

VILLAGE OF HOBART, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2010

DRAFT

VILLAGE OF HOBART, WISCONSIN

December 31, 2010

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the Village Board
Village of Hobart, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of Hobart, 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 Hobart's management. Our responsibility is to express opinions on these basic 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 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 each 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 respective budgetary comparison for the general fund and 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 9, 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 Hobart, 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 9, 2011

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BASIC FINANCIAL STATEMENTS

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VILLAGE OF HOBART, WISCONSIN

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 9,526,259	\$ 3,554,930	\$ 13,081,189
Receivables			
Taxes	10,272,752	-	10,272,752
Accounts	-	221,812	221,812
Special assessments	384,069	181,247	565,316
Other receivables (due from tax roll)	-	215,216	215,216
Inventories and prepaid items	10,032	-	10,032
Deferred charges	240,272	163,751	404,023
Restricted assets			
Cash and investments	202,065	-	202,065
Capital assets, nondepreciable			
Land	803,600	65,030	868,630
Land held for resale	5,883,341	-	5,883,341
Construction in progress	-	95,699	95,699
Property held for future use	-	508,671	508,671
Capital assets, depreciable			
Land improvements	-	16,518,283	16,518,283
Buildings and improvements	1,127,224	263,031	1,390,255
Machinery and equipment	1,343,164	2,732,701	4,075,865
Infrastructure	2,589,684	-	2,589,684
Less: Accumulated depreciation	(1,457,983)	(4,510,407)	(5,968,390)
TOTAL ASSETS	30,924,479	20,009,964	50,934,443
LIABILITIES			
Accounts payable	181,212	3,869	185,081
Accrued and other current liabilities	14,407	4,727	19,134
Accrued interest payable	294,243	108,800	403,043
Due to other governments	10,035,925	-	10,035,925
Unearned revenues	2,486,111	188,416	2,674,527
Long-term obligations			
Due within one year	2,527,356	266,224	2,793,580
Due in more than one year	16,674,536	8,985,296	25,659,832
TOTAL LIABILITIES	32,213,790	9,557,332	41,771,122
NET ASSETS			
Invested in capital assets, net of related debt	(2,808,581)	7,546,488	4,737,907
Restricted for			
Debt service	2,975,086	-	2,975,086
Unrestricted (Deficit)	(1,455,816)	2,906,144	1,450,328
TOTAL NET ASSETS (DEFICIT)	\$ (1,289,311)	\$ 10,452,632	\$ 9,163,321

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

VILLAGE OF HOBART, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 812,213	\$ 267,171	\$ 107	\$ -
Public safety	980,844	144,909	30,787	-
Public works	624,912	377,767	281,392	-
Culture and recreation	19,086	9,148	-	-
Conservation and development	2,445,164	3,641	4,394	-
Interest on debt	729,645	-	-	-
Total Governmental Activities	5,611,864	802,636	316,680	-
Business-type Activities				
Water utility	610,851	585,122	-	-
Sewer utility	710,856	499,039	-	-
Storm water utility	264,817	454,700	-	-
Total Business-type Activities	1,586,524	1,538,861	-	-
Total	\$ 7,198,388	\$ 2,341,497	\$ 316,680	\$ -

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Other taxes

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

Interest and investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - January 1

Net assets (Deficit) - 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

\$ (544,935)	\$ -	\$ (544,935)
(805,148)	-	(805,148)
34,247	-	34,247
(9,938)	-	(9,938)
(2,437,129)	-	(2,437,129)
(729,645)	-	(729,645)
<u>(4,492,548)</u>	<u>-</u>	<u>(4,492,548)</u>

-	(25,729)	(25,729)
-	(211,817)	(211,817)
-	189,883	189,883
-	<u>(47,663)</u>	<u>(47,663)</u>

<u>(4,492,548)</u>	<u>(47,663)</u>	<u>(4,540,211)</u>
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1,102,896	-	1,102,896
832,314	294,028	1,126,342
379,345	-	379,345
16,967	-	16,967
86,420	-	86,420
114,206	9,801	124,007
132,660	25,153	157,813
(558,545)	558,545	-
<u>2,106,263</u>	<u>887,527</u>	<u>2,993,790</u>

(2,386,285)	839,864	(1,546,421)
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<u>1,096,974</u>	<u>9,612,768</u>	<u>10,709,742</u>
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<u>\$ (1,289,311)</u>	<u>\$ 10,452,632</u>	<u>\$ 9,163,321</u>
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VILLAGE OF HOBART, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2010

