

VILLAGE OF HOBART, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

VILLAGE OF HOBART, WISCONSIN

December 31, 2011

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**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

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, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Village as of December 31, 2011, 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.

As described in Note A.4.g, the Village has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's financial statements as a whole. The financial information listed in the table of contents as supplemental information, and the accompanying schedule of expenditures of federal awards and schedule of state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
Green Bay, Wisconsin
March 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF HOBART

Management's Discussion and Analysis December 31, 2011

As management of the Village of Hobart, we offer readers of the Village's basic financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2011.

Financial Highlights

- The assets of the Village exceeded its liabilities as of December 31, 2011 by \$9,630,910 (*net assets*).
- The Village's total net assets increased by \$467,589 due mainly to utility capital assets contributed by developers.
- As of December 31, 2011, the Village's governmental funds reported combined ending fund balances of \$3,918,837, a decrease of \$3,374,616 in comparison with the prior year. The decrease resulted from the usage of cash reserves to retire long term debt obligations. Approximately 6% of the fund balance amount, \$234,996 is nonspendable for delinquent taxes and assessments. Approximately 71%, \$2,798,169 is assigned for development and capital projects. Approximately 23%, \$885,672 is unassigned and *available for spending* at the Village's discretion.
- As of December 31, 2011, the unassigned general fund balance of \$885,672 was approximately 35% of total general fund expenditures.
- The Village's total general-obligation debt increased by \$1,300,852 and total Village debt decreased by \$3,154,323 during 2011.

Overview of the Basic Financial Statements

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

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

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include: general government, public safety, public works, culture and recreation, and conservation and development. The business-type activities of the Village include water and sewer and storm water utilities.

The government-wide financial statements can be found on pages 9 - 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Village's near-term financing requirements.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund, tax increment district #1 fund, tax increment district #2 fund, and capital projects fund which are all considered to be major funds.

The Village adopts an annual appropriated budget for its general, debt service, and capital projects funds. As part of the basic governmental fund financial statements, budgetary comparison statements have been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 - 16 of this report.

Proprietary funds. The Village maintains a single type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its water, sewer and storm water utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and storm water utilities funds, all of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 20 - 35 of this report.

Other information. Supplemental schedules can be found on pages 36 - 38.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$9,630,910 at the close of 2011.

Village of Hobart's Net Assets						
(in thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 18,700	\$ 20,636	\$ 2,779	\$ 4,337	\$ 21,479	\$ 24,973
Capital assets	10,800	10,289	17,322	15,673	28,122	25,962
Total Assets	29,500	30,925	20,101	20,010	49,601	50,935
Long-term liabilities outstanding	18,077	19,202	7,222	9,251	25,299	28,453
Other liabilities	14,532	13,012	139	306	14,671	13,318
Total Liabilities	32,609	32,214	7,361	9,557	39,970	41,771
Net Assets						
Invested in capital assets, net of related debt	(461)	(2,808)	10,100	7,547	9,639	4,739
Restricted	-	2,975	-	-	-	2,975
Unrestricted	(2,648)	(1,456)	2,640	2,906	(8)	1,450
Total Net Assets	\$ (3,109)	\$ (1,289)	\$ 12,740	\$ 10,453	\$ 9,631	\$ 9,164

The Village reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, etc.), less any related debt used to acquire those assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At December 31, 2011 the amount invested in capital assets net of related debt is negative because the Village has elected not to retroactively report its infrastructure assets.

Change in net assets. The Village's governmental activities net assets decreased by \$1,819,882 due to expenditures and transfers out exceeding revenues. Key elements of this decrease are shown below:

Unrestricted net assets of the water utility enterprise fund at the end of the year amounted to \$1,240,544. The total increase in net assets during 2011 was \$1,326,607.

Unrestricted net assets of the sewer utility enterprise fund at the end of the year amounted to \$854,446. The total growth in net assets was \$182,812.

Unrestricted net assets of the storm water utility enterprise fund at the end of the year amounted to \$545,085. The total growth in net assets was \$778,052.

