u>79,374</u>
Net change in fund balance	(110,000)	(110,000)	(22,215)	87,785
Fund Balance - Beginning of Year	<u>1,797,589</u>	<u>1,797,589</u>	<u>1,797,589</u>	<u>---</u>
Fund Balance - End of Year	<u>\$ 1,687,589</u>	<u>\$ 1,687,589</u>	<u>\$ 1,775,374</u>	<u>\$ 87,785</u>

See independent auditor's report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Budgetary Comparison Schedule
Genesee Lakes Utility District
For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 85,000	\$ 85,000	\$ 85,000	\$ ---
Capital grants and contributions:				
Intergovernmental	503,000	503,000	499,576	(3,424)
Investment income	650	650	---	(650)
Total revenues	<u>588,650</u>	<u>588,650</u>	<u>584,576</u>	<u>(4,074)</u>
Expenditures:				
Current:				
General government	26,995	26,995	---	26,995
Public works	259,712	259,712	5,858	253,854
Capital outlay	532,061	532,061	532,061	---
Total expenditures	<u>818,768</u>	<u>818,768</u>	<u>537,919</u>	<u>280,849</u>
Excess (deficiency) of revenues over (under) expenditures	(230,118)	(230,118)	46,657	276,775
Other Financing Sources (Uses):				
Debt issued	900,000	900,000	---	(900,000)
Transfer out	(669,882)	(669,882)	---	669,882
Total other financing sources	<u>230,118</u>	<u>230,118</u>	<u>---</u>	<u>(230,118)</u>
Net change in fund balance	---	---	46,657	46,657
Fund Deficit, beginning of year	<u>(89,632)</u>	<u>(89,632)</u>	<u>(89,632)</u>	<u>---</u>
Fund Deficit, end of year	<u>\$ (89,632)</u>	<u>\$ (89,632)</u>	<u>\$ (42,975)</u>	<u>\$ 46,657</u>

See independent auditor's report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Combing Balance Sheet
Nonmajor Governmental Funds
December 31, 2011

	<u>Special Revenue Funds</u>				<u>Permanent Fund</u>	<u>Total Nonmajor Funds</u>
	<u>Debt Service Fund</u>	<u>Land Acquisition and Capital Improvements</u>	<u>Impact Fees</u>	<u>Summit Utility District #3</u>	<u>Cemetery Fund</u>	
Assets:						
Cash and investments	\$ 42,150	\$ 3,040	\$ 97,658	\$ ---	\$ 378,190	\$ 521,038
Receivables:						
Taxes	79,525	---	---	20,000	---	99,525
Total Assets	<u>\$ 121,675</u>	<u>\$ 3,040</u>	<u>\$ 97,658</u>	<u>\$ 20,000</u>	<u>\$ 378,190</u>	<u>\$ 620,563</u>
Liabilities and Fund Balance:						
Liabilities:						
Due to other funds	\$ ---	\$ ---	\$ ---	\$ 340	\$ 126,729	\$ 127,069
Deferred revenues	121,675	---	---	20,000	---	141,675
Total Liabilities	121,675	---	---	20,340	126,729	268,744
Fund Balance (Deficit):						
Restricted	---	3,040	97,658	---	251,461	352,159
Unassigned	---	---	---	(340)	---	(340)
Total Fund Balance (Deficit)	<u>---</u>	<u>3,040</u>	<u>97,658</u>	<u>(340)</u>	<u>251,461</u>	<u>351,819</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 121,675</u>	<u>\$ 3,040</u>	<u>\$ 97,658</u>	<u>\$ 20,000</u>	<u>\$ 378,190</u>	<u>\$ 620,563</u>

See independent auditor's report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Combing Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	<u>Special Revenue Funds</u>				<u>Permanent Fund</u>	<u>Total Nonmajor Funds</u>
	<u>Debt Service Fund</u>	<u>Land Acquisition and Capital Improvements</u>	<u>Impact Fees</u>	<u>Summit Utility District #3</u>	<u>Cemetery Fund</u>	
Revenues:						
Taxes	\$ 166,951	\$ ---	\$ ---	\$ 20,000	\$ ---	\$ 186,951
Operating grants and contributions:						
Other	---	250	---	---	---	250
Public charges for services	---	---	21,062	---	2,350	23,412
Investment income	---	---	345	---	5,376	5,721
Total revenues	<u>166,951</u>	<u>250</u>	<u>21,407</u>	<u>20,000</u>	<u>7,726</u>	<u>216,334</u>
Expenditures:						
Current:						
Public works	---	---	---	20,315	---	20,315
Debt Service:						
Principal	154,702	---	---	---	---	154,702
Interest and fiscal charges	12,249	---	---	---	---	12,249
Total Expenditures	<u>166,951</u>	<u>---</u>	<u>---</u>	<u>20,315</u>	<u>---</u>	<u>187,266</u>
Excess of revenues over expenditures	---	250	21,407	(315)	7,726	29,068
Other Financing Uses:						
Transfers out	---	---	---	---	(5,376)	(5,376)
Net change in fund balance	---	250	21,407	(315)	2,350	23,692
Fund Balance (Deficit), beginning of year	---	2,790	76,251	(25)	249,111	328,127
Fund Balance (Deficit) - end of year	<u>\$ ---</u>	<u>\$ 3,040</u>	<u>\$ 97,658</u>	<u>\$ (340)</u>	<u>\$ 251,461</u>	<u>\$ 351,819</u>