	General	Debt Service	Development	Capital Projects	Total Governmental Funds
ASSETS					
Cash and investments	\$ 3,422,675	\$ 2,975,086	\$ 2,791,156	\$ 337,342	\$ 9,526,259
Receivables					
Taxes	8,670,027	919,821	16,608	414,200	10,020,656
Delinquent taxes and special assessments	252,096	-	-	-	252,096
Special assessments	-	384,069	-	-	384,069
Prepaid items	10,032	-	-	-	10,032
Restricted cash and investments	-	-	202,065	-	202,065
TOTAL ASSETS	\$ 12,354,830	\$ 4,278,976	\$ 3,009,829	\$ 751,542	\$ 20,395,177
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 146,758	\$ -	\$ 16,625	\$ 17,829	\$ 181,212
Accrued payroll liabilities	14,407	-	-	-	14,407
Due to other governmental units	10,035,925	-	-	-	10,035,925
Deferred revenue	1,135,482	1,303,890	16,608	414,200	2,870,180
Total Liabilities	11,332,572	1,303,890	33,233	432,029	13,101,724
Fund Balances					
Reserved for					
Retirement of long-term debt	-	2,975,086	-	-	2,975,086
Delinquent taxes and assessments	252,096	-	-	-	252,096
Prepaid items	10,032	-	-	-	10,032
Unreserved					
Designated for subsequent year expenditures	-	-	2,976,596	319,513	3,296,109
Undesignated, reported in General fund	760,130	-	-	-	760,130
Total Fund Balances	1,022,258	2,975,086	2,976,596	319,513	7,293,453
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,354,830	\$ 4,278,976	\$ 3,009,829	\$ 751,542	\$ 20,395,177

(Continued)

VILLAGE OF HOBART, WISCONSIN
 Balance Sheet (Continued)
 Governmental Funds
 December 31, 2010

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page		\$ 7,293,453
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.		10,289,030
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Notes payable	\$(19,201,892)	
Deferred charges - bond issue costs	240,272	
Accrued interest on long-term obligations	<u>(294,243)</u>	(19,255,863)
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.		
Special assessments		<u>384,069</u>
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 3)		<u><u>\$ (1,289,311)</u></u>

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

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VILLAGE OF HOBART, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2010

	General	Debt Service	Development	Capital Projects	Total Governmental Funds
Revenues					
Taxes	\$ 1,119,863	\$ 832,314	\$ -	\$ 379,345	\$ 2,331,522
Special assessments	-	124,302	-	-	124,302
Intergovernmental	591,478	66,667	-	16,409	674,554
Licenses and permits	182,012	-	-	-	182,012
Fines and forfeits	53,058	-	-	-	53,058
Public charges for services	397,837	-	-	-	397,837
Other	118,392	23,877	2,000	-	144,269
Total Revenues	2,462,640	1,047,160	2,000	395,754	3,907,554
Expenditures					
Current					
General government	773,341	-	321	-	773,662
Public safety	914,222	-	-	-	914,222
Public works	482,609	-	-	-	482,609
Culture and recreation	9,863	-	-	-	9,863
Conservation and development	114,376	-	-	-	114,376
Debt service					
Principal	-	8,220,839	-	-	8,220,839
Interest and fiscal charges	-	389,371	371,587	-	760,958
Capital outlay	-	-	4,315,844	434,985	4,750,829
Total Expenditures	2,294,411	8,610,210	4,687,752	434,985	16,027,358
Excess of Revenues Over (Under)					
Expenditures	168,229	(7,563,050)	(4,685,752)	(39,231)	(12,119,804)
Other Financing Sources					
Long-term debt issued	-	719,237	2,243,280	-	2,962,517
Premium on debt issued	-	21,807	-	-	21,807
Transfers in	124,097	1,115,494	248,000	-	1,487,591
Transfers out	-	-	(1,115,494)	-	(1,115,494)
Total Other Financing Sources	124,097	1,856,538	1,375,786	-	3,356,421
Net Change in Fund Balances	292,326	(5,706,512)	(3,309,966)	(39,231)	(8,763,383)
Fund Balances - January 1	729,932	8,681,598	6,286,562	358,744	16,056,836
Fund Balances - December 31	\$ 1,022,258	\$ 2,975,086	\$ 2,976,596	\$ 319,513	\$ 7,293,453

(Continued)

VILLAGE OF HOBART, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended December 31, 2010

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (8,763,383)

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	\$ 1,481,344	
Depreciation expense reported in the statement of activities	<u>(197,352)</u>	1,283,992

The issuance of long-term debt provides current financial resources to the governmental funds.

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.

Principal paid on long-term debt		8,220,839
Long-term debt issued		<u>(2,962,517)</u>

Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues.

(42,032)

Revenues reported in the fund statement that were earned in a prior year are not recognized as revenues in the statement of activities.

(124,302)

Bond issuance costs are reported in the governmental funds as an expenditure. In the statement of activities, these costs are capitalized and amortized over the life of the bonds.

1,118

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

\$ (2,386,285)

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

VILLAGE OF HOBART, 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	\$ 1,099,314	\$ 1,099,314	\$ 1,119,863	\$ 20,549
Intergovernmental	584,565	584,565	591,478	6,913
Licenses and permits	122,355	122,355	182,012	59,657
Fines and forfeits	57,500	57,500	53,058	(4,442)
Public charges for services	417,200	417,200	397,837	(19,363)
Other general government	80,200	80,200	118,392	38,192
Total Revenues	2,361,134	2,361,134	2,462,640	101,506
Expenditures				
General government	721,039	721,039	773,341	(52,302)
Public safety	917,218	917,218	914,222	2,996
Public works	698,200	698,200	482,609	215,591
Culture and recreation	11,191	11,191	9,863	1,328
Conservation and development	123,677	123,677	114,376	9,301
Total Expenditures	2,471,325	2,471,325	2,294,411	176,914
Excess of Revenues Over (Under) Expenditures	(110,191)	(110,191)	168,229	278,420
Other Financing Sources				
Transfers in	106,500	106,500	124,097	17,597
Net Change in Fund Balance	(3,691)	(3,691)	292,326	296,017
Fund Balance - January 1	729,932	729,932	729,932	-
Fund Balance - December 31	\$ 726,241	\$ 726,241	\$ 1,022,258	\$ 296,017