Village of Hobart's Change in Net Assets						
(In thousands of dollars)						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for services	\$ 852	\$ 803	\$ 1,769	\$ 1,538	\$ 2,621	\$ 2,341
Operating grants and contributions	374	317	-	-	374	317
Capital grants and contributions	295	-	1,114	-	1,409	-
General Revenues						
Property taxes	2,476	2,315	194	294	2,670	2,609
Other taxes	49	17	-	-	49	17
Grants and contributions not restricted to specific programs	85	86	-	-	85	86
Other	171	247	28	35	199	282
Total Revenues	4,302	3,785	3,105	1,867	7,407	5,652
Expenses						
General government	812	812	-	-	812	812
Public safety	1,196	981	-	-	1,196	981
Public works	759	625	-	-	759	625
Health and human services	7	-	-	-	7	-
Culture and recreation	33	19	-	-	33	19
Conservation and development	1,709	2,445	-	-	1,709	2,445
Interest on long-term debt	668	730	-	-	668	730
Water utility	-	-	725	611	725	611
Sewer utility	-	-	741	711	741	711
Storm Water utility	-	-	290	264	290	264
Total Expenses	5,184	5,612	1,756	1,586	6,940	7,198
Change in Net Assets Before Transfers	(882)	(1,827)	1,349	281	467	(1,546)
Transfers	(938)	(559)	938	559	-	-
Change in Net Assets	(1,820)	(2,386)	2,287	840	467	(1,546)
Net Assets - January 1	(1,289)	1,097	10,453	9,613	9,164	10,710
Net Assets - December 31	\$ (3,109)	\$ (1,289)	\$ 12,740	\$ 10,453	\$ 9,631	\$ 9,164

The majority of the capital grants and contributions increase results from developer contributed capital assets in the Tailwind Crossing development.

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Village's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, the Village's governmental funds reported combined ending fund balances of \$3,918,837, a decrease of \$3,374,616 in comparison with the prior year. Approximately 23% of this amount (\$885,672) constitutes *unassigned fund balance*, which is available for spending at the Village's discretion. The remainder of fund balance is *assigned* to indicate that it is not available for new spending because it has already been set aside for future development and capital projects (\$2,798,169), and *nonspendable* for delinquent taxes and assessments (\$234,996).

The general fund is the main operating fund of the Village. At the end of the current year, unassigned fund balance of the general fund was \$885,672. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 35% of total general fund expenditures.

The fund balance of the Village's general fund increased by \$98,410 during the current year due to favorable revenue budget variances.

The funds for tax increment finance (TIF) district #1 and #2 account for the revenues and expenses of the Village's two TIF districts. In 2011, the Village created district #2.

The capital projects fund has a total fund balance of \$666,203 which represents unspent tax levy money carried over to 2012 for project spending.

The fund balance of the debt service fund decreased by \$2,975,086 during the current year due to the retirement of long-term debt obligations.

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

Unrestricted net assets of the water utility enterprise fund at the end of the year amounted to \$1,240,544. The total increase in net assets during 2011 was \$1,326,607.

Unrestricted net assets of the sewer utility enterprise fund at the end of the year amounted to \$854,446. The total growth in net assets was \$182,812.

Unrestricted net assets of the storm water utility enterprise fund at the end of the year amounted to \$545,085. The total growth in net assets was \$778,052.

Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2011 amounts to \$28,122,554 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, and construction in progress. The total increase in the Village's investment in capital assets for the current year was \$2,160,516.

Village of Hobart's Capital Assets						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 6,686,941	\$ 6,686,941	\$ 573,701	\$ 573,701	\$ 7,260,642	\$ 7,260,642
Buildings and Improvements	1,127,224	1,127,224	18,375,681	16,781,314	19,502,905	17,908,538
Machinery and equipment	1,416,064	1,343,164	3,305,482	2,732,701	4,721,546	4,075,865
Infrastructure	3,244,512	2,589,684	-	-	3,244,512	2,589,684
Construction in progress	-	-	-	95,699	-	95,699
Less accumulated depreciation	(1,674,554)	(1,457,983)	(4,932,497)	(4,510,407)	(6,607,051)	(5,968,390)
Total	\$ 10,800,187	\$ 10,289,030	\$ 17,322,367	\$ 15,673,008	\$ 28,122,554	\$ 25,962,038

Long-term debt. At the end of the current fiscal year, the Village had total notes outstanding of \$25,299,089. Of this amount, \$14,973,507 comprises debt backed by the full faith and credit of the government, and \$7,585,000 are note anticipation notes which will be converted to general obligation debt at some future time, and \$2,740,582 is for interceptor costs being paid to the Green Bay Metropolitan Sewerage District.

