

VILLAGE OF NICHOLS, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2010

VILLAGE OF NICHOLS, WISCONSIN

December 31, 2010

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS	1 - 2
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4 - 5
Fund Financial Statements	
Balance Sheet - Governmental Fund	6
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	7 - 8
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	9
Statement of Net Assets - Enterprise Fund	10
Statement of Revenues, Expenses and Changes in Net Assets - Enterprise Fund	11
Statement of Cash Flows - Enterprise Fund	12
Notes to Basic Financial Statements	13 - 23
SUPPLEMENTAL INFORMATION	
Schedule of Budgeted and Actual Revenues - General Fund	24
Schedule of Budgeted and Actual Expenditures - General Fund	25
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	26 - 27
Schedule of Findings and Responses	28 - 29

INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the Village Board
Village of Nichols, Wisconsin

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


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

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

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

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

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



Certified Public Accountants
Green Bay, Wisconsin
April 4, 2011

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

General revenues

Taxes

Property taxes, levied for general purposes

Other taxes

Federal and state grants and other contributions
not restricted to specific functions

Interest and investment earnings

Rental income

Gain on sale of asset

Transfers

Total general revenues and transfers

Change in net assets

Net assets - January 1

Net assets - December 31

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	
		2010	2009

\$ (41,472)	\$ -	\$ (41,472)	\$ (51,528)
(24,697)	-	(24,697)	(23,846)
(44,188)	-	(44,188)	(45,547)
(46,609)	-	(46,609)	(44,475)
(8,587)	-	(8,587)	(7,496)
(165,553)	-	(165,553)	(172,892)

-	2,071	2,071	(36,305)
(165,553)	2,071	(163,482)	(209,197)

45,786	-	45,786	45,933
3,758	-	3,758	4,413
105,401	-	105,401	106,173
3,389	12	3,401	5,748
16,500	-	16,500	16,500
650	-	650	21
7,548	(7,548)	-	-
183,032	(7,536)	175,496	178,788

17,479	(5,465)	12,014	(30,409)
--------	---------	--------	----------

801,217	167,264	968,481	996,051
---------	---------	---------	---------

\$ 818,696	\$ 161,799	\$ 980,495	\$ 965,642
------------	------------	------------	------------

VILLAGE OF NICHOLS, WISCONSIN

Balance Sheet Governmental Fund December 31, 2010

With Summarized Financial Information for December 31, 2009

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

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

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

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

(Continued)

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

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown above

General Fund	
2010	2009

\$ 39,406	\$ 20,227
-----------	-----------

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

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

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

-	44,585
(34,533)	(38,043)
(34,533)	6,542

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

Cost of assets disposed of	-	(172)
----------------------------	---	-------

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

-	(25,795)
---	----------

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

12,606	12,192
--------	--------

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

\$ 17,479	\$ 12,994
-----------	-----------

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

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

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

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

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

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

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

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

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

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

VILLAGE OF NICHOLS, WISCONSIN

Statement of Cash Flows

Enterprise Fund

Year Ended December 31, 2010

With Summarized Financial Information for Year Ended December 31, 2009

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

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

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

2. Joint Venture

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

3. Government-Wide and Fund Financial Statements

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

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

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

The Village reports the following major governmental fund:

GENERAL FUND

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

The Village reports the following major enterprise fund:

WATER UTILITY FUND

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

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

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

b. Accounts Receivable

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

c. Interfund Receivables and Payables

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

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

d. Capital Assets

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

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

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

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

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Deferred Revenue

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

f. Long-term Obligations

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

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

g. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

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

6. Use of Estimates

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

7. Summarized Comparative Information

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

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE B - STEWARDSHIP AND COMPLIANCE

Budgets and Budgetary Accounting

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

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

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

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

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

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

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

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

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

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Deposits with Financial Institutions

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 per official custodian per depository institution. In addition, the Village's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2010 none of the Village's deposits with financial institutions were in excess of federal and state depository insurance limits.

Investments

The Village has investments in the Wisconsin local government investment pool of \$48,112 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2010, the fair value of the Village's share of the LGIP's assets was substantially equal to the carrying value.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Village does not have an additional credit risk policy. The Village's investment in the Wisconsin local government investment pool is not rated. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance, and income on the investment during the calendar quarter a loss occurs.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Village.

The Village bills and collects its own property taxes and also levies and collects taxes for the Seymour Public School District, Outagamie County, Fox Valley Technical College and the State of Wisconsin.

3. Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 28,148	\$ -	\$ -	\$ 28,148
Capital assets, being depreciated:				
Buildings and improvements	383,290	-	-	383,290
Machinery and equipment	76,979	-	1,795	75,184
Infrastructure	773,410	-	-	773,410
Subtotals	1,233,679	-	1,795	1,231,884
Less accumulated depreciation for:				
Buildings and improvements	173,436	12,305	-	185,741
Machinery and equipment	20,989	8,442	1,795	27,636
Infrastructure	524,723	13,786	-	538,509
Subtotals	719,148	34,533	1,795	751,886
Total capital assets, being depreciated, net	514,531	(34,533)	-	479,998
Governmental activities capital assets, net	\$ 542,679	\$ (34,533)	\$ -	508,146
Less related long-term debt outstanding				41,260
Invested in capital assets, net of related debt				\$ 466,886

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 600	\$ -	\$ -	\$ 600
Capital assets, being depreciated:				
Buildings and improvements	53,110	-	-	53,110
Machinery and equipment	38,330	-	-	38,330
Infrastructure	429,735	11,873	2,193	439,415
Subtotals	521,175	11,873	2,193	530,855
Less accumulated depreciation for:				
Buildings and improvements	39,595	1,700	-	41,295
Machinery and equipment	22,249	1,702	-	23,951
Infrastructure	221,416	8,399	2,193	227,622
Subtotals	283,260	11,801	2,193	292,868
Total capital assets, being depreciated, net	237,915	72	-	237,987
Business-type activities capital assets, net	\$ 238,515	\$ 72	\$ -	238,587
Less related long-term debt outstanding				-
Invested in capital assets, net of related debt				\$ 238,587
Depreciation expense was charged to functions of the Village as follows:				
Governmental activities				
General government			\$ 5,586	
Public safety			4,419	
Public works			22,193	
Culture and recreation			2,335	
Total depreciation expense - governmental activities			\$ 34,533	
Business-type activities				
Water utility			\$ 11,801	

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the Village, as reported in the fund financial statements, as of December 31, 2010 are detailed below:

	Interfund Receivables	Interfund Payables
Current Receivable and Payable		
Balances Between Funds		
General Fund	\$ 20,893	\$ 15,000
Enterprise Fund		
Water utility	15,000	20,893
Totals	<u>\$ 35,893</u>	<u>\$ 35,893</u>
Long-term Advance to Finance Repayment of Debt		
Long-term Obligations		
General Fund	\$ 78,601	\$ -
Enterprise Fund		
Water Utility	-	78,601
Totals	<u>\$ 78,601</u>	<u>\$ 78,601</u>

The General Fund advanced \$96,106 to the Water Utility of on May 11, 2005 to repay long-term obligations associated with its Rural Development loan. The Water Utility is scheduled to repay the General Fund \$850 per month, including interest at a rate of 1.5%, through 2018. A balance of 78,601 remained on December 31, 2010.

Interfund transfers for the year ended December 31, 2010 were as follows:

Transfers from:	Transfer to:
Water utility	General Fund
	<u>\$ 7,548</u>

Transfers are made for the annual tax equivalent payment by the water utility.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2010:

	Outstanding 1/1/10	Issued	Retired	Outstanding 12/31/10	Due Within One Year
Governmental activities:					
General Obligation Debt					
Promissory note payable	<u>\$ 53,866</u>	<u>\$ -</u>	<u>\$ 12,606</u>	<u>\$ 41,260</u>	<u>\$ 10,703</u>

Total interest paid during the year on long-term debt totaled \$2,874.

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General obligation debt currently outstanding is detailed as follows:

\$65,000 issued 02/01/09; monthly payments, including interest, of \$1,256 due through February of 2014; interest at 6%

\$ 41,260

Annual principal and interest maturities of the outstanding long-term obligations of \$41,260 on December 31, 2010 are detailed below:

Year Ended December 31	Governmental Activities		
	Principal	Interest	Total
2011	\$ 10,703	\$ 2,253	\$ 12,956
2012	13,610	1,468	15,078
2013	14,454	621	15,075
2014	2,493	19	2,512
	<u>\$ 41,260</u>	<u>\$ 4,361</u>	<u>\$ 45,621</u>

Legal Margin for New Debt

The Village's legal margin for creation of additional general obligation debt on December 31, 2010 was \$434,720 as follows:

Equalized valuation of the Village	\$ 9,519,600
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	475,980
Total outstanding general obligation debt applicable to debt limitation	<u>(41,260)</u>
Legal Margin for New Debt	<u>\$ 434,720</u>

6. Leases

The Village has leased a building which it owns to a private party. The original lease agreement has been extended until August 31, 2012. Future minimum lease payments are as follows:

	Amount
2011	\$ 16,500
2012	11,000
Total	<u>\$ 27,500</u>

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible Village employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the System. 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. Employers may 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.