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

VILLAGE OF HOBART, WISCONSIN

Statement of Net Assets

Proprietary Funds

December 31, 2010

	Water Utility	Sewer Utility	Storm Water Utility	Total
ASSETS				
Current assets				
Cash and investments	\$ 2,158,332	\$ 993,449	\$ 403,149	\$ 3,554,930
Accounts receivable	96,744	125,068	-	221,812
Other receivables	30,000	158,416	26,800	215,216
Total Current Assets	2,285,076	1,276,933	429,949	3,991,958
Noncurrent assets				
Capital assets, nondepreciable				
Land	65,030	-	-	65,030
Construction in progress	95,699	-	-	95,699
Property held for future use	-	508,671	-	508,671
Capital assets, depreciable				
Structure and improvements	263,031	-	-	263,031
Improvements other than buildings	8,143,293	7,778,500	596,490	16,518,283
Equipment	283,845	2,448,856	-	2,732,701
Less: Accumulated depreciation	(1,751,226)	(2,737,985)	(21,196)	(4,510,407)
Total Capital Assets, Net of Accumulated Depreciation	7,099,672	7,998,042	575,294	15,673,008
Other Assets				
Special assessments	28,888	34,478	-	63,366
Special assessments deferred	115,188	-	2,693	117,881
Unamortized debt discount and expense	135,565	28,186	-	163,751
Total Noncurrent Assets	7,379,313	8,060,706	577,987	16,018,006
TOTAL ASSETS	9,664,389	9,337,639	1,007,936	20,009,964
LIABILITIES				
Current Liabilities				
Accounts payable	902	953	2,014	3,869
Accrued expenses	1,545	1,465	1,717	4,727
Accrued interest	16,105	92,695	-	108,800
Deferred revenue	30,000	158,416	-	188,416
Noncurrent				
Due within one year	-	266,224	-	266,224
Due in more than one year	5,323,847	3,661,449	-	8,985,296
TOTAL LIABILITIES	5,372,399	4,181,202	3,731	9,557,332
NET ASSETS				
Invested in capital assets, net of related debt	2,900,825	4,070,369	575,294	7,546,488
Unrestricted	1,391,165	1,086,068	428,911	2,906,144
TOTAL NET ASSETS	\$ 4,291,990	\$ 5,156,437	\$ 1,004,205	\$10,452,632

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

VILLAGE OF HOBART, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2010

	Water Utility	Sewer Utility	Storm Water Utility	Total
Operating Revenues				
Charges for Services				
Metered sales				
Residential	\$ 304,789	\$ 386,898	\$ -	\$ 691,687
Commercial	28,137	50,048	-	78,185
Industrial	1,273	55,835	-	57,108
Public authority	1,726	4,751	-	6,477
Private fire protection	9,792	-	-	9,792
Public fire protection	223,034	-	-	223,034
Total Charges for Services	<u>568,751</u>	<u>497,532</u>	<u>-</u>	<u>1,066,283</u>
Other Operating Revenues				
Inspection fees	2,961	5,153	-	8,114
Water testing	112	-	-	112
Well operation permits	3,525	-	-	3,525
Other operating revenues	9,773	1,507	454,700	465,980
Total Other Operating Revenues	<u>16,371</u>	<u>6,660</u>	<u>454,700</u>	<u>477,731</u>
Total Operating Revenues	<u>585,122</u>	<u>504,192</u>	<u>454,700</u>	<u>1,544,014</u>
Operating Expenses				
Operation and Maintenance				
Purchased water	32,383	-	-	32,383
Power for pumping	27,032	4,380	-	31,412
Operation labor	46,875	44,286	25,175	116,336
Treatment charges	-	147,429	-	147,429
Chemicals	8,491	-	-	8,491
Maintenance of plant	3,992	61,327	78,750	144,069
Operation supplies and expense	6,987	8,832	1,932	17,751
Administrative and general salaries	32,841	27,179	61,814	121,834
Office supplies and expense	5,516	606	-	6,122
Outside services	25,943	6,845	46,672	79,460
Employee pensions and benefits	33,686	30,093	25,137	88,916
Insurance expense	4,957	2,000	-	6,957
Transportation expense	-	-	2,358	2,358
Miscellaneous general expenses	1,226	-	-	1,226
Total Operation and Maintenance	<u>229,929</u>	<u>332,977</u>	<u>241,838</u>	<u>804,744</u>
Depreciation	160,227	201,411	17,593	379,231
Taxes	10,348	6,588	5,386	22,322
Total Operating Expenses	<u>400,504</u>	<u>540,976</u>	<u>264,817</u>	<u>1,206,297</u>
Operating Income (Loss)	<u>184,618</u>	<u>(36,784)</u>	<u>189,883</u>	<u>337,717</u>
Nonoperating Revenues (Expenses)				
Interest income	4,829	4,972	-	9,801
Property taxes	30,000	264,028	-	294,028
Hook-up fees	-	20,000	-	20,000
Amortization of debt issuance costs	(31,552)	(4,248)	-	(35,800)
Premium on debt issued	3,836	-	-	3,836
Interest and fiscal charges	(182,631)	(165,632)	-	(348,263)
Total Nonoperating Revenues (Expenses)	<u>(175,518)</u>	<u>119,120</u>	<u>-</u>	<u>(56,398)</u>
Income Before Contributions and Transfers	9,100	82,336	189,883	281,319
Capital contributions	115,088	432,651	382,903	930,642
Transfers out	(124,097)	-	(248,000)	(372,097)
Change in Net Assets	91	514,987	324,786	839,864
Net Assets - January 1	<u>4,291,899</u>	<u>4,641,450</u>	<u>679,419</u>	<u>9,612,768</u>
Net Assets - December 31	<u>\$ 4,291,990</u>	<u>\$ 5,156,437</u>	<u>\$ 1,004,205</u>	<u>\$ 10,452,632</u>