Village of Hobart's Outstanding Debt						
General Obligation Debt and Notes Payable						
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation notes	\$ 10,491,750	\$ 13,091,892	\$ 4,481,757	\$ 580,763	\$ 14,973,507	\$ 13,672,655
Bond anticipation notes	-	-	-	4,635,000	-	4,635,000
Note Anticipation Notes	7,585,000	6,110,000	-	1,125,000	7,585,000	7,235,000
Notes payable - Green Bay MSD	-	-	2,740,582	2,910,757	2,740,582	2,910,757
Total	\$ 18,076,750	\$ 19,201,892	\$ 7,222,339	\$ 9,251,520	\$ 25,299,089	\$ 28,453,412

The Village's total debt decreased by \$3,154,323 during the current fiscal year. This resulted from the usage of cash reserves on hand for the retirement of various future long term debt obligations.

State statutes limit the amount of general obligation debt the Village may issue to 5% of its total equalized valuation. The current debt limitation for the Village is \$31,431,035, which is significantly in excess of the Village's \$14,973,507 in outstanding general obligation debt. It should be noted, however, that the Village must reserve a portion of its borrowing capacity for the \$7,585,000 of anticipation notes which will be converted to general obligation debt at some time in the future.

Contacting the Village's Financial Management

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Village Administrator, 2990 S. Pine Tree Road, Hobart, Wisconsin 54155.

BASIC FINANCIAL STATEMENTS

VILLAGE OF HOBART, WISCONSIN

Statement of Net Assets

December 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 5,263,390	\$ 2,229,086	\$ 7,492,476
Receivables			
Taxes	11,759,331	-	11,759,331
Accounts	-	221,584	221,584
Special assessments	259,766	132,257	392,023
Deferred charges	170,417	195,995	366,412
Restricted assets			
Cash and investments	1,247,177	-	1,247,177
Capital assets, nondepreciable			
Land	803,600	65,030	868,630
Land held for resale	5,883,341	-	5,883,341
Property held for future use	-	508,671	508,671
Capital assets, depreciable			
Land improvements	-	17,649,276	17,649,276
Buildings and improvements	1,127,224	726,405	1,853,629
Machinery and equipment	1,416,064	3,305,482	4,721,546
Infrastructure	3,244,512	-	3,244,512
Less: Accumulated depreciation	(1,674,554)	(4,932,497)	(6,607,051)
TOTAL ASSETS	29,500,268	20,101,289	49,601,557
LIABILITIES			
Accounts payable	128,275	35,736	164,011
Accrued and other current liabilities	43,723	4,491	48,214
Accrued interest payable	181,650	98,620	280,270
Due to other governments	11,157,435	-	11,157,435
Unearned revenues	3,021,628	-	3,021,628
Long-term obligations			
Due within one year	5,621,750	452,894	6,074,644
Due in more than one year	12,455,000	6,769,445	19,224,445
TOTAL LIABILITIES	32,609,461	7,361,186	39,970,647
NET ASSETS			
Invested in capital assets, net of related debt	(461,062)	10,100,028	9,638,966
Unrestricted (Deficit)	(2,648,131)	2,640,075	(8,056)
TOTAL NET ASSETS (DEFICIT)	\$ (3,109,193)	\$ 12,740,103	\$ 9,630,910