VILLAGE OF NICHOLS, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE D - OTHER INFORMATION (Continued)

The payroll for Village employees covered by the WRS for the year ended December 31, 2010 was \$37,105; the employer's total payroll was \$58,116. The total required contribution for the year ended December 31, 2009 was \$3,760, which consisted of \$1,626, or 4.5% of covered payroll from the employer and \$2,134, or 5.9% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2010 was financed by the Village. Total contributions for the years ending December 31, 2009 and 2008 were \$4,082 and \$3,760 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 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 year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 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 is 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, WI 53707-7931.

2. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Village completes an annual review of its insurance coverage to ensure adequate coverage.

3. Contingencies

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

4. Property Tax Levy Limit

Wisconsin Act 25 imposed a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period effective July 27, 2005. Subsequent legislation extended the levy limit through 2010. The current law limits the increase in the maximum allowable tax levy to the greater of the percentage change in the Village's January 1 equalized value as a result of net new construction or 3.0% per year in both the 2009 and 2010 budget years. The actual limit for the Village for the 2010 budget was 3.0%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, the Act allows the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

SUPPLEMENTAL INFORMATION

VILLAGE OF NICHOLS, WISCONSIN
Schedule of Budgeted and Actual Revenues
General Fund
Year Ended December 31, 2010
With Summarized Financial Information for December 31, 2009

	Budget		Actual	Variance Positive (Negative)	2009 Actual
	Original	Final			
Taxes					
General property	\$ 45,786	\$ 45,786	\$ 45,786	\$ -	\$ 45,933
Mobile home	2,500	2,500	3,758	1,258	4,413
Total Taxes	48,286	48,286	49,544	1,258	50,346
Intergovernmental					
State					
State shared taxes	98,740	98,740	100,202	1,462	99,827
Fire insurance	275	275	283	8	274
Transportation	8,900	8,900	8,449	(451)	8,894
Exempt computer aid	115	115	113	(2)	118
Smart Growth planning	-	-	5,086	5,086	6,228
State election aid	-	-	90	90	288
Total Intergovernmental	108,030	108,030	114,223	6,193	115,629
Licenses and Permits					
Licenses					
Liquor and malt beverages	475	475	470	(5)	470
Operators	350	350	322	(28)	362
Cigarette	50	50	25	(25)	50
Dog	-	-	53	53	43
Other licenses/permits	50	50	40	(10)	118
Permits					
Building	-	-	35	35	-
Total Licenses and Permits	925	925	945	20	1,043
Fines and Forfeits					
Court fines and penalties	200	200	260	60	266
Public Charges for Services					
Clerk	-	-	20	20	60
Ambulance	-	-	-	-	50
Weed cutting	-	-	250	250	225
Sewer service	23,700	23,700	24,769	1,069	24,396
Refuse and garbage collections	11,800	11,800	12,030	230	10,862
Community center	650	650	807	157	885
Total Public Charges for Services	36,150	36,150	37,876	1,726	36,478
Miscellaneous					
Interest on investments	4,500	4,500	3,389	(1,111)	5,710
Donations	500	500	525	25	1,000
Rent	16,500	16,500	16,500	-	16,500
Other	-	-	434	434	917
Total Miscellaneous	21,500	21,500	20,848	(652)	24,127
Total Revenues	\$ 215,091	\$ 215,091	\$ 223,696	\$ 8,605	\$ 227,889

VILLAGE OF NICHOLS, WISCONSIN
Schedule of Budgeted and Actual Expenditures
General Fund
Year Ended December 31, 2010
With Summarized Financial Information for December 31, 2009