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

VILLAGE OF HOBART, WISCONSIN

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2010

	Water Utility	Sewer Utility	Storm Water Utility	Total
Cash Flows from Operating Activities				
Cash received from user charges	\$ 602,680	\$ 499,906	\$ 427,900	\$ 1,530,486
Cash payments to suppliers	(124,303)	(261,763)	(136,223)	(522,289)
Cash payments to employees	(122,213)	(109,575)	(112,661)	(344,449)
Net Cash Provided by Operating Activities	<u>356,164</u>	<u>128,568</u>	<u>179,016</u>	<u>663,748</u>
Cash Flows from Non-Capital Financing Activities				
Transfer to other funds	(124,097)	-	-	(124,097)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(186,623)	-	-	(186,623)
General property taxes	30,000	264,028	-	294,028
Proceeds of long-term debt	1,125,000	580,763	-	1,705,763
Premium on debt issued	3,836	-	-	3,836
Issuance cost on long-term debt	(29,050)	-	-	(29,050)
Principal payments on long-term debt	-	(751,083)	-	(751,083)
Interest payments on long-term debt	(179,134)	(176,307)	-	(355,441)
Transfer to other funds	-	-	(248,000)	(248,000)
Hook up fees	-	20,000	-	20,000
Contributions from property owners	28,260	25,750	-	54,010
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>792,289</u>	<u>(36,849)</u>	<u>(248,000)</u>	<u>507,440</u>
Cash Flows from Investing Activities				
Interest on investments	4,829	4,972	-	9,801
Net Increase (Decrease) in Cash and Cash Equivalents	1,029,185	96,691	(68,984)	1,056,892
Cash and Cash Equivalents - Beginning of Year	<u>1,129,147</u>	<u>896,758</u>	<u>472,133</u>	<u>2,498,038</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,158,332</u>	<u>\$ 993,449</u>	<u>\$ 403,149</u>	<u>\$ 3,554,930</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 184,618	\$ (36,784)	\$ 189,883	\$ 337,717
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	160,227	201,411	17,593	379,231
Depreciation allocation for meters	5,097	(5,097)	-	-
Changes in assets and liabilities				
Accounts receivable	(24,784)	(7,424)	-	(32,208)
Other receivables	42,342	3,138	(26,800)	18,680
Accounts payable	(8,475)	(23,996)	442	(32,029)
Accrued expenses	(2,861)	(2,680)	(2,102)	(7,643)
Net Cash Provided by Operating Activities	<u>\$ 356,164</u>	<u>\$ 128,568</u>	<u>\$ 179,016</u>	<u>\$ 663,748</u>
Noncash Investing, Capital and Financing Activities				
Capital assets contributed	\$ 115,088	\$ 432,651	\$ 382,903	\$ 930,642

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

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Village of Hobart, 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 Hobart 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 Statement Nos. 14 and 39.

2. 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 general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The Village has no internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

GENERAL FUND

This is the Village's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

DEBT SERVICE FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

DEVELOPMENT CAPITAL PROJECTS FUND

This fund accounts for the resources accumulated and payment made for the development of the Centennial Centre project.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL PROJECTS FUND

This fund accounts for all other major capital expenditures of the Village, other than those accounted for in the Development Capital Projects Funds and the enterprise funds.

The Village reports the following major enterprise funds:

WATER UTILITY FUND

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

SEWER UTILITY FUND

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

STORM WATER UTILITY

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

3. 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, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, other 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 and sewer functions 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.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. 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 financial statements.

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, and equipment, 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 \$5,000 or higher and an estimated useful life in excess of two 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 Village has not reported infrastructure assets acquired or constructed prior to 2004.

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.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Assets</u>	Governmental	Business-type
	Activities	Activities
	Years	
Buildings	40	25 - 50
Land improvements	20	25 - 100
Machinery and equipment	4 - 20	3 - 10
Infrastructure	30	N/A

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.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. 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.

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:

1. During October, Village management submits to the Village Board 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.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and debt service funds. 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.
3. During the year, formal budgetary integration is employed as a management control device for the general and debt service funds. Management control for the capital projects funds is achieved through project authorizations included in debt issue resolutions.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Village. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Village Board.
5. 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.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

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 \$13,283,254 on December 31, 2010 as summarized below:

Deposits with financial institutions	\$12,533,522
Investments	
Money market mutual funds	106,879
Wisconsin local government investment pool	642,853
	<u>\$13,283,254</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$13,081,189
Restricted cash and investments	202,065
	<u>\$13,283,254</u>

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

Custodial Credit Risk

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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. 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. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. 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.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2010, \$11,097,175 of the Village's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized.