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 812,043	\$ 152,674	\$ -	\$ -
Public safety	1,196,094	305,559	108,414	-
Public works	758,866	378,614	262,080	294,654
Health and human services	6,472	-	-	-
Culture and recreation	33,267	10,909	-	-
Conservation and development	1,709,414	4,395	3,544	-
Interest on debt	668,157	-	-	-
Total Governmental Activities	5,184,313	852,151	374,038	294,654
Business-type Activities				
Water utility	725,547	735,753	-	258,157
Sewer utility	741,163	567,769	-	194,980
Storm water utility	289,553	465,422	-	660,933
Total Business-type Activities	1,756,263	1,768,944	-	1,114,070
Total	\$ 6,940,576	\$ 2,621,095	\$ 374,038	\$ 1,408,724

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Franchise fees and 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 (deficit) - 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

\$ (659,369)	\$ -	\$ (659,369)
(782,121)	-	(782,121)
176,482	-	176,482
(6,472)	-	(6,472)
(22,358)	-	(22,358)
(1,701,475)	-	(1,701,475)
(668,157)	-	(668,157)
<u>(3,663,470)</u>	<u>-</u>	<u>(3,663,470)</u>

-	268,363	268,363
-	21,586	21,586
-	836,802	836,802
<u>-</u>	<u>1,126,751</u>	<u>1,126,751</u>

<u>(3,663,470)</u>	<u>1,126,751</u>	<u>(2,536,719)</u>
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1,147,599	-	1,147,599
914,163	194,074	1,108,237
414,200	-	414,200
48,810	-	48,810
85,646	-	85,646
57,359	4,375	61,734
113,682	24,400	138,082
(937,871)	937,871	-
<u>1,843,588</u>	<u>1,160,720</u>	<u>3,004,308</u>

(1,819,882)	2,287,471	467,589
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<u>(1,289,311)</u>	<u>10,452,632</u>	<u>9,163,321</u>
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<u>\$ (3,109,193)</u>	<u>\$ 12,740,103</u>	<u>\$ 9,630,910</u>
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VILLAGE OF HOBART, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2011

	General	Debt Service	Tax Incremental District #1	Capital Projects	Tax Incremental District #2	Total Governmental Funds
ASSETS						
Cash and investments	\$ 3,712,398	\$ -	\$ 777,305	\$ 666,203	\$ 107,484	\$ 5,263,390
Receivables						
Taxes	9,796,637	873,539	370,159	484,000	-	11,524,335
Delinquent taxes and special assessments	234,996	-	-	-	-	234,996
Special assessments	-	259,766	-	-	-	259,766
Restricted cash and investments	-	-	1,055,581	-	191,596	1,247,177
TOTAL ASSETS	\$ 13,744,031	\$ 1,133,305	\$ 2,203,045	\$ 1,150,203	\$ 299,080	\$ 18,529,664
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 128,275	\$ -	\$ -	\$ -	\$ -	\$ 128,275
Accrued payroll liabilities	43,723	-	-	-	-	43,723
Due to other governmental units	11,157,435	-	-	-	-	11,157,435
Deferred revenue	1,293,930	1,133,305	370,159	484,000	-	3,281,394
Total Liabilities	12,623,363	1,133,305	370,159	484,000	-	14,610,827
Fund Balances						
Nonspendable						
Delinquent taxes and assessments	234,996	-	-	-	-	234,996
Assigned						
Development	-	-	1,832,886	-	299,080	2,131,966
Capital projects	-	-	-	666,203	-	666,203
Unassigned, reported in						
General fund	885,672	-	-	-	-	885,672
Total Fund Balances	1,120,668	-	1,832,886	666,203	299,080	3,918,837
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,744,031	\$ 1,133,305	\$ 2,203,045	\$ 1,150,203	\$ 299,080	\$ 18,529,664

(Continued)

VILLAGE OF HOBART, WISCONSIN

Balance Sheet (Continued)

Governmental Funds

December 31, 2011

Reconciliation to the Statement of Net Assets

Total Fund Balances as shown on previous page			\$ 3,918,837
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.			10,800,187
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	\$ (18,076,750)		
Deferred charges - bond issue costs	170,417		
Accrued interest on long-term obligations	(181,650)	(18,087,983)	
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.			
Special assessments			<u>259,766</u>
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 9)			<u>\$ (3,109,193)</u>

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 Balances
Governmental Funds
Year Ended December 31, 2011