	Budget		Actual	Variance Positive (Negative)	2009 Actual
	Original	Final			
General Government					
Municipal court	\$ 1,200	\$ 1,200	\$ 1,206	\$ (6)	\$ 1,032
Board	6,500	6,500	5,790	710	4,934
Clerk	10,600	10,600	9,965	635	8,954
Treasurer	1,700	1,700	2,505	(805)	1,559
Legal	1,000	1,000	-	1,000	-
Assessment of property	2,200	2,200	2,290	(90)	2,000
Accounting and auditing	4,500	4,500	2,600	1,900	4,348
Community Center	7,000	7,000	6,841	159	4,289
Worker's compensation	500	500	425	75	431
Elections	3,000	3,000	1,648	1,352	1,195
Property and liability insurance	1,100	1,100	936	164	927
Smart Growth planning	-	-	1,575	(1,575)	16,498
Miscellaneous	500	500	37	463	2,607
Total General Government	39,800	39,800	35,818	3,982	48,774
Public Safety					
Fire	4,200	4,200	5,309	(1,109)	5,445
Hydrant rental	14,300	14,300	14,297	3	14,297
Ambulance	2,500	2,500	955	1,545	9
Total Public Safety	21,000	21,000	20,561	439	19,751
Public Works					
Street maintenance	35,211	35,211	19,353	15,858	15,959
Street signs	-	-	180	(180)	295
Street lighting	9,200	9,200	9,083	117	9,520
Garbage and refuse collection	11,800	11,800	13,408	(1,608)	10,138
Total Public Works	57,211	57,211	42,474	14,737	35,912
Sanitation					
Sewage service	80,000	80,000	71,378	8,622	68,871
Culture and Recreation					
Parks	5,000	5,000	6,080	(1,080)	5,466
Recreation	1,000	1,000	697	303	682
Total Culture and Recreation	6,000	6,000	6,777	(777)	6,148
Debt Service					
Principal retirement	12,404	12,404	12,606	(202)	12,192
Interest and fiscal charges	3,076	3,076	2,874	202	3,405
Total Debt Service	15,480	15,480	15,480	-	15,597
Capital Outlay					
General government	2,000	2,000	-	2,000	-
Fire department	-	-	-	-	16,655
Public works	-	-	-	-	28,906
Total Capital Outlay	2,000	2,000	-	2,000	45,561
Total Expenditures	\$ 221,491	\$ 221,491	\$ 192,488	\$ 29,003	\$ 240,614

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

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

To the Village Board
Village of Nichols, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Nichols, Wisconsin, as of and for the year ended December 31, 2010, which collectively comprise the Village of Nichols' basic financial statements and have issued our report thereon dated April 4, 2011. 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 Nichols, Wisconsin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Nichols, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Nichols, Wisconsin'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 financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 responses 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 Nichols, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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 matters that we reported to management of the Village of Nichols, Wisconsin in a separate letter dated April 4, 2011.

Village of Nichols, Wisconsin's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Village of Nichols, Wisconsin's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script, appearing to read "Schenck & Co.", written in dark ink.

Certified Public Accountants
Green Bay, Wisconsin
April 4, 2011

VILLAGE OF NICHOLS, WISCONSIN
Schedule of Findings and Responses
For the Year Ended December 31, 2010

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2010-01	Year-end Closing and Financial Reporting
Condition:	While the current staff of the Village maintain financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting, closing and GASB 34 conversion entries necessary to prepare financial statements, including related notes and state financial reports require additional expertise that would entail additional training and staff time to develop. The Village contracts with Schenck and their knowledge of current accounting principles and regulatory requirements of the Wisconsin Department of Revenue to prepare required journal entries and financial reports for the village in an efficient manner.
Criteria:	The review of financial statements by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential misstatement in the financial statements or notes.
Cause:	The additional costs associated with hiring staff experienced in preparing year end adjusting, closing, and GASB 34 conversion entries and financial reports, including additional training time outweighs the derived benefits.
Effect:	The financial statement of the Village could be misstated and not detected and corrected in a timely manner without our review and proposed adjusting and closing entries.
Recommendation:	We recommend the Village continue reviewing the adjusting, closing and GASB 34 conversion entries along with the financial reports prepared by Schenck. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the Village is necessary to obtain an adequate understanding of the Village's financial report.
Management Response:	Management believes that the cost for additional staff time and training to prepare year end closing entries and reports outweigh the benefits to be received.

VILLAGE OF NICHOLS, WISCONSIN
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2010

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2010-02	Assistance with Capital Asset Records
Condition:	As part of our audit engagement, we maintain the Village's capital asset records. The Village's accounting personnel provide us with the current year asset additions and disposals. We record the capital asset additions and disposals and calculate the annual depreciation in accordance with accounting principles used in the preparation of financial statements.
Criteria:	The maintenance of detailed capital asset records is an internal control intended to safeguard assets and to prevent a potential misstatement in the financial records.
Cause:	Our audit engagement includes maintaining the Village's capital asset records as the Village does not employ staff with the expertise or experience to maintain these records in accordance with generally accepted accounting principles.
Effect:	The Village could have capital asset transactions which are not reflected in the detailed capital records.
Recommendation:	We recommend the accounting personnel and the Village Board continue to review the capital asset records of the Village. We believe the costs of employing staff with the relevant expertise would outweigh the benefits to be received.
Management Response:	Management believes the cost for additional staff time and training to maintain the capital asset records outweigh the benefits to be received.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2010.