Credit Risk

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. Presented below is the actual rating as of year end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Money market mutual funds	\$ 106,879	\$ -	\$ -	\$ -	\$ 106,879
Wisconsin Local Government Investment Pool	642,853	-	-	-	642,853
Totals	\$ 749,732	\$ -	\$ -	\$ -	\$ 749,732

Concentration of Credit Risk

The investment policy of the Village contains no limitations on the amount that can be invested in any one issuer.

Interest Rate Risk

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.

Information about the sensitivity of the fair values of the Village's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Village's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Money market mutual funds	\$ 106,879	\$ 106,879	\$ -	\$ -	\$ -
Wisconsin Local Government Investment Pool	642,853	642,853	-	-	-
Totals	\$ 749,732	\$ 749,732	\$ -	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The Village has investments in the Wisconsin local government investment pool of \$642,853 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.

VILLAGE OF HOBART, WISCONSIN

Notes to 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 its own property taxes and also levies taxes for the Pulaski School District, West De Pere School District, Brown County, Northeast Wisconsin Technical Collage and the State of Wisconsin. Brown County has assumed tax collection responsibilities for the Village.

3. Restricted Assets

Restricted assets on December 31, 2010 totaled \$202,065 and consisted of cash and investments held for the following purposes:

Developer escrow	<u>\$ 202,065</u>
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4. 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	\$ 803,600	\$ -	\$ -	\$ 803,600
Land held for resale	5,883,341	-	-	5,883,341
Construction work in progress	38,629	-	38,629	-
Total capital assets, not being depreciated	<u>6,725,570</u>	-	<u>38,629</u>	<u>6,686,941</u>
Capital assets, being depreciated:				
Buildings and improvements	1,127,224	-	-	1,127,224
Machinery and equipment	1,208,704	134,460	-	1,343,164
Infrastructure	1,204,171	1,385,513	-	2,589,684
Subtotals	<u>3,540,099</u>	<u>1,519,973</u>	-	<u>5,060,072</u>
Less accumulated depreciation for:				
Buildings and improvements	511,983	26,115	-	538,098
Machinery and equipment	73,445	11,975	-	85,420
Vehicles	585,992	72,939	-	658,931
Infrastructure	89,211	86,323	-	175,534
Subtotals	<u>1,260,631</u>	<u>197,352</u>	-	<u>1,457,983</u>
Total capital assets, being depreciated, net	<u>2,279,468</u>	<u>1,322,621</u>	-	<u>3,602,089</u>
Governmental activities capital assets, net	<u>\$ 9,005,038</u>	<u>\$ 1,322,621</u>	<u>\$ 38,629</u>	10,289,030
Less related long-term debt outstanding				<u>13,097,611</u>
Invested in capital assets, net of related debt				<u>\$ (2,808,581)</u>

VILLAGE OF HOBART, WISCONSIN

Notes to 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	\$ -	\$ 65,030	\$ -	\$ 65,030
Construction in progress	660,391	911,253	1,475,945	95,699
Property held for future use	508,671	-	-	508,671
Subtotals	<u>1,169,062</u>	<u>976,283</u>	<u>1,475,945</u>	<u>669,400</u>
Capital assets, being depreciated:				
Buildings	263,031	-	-	263,031
Land improvements	14,901,355	1,616,928	-	16,518,283
Machinery and equipment	2,732,701	-	-	2,732,701
Subtotals	<u>17,897,087</u>	<u>1,616,928</u>	-	<u>19,514,015</u>
Less accumulated depreciation for:				
Water utility	1,585,902	165,324	-	1,751,226
Sewer utility	2,541,671	196,314	-	2,737,985
Storm water utility	3,603	17,593	-	21,196
Subtotals	<u>4,131,176</u>	<u>379,231</u>	-	<u>4,510,407</u>
Total capital assets, being depreciated, net	13,765,911	1,237,697	-	15,003,608
Business-type activities capital assets, net	<u>\$ 14,934,973</u>	<u>\$ 2,213,980</u>	<u>\$ 1,475,945</u>	15,673,008
Less related long-term debt outstanding				<u>8,126,520</u>
Invested in capital assets, net of related debt				<u>\$ 7,546,488</u>
Depreciation expense was charged to functions of the Village as follows:				
Governmental activities				
General government				\$ 12,296
Public safety				49,565
Public works				131,615
Conservation and development				3,876
Total depreciation expense - governmental activities				<u>\$ 197,352</u>
Business-type activities				
Water utility				\$ 165,324
Sewer utility				196,314
Storm water utility				17,593
Total depreciation expense - business-type activities				<u>\$ 379,231</u>

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Interfund Receivable, Payables, and Transfers

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

	Transfer to:		
	General Fund	Debt Service	Development
Transfers from:			
Water utility enterprise fund	\$ 124,097	\$ -	\$ -
Development fund	-	1,115,494	-
Storm water utility enterprise fund	-	-	248,000
Totals	\$ 124,097	\$ 1,115,494	\$ 248,000

The general fund transfer for 2010 relates to the utility payment in lieu of taxes made by the water utility to the Village's general fund. The debt service transfer relates to the reclassification of non-TIF related transactions from the Development Capital Projects Fund. The Development Capital Projects Fund transfer relates to the financing of stormwater projects.