	General	Debt Service	Tax Incremental District #1	Capital Projects	Tax Incremental District #2	Total Governmental Funds
Revenues						
Taxes	\$ 1,139,849	\$ 914,163	\$ 16,608	\$ 414,200	\$ -	\$ 2,484,820
Special assessments	-	124,303	-	-	-	124,303
Intergovernmental	622,602	66,667	-	76,292	-	765,561
Licenses and permits	163,321	-	-	-	-	163,321
Fines and forfeits	50,690	-	-	-	-	50,690
Public charges for services	434,487	-	-	-	-	434,487
Other	95,225	15,204	(1,980)	-	320	108,769
Total Revenues	2,506,174	1,120,337	14,628	490,492	320	4,131,951
Expenditures						
Current						
General government	791,549	-	-	-	-	791,549
Public safety	1,025,913	-	-	-	-	1,025,913
Public works	587,661	-	-	-	-	587,661
Health and human services	6,472	-	-	-	-	6,472
Culture and recreation	14,707	-	-	-	-	14,707
Conservation and development	113,919	-	-	-	1,408,724	1,522,643
Debt service						
Principal	-	1,836,362	1,873,780	-	-	3,710,142
Interest and fiscal charges	-	370,381	341,349	-	42,211	753,941
Capital outlay	-	-	193,560	590,154	-	783,714
Total Expenditures	2,540,221	2,206,743	2,408,689	590,154	1,450,935	9,196,742
Excess of Revenues Over (Under)						
Expenditures	(34,047)	(1,086,406)	(2,394,061)	(99,662)	(1,450,615)	(5,064,791)
Other Financing Sources (Uses)						
Long-term debt issued	-	-	878,351	-	1,706,649	2,585,000
Premium on debt issued	-	-	-	-	43,046	43,046
Transfers in	132,457	-	372,000	587,602	-	1,092,059
Transfers out	-	(1,888,680)	-	(141,250)	-	(2,029,930)
Total Other Financing Sources (Uses)	132,457	(1,888,680)	1,250,351	446,352	1,749,695	1,690,175
Net Change in Fund Balances	98,410	(2,975,086)	(1,143,710)	346,690	299,080	(3,374,616)
Fund Balances - January 1	1,022,258	2,975,086	2,976,596	319,513	-	7,293,453
Fund Balances - December 31	\$ 1,120,668	\$ -	\$ 1,832,886	\$ 666,203	\$ 299,080	\$ 3,918,837

(Continued)

VILLAGE OF HOBART, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended December 31, 2011

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ (3,374,616)

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	\$ 727,728	
Depreciation expense reported in the statement of activities	<u>(216,571)</u>	511,157

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		3,710,142
Long-term debt issued		<u>(2,585,000)</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.

112,593

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

(124,303)

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.

(69,855)

Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see pages 10 - 11)

\$ (1,819,882)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,133,635	\$ 1,133,635	\$ 1,139,849	\$ 6,214
Intergovernmental	592,901	592,901	622,602	29,701
Licenses and permits	93,565	93,565	163,321	69,756
Fines and forfeits	52,500	52,500	50,690	(1,810)
Public charges for services	440,744	440,744	434,487	(6,257)
Other general government	82,200	82,200	95,225	13,025
Total Revenues	2,395,545	2,395,545	2,506,174	110,629
Expenditures				
General government	697,289	697,289	791,549	(94,260)
Public safety	988,010	988,010	1,025,913	(37,903)
Public works	700,315	700,315	587,661	112,654
Health and human services	3,520	3,520	6,472	(2,952)
Culture and recreation	16,751	16,751	14,707	2,044
Conservation and development	110,184	110,184	113,919	(3,735)
Total Expenditures	2,516,069	2,516,069	2,540,221	(24,152)
Excess of Revenues Over (Under) Expenditures	(120,524)	(120,524)	(34,047)	86,477
Other Financing Sources				
Transfers in	-	-	132,457	132,457
Net Change in Fund Balance	(120,524)	(120,524)	98,410	218,934
Fund Balance - January 1	1,022,258	1,022,258	1,022,258	-
Fund Balance - December 31	\$ 901,734	\$ 901,734	\$ 1,120,668	\$ 218,934