See independent auditor's report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Awarding Agency Pass-Through Agency Award Description	Federal Catalog Number	Accrued or (Deferred) Revenue at 1/1/11	Receipts	Expended	Accrued or (Deferred) Revenue at 12/31/11
U.S. Department of Housing and Urban Development					
Passed through Waukesha County:					
Emergency Assistance Program	14.228	\$ ---	\$ 499,577	\$ 499,577	\$ ---
U.S. Department of Transportation					
Passed through Wisconsin Department Transportation:					
Alcohol Impaired Driving Countermeasures Incentive	20.601	---	<u>15,410</u>	<u>15,410</u>	---
Total		<u>\$ ---</u>	<u>\$ 514,987</u>	<u>\$ 514,987</u>	<u>\$ ---</u>

See Independent Auditor's Report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Schedule of Expenditures of Federal Awards
December 31, 2011

1. General

The accompanying schedule of expenditures of federal awards represents the activity of all federal financial assistance programs of the Village. All federal awards received directly from state and federal agencies as well as state and federal financial awards passed through other government agencies are included on the schedule.

2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred. The Village applies all GASB pronouncements in accounting and reporting.

Steven C. Barney
Steven R. Volz
Daniel R. Brophy
Thomas G. Wieland
Michael W. Van Wagenen



David A. Grotkin
Joel A. Joyce
Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Village Board
Village of Summit
Summit, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Summit as of and for the year ended December 31, 2011, which collectively comprise the Village of Summit's basic financial statements and have issued our report thereon dated February 25, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Summit's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Summit's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Summit's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-1 and 2011-2 that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Summit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of the Village of Summit in a separate letter dated February 25, 2012.

The Village of Summit's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Village of Summit's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Village Board and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

February 25, 2012
Milwaukee, Wisconsin

Steven C. Barney
Steven R. Volz
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**Independent Auditor's Report on Compliance with Requirements That
Could Have A Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Village Board
Village of Summit
Summit, Wisconsin

Compliance

We have audited the Village of Summit's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Village of Summit's major federal programs for the year ended December 31, 2011. The Village of Summit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Summit's management. Our responsibility is to express an opinion on the Village of Summit's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Summit's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village of Summit's compliance with those requirements.

In our opinion, the Village of Summit complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Village of Summit is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Summit's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Summit's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Village of Summit's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village of Summit's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Village Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 25, 2012
Milwaukee, Wisconsin

VILLAGE OF SUMMIT
Summit, Wisconsin

Schedule of Prior Year Audit Findings
Year Ended December 31, 2011

The Village is a first year auditee and there are no prior audit findings to report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|-------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiencies identified that are not considered to be material weakness(es)? | Yes |
| 3. Noncompliance material to financial statements? | No |

Federal Awards

- | | |
|---|-------------|
| 4. Internal control over major programs: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiencies identified that are not considered to be material weakness(es)? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| 7. Identification of major programs: | |

CFDA Number

14.228

Name of Federal Program or Cluster

Community Development Block Grant

- | | |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

VILLAGE OF SUMMIT
Summit, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Section II - Financial Statement Findings

Finding 2011-1

Criteria: The Organization's financial statements and footnote disclosures should be prepared in accordance with Generally Accepted Accounting Principles ("GAAP").

Condition: The Village's staff does not have the necessary resources to properly apply GAAP in the preparation of these documents. This condition, although very common, represents a significant deficiency in internal controls, as defined by current auditing standards.

Cause: The preparation of the financial statements and footnote disclosures requires a very high level of technical experience and expertise.

Effect: The Village has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with GAAP.

Recommendation: It is important for management to be aware of this condition. We recommend that management review the financial statements and footnote disclosures after they are prepared.

Views of Responsible Officials and Planned Corrective Action: Management of the Village agrees with this finding. The financial statements and footnote disclosures will be reviewed by management.

Finding 2011-2:

Criteria: Proper internal controls dictate that one person should not have control of two or more of the following duties related to any one cycle (disbursements cycle, revenue cycle, payroll cycle, etc.):

- Authorization
- Custody
- Recordkeeping
- Reconciliation

Condition: The Village operates its accounting and reporting function with principally a limited number of staff, which precludes a proper segregation of duties. This condition is not, however, unusual in entities the size of the Village of Summit.

Cause: There are a limited number of personnel for certain functions of the Village.

Effect: The lack of duty segregation means Village transactions could be mishandled and misstatements would not be prevented or detected on a timely basis. It represents a significant deficiency in internal controls.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. It is important for management to be aware of this condition and to realize that the concentration of duties and responsibilities in one individual is not desirable from a control point of view.

Views of Responsible Officials and Planned Corrective Action: Management of the Village agrees with this finding. The duties will be separated as much as possible.

VILLAGE OF SUMMIT
Summit, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

Section III - Federal Award Findings and Questioned Costs

See findings 2011-1 and 2011-2.