6. Deferred Revenues

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

	Unavailable	Unearned
Subsequent year tax levy receivable		
General fund	\$ -	\$ 1,135,482
Debt service fund	-	919,821
Development	-	16,608
Capital projects fund	-	414,200
Special assessments		
Debt service fund	384,069	-
Totals	\$ 384,069	\$ 2,486,111

Special assessments are generally collectible in annual installments.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements
December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. 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					
Notes	\$ 5,080,214	\$ 2,962,517	\$ 1,400,839	\$ 6,641,892	\$ 2,527,356
Note anticipation notes	19,380,000	-	6,820,000	12,560,000	-
Governmental activities Long-term obligations	<u>\$ 24,460,214</u>	<u>\$ 2,962,517</u>	<u>\$ 8,220,839</u>	<u>\$ 19,201,892</u>	<u>\$ 2,527,356</u>
Business-type activities:					
General Obligation Debt					
Notes	\$ 587,252	\$ 580,763	\$ 587,252	\$ 580,763	\$ 96,049
Bond anticipation notes	4,635,000	-	-	4,635,000	-
Note anticipation notes	-	1,125,000	-	1,125,000	-
Notes payable - Green Bay MSD	3,074,588	-	163,831	2,910,757	170,175
Business-type activities Long-term obligations	<u>\$ 8,296,840</u>	<u>\$ 1,705,763</u>	<u>\$ 751,083</u>	<u>\$ 9,251,520</u>	<u>\$ 266,224</u>

Total interest paid during the year on long-term debt totaled \$1,027,929.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes		
\$1,185,000 issued 6/1/02; \$140,000 due in 2011; interest 4.8%		\$ 140,000
\$1,085,000 issued 3/1/02; \$110,000 due in 2011; interest 4.4%		110,000
\$1,125,000 issued 7/15/03; \$95,000 to \$115,000 due annually through 2016; interest 3.75% to 3.8%		625,000
\$1,340,000 issued 12/15/03; \$155,000 to \$225,000 due annually through 2014; interest 4.7% to 5.6%		755,000
\$176,000 issued 8/04/06; \$34,625 due annually through 2013; interest 5.2%		103,875
\$420,000 issued 4/1/07; \$40,000 to \$100,000 due annually beginning in 2012 through 2017; interest 4.15%		420,000
\$1,450,000 issued 12/21/09; \$1,450,000 due in 2011; interest 5.50%		1,450,000
\$75,500 issued 12/21/09; \$75,500 due in 2011; interest 5.50%		75,500
\$348,280 issued 7/14/10; \$348,280 due in 2011; interest 5.25%;		348,280
\$1,300,000 issued 11/22/10; \$20,000 to \$290,000 due annually through 2024; interest 2.0% to 3.45%		1,300,000
\$1,895,000 issued 11/22/10; \$100,000 to \$165,000 due annually 2012 through 2026; interest 1.30% to 5.05%		1,895,000
Total Outstanding General Obligation Debt		<u><u>\$ 7,222,655</u></u>

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$7,222,655 on December 31, 2010 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 2,527,356	\$ 298,735	\$ 96,049	\$ 14,093	\$ 2,623,405	\$ 312,828
2012	657,304	165,082	127,321	11,829	784,625	176,911
2013	640,070	132,156	129,555	9,282	769,625	141,438
2014	491,065	98,011	8,935	6,691	500,000	104,702
2015	294,897	83,495	20,103	6,490	315,000	89,985
2016-2020	1,030,016	295,117	104,984	24,643	1,135,000	319,760
2021-2025	836,184	137,824	93,816	8,005	930,000	145,829
2026	165,000	4,166	-	-	165,000	4,166
	<u>\$ 6,641,892</u>	<u>\$ 1,214,586</u>	<u>\$ 580,763</u>	<u>\$ 81,033</u>	<u>\$ 7,222,655</u>	<u>\$ 1,295,619</u>

Legal Margin for New Debt

The Village's legal margin for creation of additional general obligation debt on December 31, 2010 was \$26,528,481 as follows:

Equalized valuation of the Village	\$ 615,521,000
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	30,776,050
Total outstanding general obligation debt applicable to debt limitation	\$ 7,222,655
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>2,975,086</u>
Net outstanding general obligation debt applicable to debt limitation	4,247,569
Legal Margin for New Debt	<u><u>\$ 26,528,481</u></u>

The Village has outstanding \$13,685,000 in note anticipation notes (NANs). Although the outstanding NANs are not included in the calculation of the legal debt margin, the Village is required to reserve its legal debt margin for the amount of the outstanding NANs.