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, 2011

	Water Utility	Sewer Utility	Storm Water Utility	Total
ASSETS				
Current assets				
Cash and investments	\$ 880,272	\$ 802,590	\$ 546,224	\$ 2,229,086
Accounts receivable	106,499	115,085	-	221,584
Total Current Assets	986,771	917,675	546,224	2,450,670
Noncurrent assets				
Capital assets, nondepreciable				
Land	65,030	-	-	65,030
Property held for future use	-	508,671	-	508,671
Capital assets, depreciable				
Structure and improvements	726,405	-	-	726,405
Improvements other than buildings	8,418,373	7,973,480	1,257,423	17,649,276
Equipment	829,826	2,448,856	26,800	3,305,482
Less: Accumulated depreciation	(1,940,964)	(2,944,482)	(47,051)	(4,932,497)
Total Capital Assets, Net of Accumulated Depreciation	8,098,670	7,986,525	1,237,172	17,322,367
Other Assets				
Special assessments	628	13,748	-	14,376
Special assessments deferred	115,188	-	2,693	117,881
Unamortized debt discount and expense	165,107	30,888	-	195,995
Total Noncurrent Assets	8,379,593	8,031,161	1,239,865	17,650,619
TOTAL ASSETS	9,366,364	8,948,836	1,786,089	20,101,289
LIABILITIES				
Current Liabilities				
Accounts payable	13,848	19,719	2,169	35,736
Accrued expenses	1,540	1,288	1,663	4,491
Accrued interest	11,762	86,858	-	98,620
Noncurrent				
Due within one year	143,765	309,129	-	452,894
Due in more than one year	3,576,852	3,192,593	-	6,769,445
TOTAL LIABILITIES	3,747,767	3,609,587	3,832	7,361,186
NET ASSETS				
Invested in capital assets, net of related debt	4,378,053	4,484,803	1,237,172	10,100,028
Unrestricted	1,240,544	854,446	545,085	2,640,075
TOTAL NET ASSETS	\$ 5,618,597	\$ 5,339,249	\$ 1,782,257	\$ 12,740,103

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, 2011

	Water Utility	Sewer Utility	Storm Water Utility	Total
Operating Revenues				
Charges for Services				
Metered sales				
Residential	\$ 422,217	\$ 408,550	\$ -	\$ 830,767
Commercial	41,678	65,931	-	107,609
Industrial	-	74,996	-	74,996
Public authority	1,532	4,435	-	5,967
Private fire protection	11,436	-	-	11,436
Public fire protection	223,034	-	-	223,034
Total Charges for Services	699,897	553,912	-	1,253,809
Other Operating Revenues				
Inspection fees	5,640	6,970	-	12,610
Well operation permits	16,390	-	-	16,390
Other operating revenues	13,826	6,887	465,422	486,135
Total Other Operating Revenues	35,856	13,857	465,422	515,135
Total Operating Revenues	735,753	567,769	465,422	1,768,944
Operating Expenses				
Operation and Maintenance				
Purchased water	140,729	-	-	140,729
Power for pumping	19,826	4,533	-	24,359
Operation labor	50,921	37,121	28,983	117,025
Treatment charges	-	222,907	-	222,907
Chemicals	4,573	-	-	4,573
Maintenance of plant	13,333	1,000	83,049	97,382
Operation supplies and expense	7,102	17,714	2,159	26,975
Administrative and general salaries	31,047	28,433	58,068	117,548
Office supplies and expense	9,072	806	-	9,878
Outside services	58,856	33,305	48,061	140,222
Employee pensions and benefits	31,323	27,508	29,355	88,186
Regulatory expense	2,669	-	-	2,669
Insurance expense	3,846	1,419	-	5,265
Miscellaneous general expenses	1,911	829	4,474	7,214
Total Operation and Maintenance	375,208	375,575	254,149	1,004,932
Depreciation	184,681	212,134	25,855	422,670
Taxes	4,947	6,319	9,549	20,815
Total Operating Expenses	564,836	594,028	289,553	1,448,417
Operating Income (Loss)	170,917	(26,259)	175,869	320,527
Nonoperating Revenues (Expenses)				
Interest income	2,111	2,264	-	4,375
Property taxes	58,028	136,046	-	194,074
Hook-up fees	-	24,400	-	24,400
Amortization of debt issuance costs	(39,669)	(4,487)	-	(44,156)
Premium on debt issued	39,669	-	-	39,669
Interest and fiscal charges	(159,227)	(144,132)	-	(303,359)
Total Nonoperating Revenues (Expenses)	(99,088)	14,091	-	(84,997)
Income Before Contributions and Transfers	71,829	(12,168)	175,869	235,530
Capital contributions	258,157	194,980	660,933	1,114,070
Transfers in	1,129,078	-	-	1,129,078
Transfers out	(132,457)	-	(58,750)	(191,207)
Change in Net Assets	1,326,607	182,812	778,052	2,287,471
Net Assets - January 1	4,291,990	5,156,437	1,004,205	10,452,632
Net Assets - December 31	\$ 5,618,597	\$ 5,339,249	\$ 1,782,257	\$ 12,740,103