Notes Payable - Green Bay Metropolitan Sewage District

Notes Payable - Green Bay Metropolitan Sewage District outstanding on December 31, 2010 totaled \$2,910,757 and was comprised of the following issues:

\$187,713 issued 1982 for interceptor construction; \$6,257 due in 2011	\$ 6,257
\$135,545 issued 1992 for interceptor construction; \$4,674 due annually through 2020; non-interest bearing	46,739
\$1,697,786 issued 1999 for interceptor construction; \$73,790 to \$113,506 due annually through 2022; interest 2.64% to 5%	1,108,005
\$2,151,581 issued 2005 for interceptor construction; \$85,455 to \$154,069 due annually through 2025; interest 5.00%	<u>1,749,756</u>
Total Notes Payable - Green Bay MSD	<u><u>\$ 2,910,757</u></u>

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest payments of the above outstanding notes payable on December 31, 2010 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2011	\$ 170,175	\$ 119,506	\$ 289,681
2012	170,528	112,895	283,423
2013	177,416	106,008	283,424
2014	184,592	98,832	283,424
2015	192,069	91,355	283,424
2016-2020	1,083,946	333,173	1,417,119
2021-2025	932,031	107,550	1,039,581
	<u>\$ 2,910,757</u>	<u>\$ 969,319</u>	<u>\$ 3,880,076</u>

Bond Anticipation Notes

Bond anticipation notes outstanding at December 31, 2010 totaled \$4,635,000 and were comprised of the following issue:

\$4,635,000 issued 12/01/08; \$4,635,000 due in 2013; interest 4.0% \$ 4,635,000

Annual principal and interest maturities of the above outstanding bond anticipation notes of \$4,635,000 on December 31, 2010 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2011	\$ -	\$ 185,400	\$ 185,400
2012	-	185,400	185,400
2013	4,635,000	92,700	4,727,700
	<u>\$ 4,635,000</u>	<u>\$ 463,500</u>	<u>\$ 5,098,500</u>

Note Anticipation Notes

Note anticipation notes outstanding at December 31, 2010 totaled \$13,685,000 and were comprised of the following issues:

\$1,110,000 issued 1/17/08; \$1,110,000 due in 2012; interest 3.4%	\$ 1,110,000
\$5,000,000 issued 8/3/09; \$5,000,000 due in 2012; interest 3.0%	5,000,000
\$6,450,000 issued 12/15/09; \$6,450,000 due in 2015; interest 3.75%	6,450,000
\$1,125,000 issued 6/22/2010; \$1,125,000 due in 2012; interest 2.25%	1,125,000
Total Note Anticipation Notes	<u>\$ 13,685,000</u>

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the above outstanding note anticipation notes of \$13,685,000 on December 31, 2010 are shown below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ -	\$ 429,615	\$ -	\$ 25,313	\$ -	\$ 454,928
2012	6,110,000	410,745	1,125,000	25,312	7,235,000	436,057
2013	-	241,875	-	-	-	241,875
2014	-	241,875	-	-	-	241,875
2015	6,450,000	120,938	-	-	6,450,000	120,938
	<u>\$ 12,560,000</u>	<u>\$ 1,445,048</u>	<u>\$ 1,125,000</u>	<u>\$ 50,625</u>	<u>\$ 13,685,000</u>	<u>\$ 1,495,673</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 WRS. Covered employees in the General category are required by statute to 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.

The payroll for Village employees covered by the WRS for the year ended December 31, 2010 was \$784,008; the employer's total payroll was \$910,623. The total required contribution for the year ended December 31, 2010 was \$100,208, which consisted of \$53,377, or 6.8% of covered payroll from the employer and \$46,831, or 6.0% 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 \$94,484 and \$82,346 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 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 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, WI 53707-7931.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2010

NOTE D - OTHER INFORMATION (Continued)

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. 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.

4. 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.

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SUPPLEMENTAL INFORMATION

VILLAGE OF HOBART, WISCONSIN
 General Fund
 Detailed Comparison of Budgeted and Actual Revenues
 Year Ended December 31, 2010
 With Comparative Actual Amounts for Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Taxes				
General property	\$ 1,096,218	\$ 1,102,896	\$ 6,678	\$ 952,086
Managed forest crop tax	-	250	250	52
Payment in lieu of taxes	1,596	1,596	-	1,550
Interest on taxes	-	14,762	14,762	-
Use value penalty	1,500	359	(1,141)	1,491
Total Taxes	1,099,314	1,119,863	20,549	955,179
Intergovernmental				
Federal aids				
Police grant	10,050	11,639	1,589	30,687
State aids				
Shared taxes	84,080	84,080	-	98,918
Fire insurance	18,647	19,148	501	18,647
Transportation	239,445	239,445	-	253,125
Exempt computer aid	2,200	2,340	140	1,977
Gypsy moth grant	2,000	4,394	2,394	2,170
Recycling	30,500	25,538	(4,962)	30,238
Local aids				
Reimbursements from the Town of Lawrence	197,643	204,894	7,251	167,391
Total Intergovernmental	584,565	591,478	6,913	603,153
Licenses and Permits				
Quarry permits	3,965	5,635	1,670	6,140
Liquor and malt beverages	2,140	1,880	(260)	2,740
Operators license	1,150	1,080	(70)	1,226
Cigarette license	150	50	(100)	150
Dog license	2,000	1,068	(932)	1,160
Cable TV franchise fees	35,000	36,097	1,097	35,420
Building permits and associated fees	33,500	83,519	50,019	50,009
Site review permits	750	700	(50)	70
Park fee/building permits	2,000	1,670	(330)	600
Park developer fees	6,000	1,971	(4,029)	4,031
Rent-park/hall/shelter	3,500	9,148	5,648	3,750
Rent-land and tower	28,000	36,094	8,094	36,691
Zoning permits	4,200	3,100	(1,100)	376
Total Licenses and Permits	122,355	182,012	59,657	142,363

(Continued)

VILLAGE OF HOBART, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Revenues (Continued)

Year Ended December 31, 2010

With Comparative Actual Amounts for Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Fines and Forfeits				
Court fines and penalties	57,500	53,058	(4,442)	61,927
Public Charges for Services				
General government	3,500	3,065	(435)	3,327
Garbage collection	329,493	317,231	(12,262)	317,531
Police liaison fees	11,366	11,034	(332)	2,758
Street lighting	66,141	58,599	(7,542)	54,410
Fire calls	6,000	6,903	903	4,981
Bins and bags	700	1,005	305	814
Total Public Charges for Services	417,200	397,837	(19,363)	383,821
Other General Government				
Interest	80,000	90,329	10,329	235,038
Donations	-	107	107	-
Sale of village property	-	21,757	21,757	250
Other general government	200	6,199	5,999	2,128
Total Other General Government	80,200	118,392	38,192	237,416
Total Revenues	\$ 2,361,134	\$ 2,462,640	\$ 101,506	\$ 2,383,859

VILLAGE OF HOBART, WISCONSIN
General Fund
Detailed Comparison of Budgeted and Actual Expenditures
Year Ended December 31, 2010
With Comparative Actual Amounts for Year Ended December 31, 2009

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
General Government				
Board	\$ 58,114	\$ 55,948	\$ 2,166	\$ 56,260
Municipal court	53,396	60,318	(6,922)	58,064
Legal	233,500	270,950	(37,450)	207,986
Administrator	56,521	60,942	(4,421)	59,904
Clerk	65,925	63,710	2,215	64,447
General government	84,025	79,647	4,378	75,761
Secretary	-	18,083	(18,083)	5,253
Elections	4,173	4,627	(454)	4,020
Audit and other accounting	6,330	5,575	755	6,115
Treasurer	42,620	27,546	15,074	43,404
Uncollected taxes and refunds	-	-	-	2,358
Assessor	25,500	25,500	-	28,178
General building and equipment	43,844	54,104	(10,260)	49,924
General insurance	47,091	46,391	700	55,426
Total General Government	721,039	773,341	(52,302)	717,100
Public Safety				
Police department	507,840	503,154	4,686	483,207
Animal control	3,221	3,704	(483)	2,512
Fire department	310,103	315,043	(4,940)	293,745
Building inspection	46,899	47,559	(660)	68,071
Ambulance	42,155	42,316	(161)	41,127
First responders	7,000	2,446	4,554	4,446
Total Public Safety	917,218	914,222	2,996	893,108
Public Works				
Highway administration	117,216	111,807	5,409	114,550
Highway maintenance and construction	182,350	92,417	89,933	130,227
Street lighting	66,141	62,179	3,962	83,212
Garbage collection	253,785	205,474	48,311	163,351
Recycling	78,708	10,732	67,976	66,280
Total Public Works	698,200	482,609	215,591	557,620
Culture and Recreation				
Parks	11,191	9,863	1,328	13,226
Conservation and Development				
Economic development	110,940	105,469	5,471	117,163
Gypsy moth grant	8,537	8,537	-	4,330
Planning	4,200	370	3,830	1,978
Total Conservation and Development	123,677	114,376	9,301	123,471
Total Expenditures	\$ 2,471,325	\$ 2,294,411	\$ 176,914	\$ 2,304,525

**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 Hobart Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Village of Hobart, Wisconsin, as of and for the year ended December 31, 2010, which collectively comprise the basic financial statements and have issued our report thereon dated April 9, 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 Hobart, 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 of the effectiveness of the Village of Hobart, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Hobart, Wisconsin's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2010-01 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2010-02 and 2010-03 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Hobart, 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 Hobart, Wisconsin in a separate letter dated April 9, 2011.

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

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

Certified Public Accountants
Green Bay, Wisconsin
April 9, 2011

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VILLAGE OF HOBART, WISCONSIN
 Schedule of Findings and Responses
 December 31, 2010

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2010-01	Segregation of Duties - Clerk/Treasurer
Condition:	The Village has a combined clerk/treasurer position to essentially complete all financial and recordkeeping duties of the general Village operations. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of Village operations.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the Village Board continue to monitor the transactions and the financial records of the Village.
Management Response:	Management is in the process of evaluating the need for a separate Village Treasurer position.
2010-02	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, state financial reports and public service commission 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 and the Public Service Commission of Wisconsin 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 outweigh the derived benefits.
Effect:	The financial statements of the Village could be misstated and not detected and corrected in a timely manner without our review and posting of 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:	The Village will continue to contract with Schenck to provide this support service.

VILLAGE OF HOBART, WISCONSIN
 Schedule of Findings and Responses (Continued)
 December 31, 2010

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
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2010-03 Assistance with Capital Asset Records

Condition: The Village's provides us with the current year asset additions and disposals, the method and rate of depreciation and the salvage value of the assets. From this information, we assist the Village in recording the capital asset additions and disposals and calculating the annual depreciation.

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 calculating depreciation and assisting the Village in maintaining its 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 assets 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 that the cost of hiring additional staff to maintain capital asset records outweighs 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.