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, 2011

	Water Utility	Sewer Utility	Storm Water Utility	Total
Cash Flows from Operating Activities				
Cash received from user charges	\$ 725,998	\$ 577,752	\$ 465,422	\$ 1,769,172
Cash payments to suppliers	(252,730)	(270,868)	(150,901)	(674,499)
Cash payments to employees	(108,847)	(98,074)	(112,696)	(319,617)
Net Cash Provided by Operating Activities	364,421	208,810	201,825	775,056
Cash Flows from Non-Capital Financing Activities				
Transfer from other funds	1,129,078	-	-	1,129,078
Transfer to other funds	(132,457)	-	-	(132,457)
Net Cash Flows from Non-Capital Financing Activities	996,621	-	-	996,621
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	(931,159)	-	-	(931,159)
General property taxes	58,028	136,046	-	194,074
Proceeds of long-term debt	3,720,617	272,890	-	3,993,507
Premium on debt issued	39,669	-	-	39,669
Issuance cost on long-term debt	(69,211)	(7,189)	-	(76,400)
Principal payments on long-term debt	(5,323,847)	(698,841)	-	(6,022,688)
Interest payments on long-term debt	(163,570)	(149,969)	-	(313,539)
Transfer to other funds	-	-	(58,750)	(58,750)
Hook up fees	-	24,400	-	24,400
Contributions from property owners	28,260	20,730	-	48,990
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,641,213)	(401,933)	(58,750)	(3,101,896)
Cash Flows from Investing Activities				
Interest on investments	2,111	2,264	-	4,375
Net Increase (Decrease) in Cash and Cash Equivalents	(1,278,060)	(190,859)	143,075	(1,325,844)
Cash and Cash Equivalents - Beginning of Year	2,158,332	993,449	403,149	3,554,930
Cash and Cash Equivalents - End of Year	\$ 880,272	\$ 802,590	\$ 546,224	\$ 2,229,086
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ 170,917	\$ (26,259)	\$ 175,869	\$ 320,527
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	184,681	212,134	25,855	422,670
Depreciation allocation for meters	5,637	(5,637)	-	-
Changes in assets and liabilities				
Accounts receivable	(9,755)	9,983	-	228
Accounts payable	12,946	18,766	155	31,867
Accrued expenses	(5)	(177)	(54)	(236)
Net Cash Provided by Operating Activities	\$ 364,421	\$ 208,810	\$ 201,825	\$ 775,056
Noncash Investing, Capital and Financing Activities				
Capital assets contributed	\$ 258,157	\$ 194,980	\$ 660,933	\$ 1,114,070

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

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

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.

TAX INCREMENTAL DISTRICT #1 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, 2011

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 Tax Incremental District Capital Project Funds and the enterprise funds.

TAX INCREMENTAL DISTRICT #2 CAPITAL PROJECTS FUND

This fund accounts for the resources accumulated and payment made for the development of Tax Incremental District #2.

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.

The Village implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011.

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.

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, 2011

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.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

	Governmental Activities	Business-type Activities
	Years	
<u>Assets</u>		
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.

VILLAGE OF HOBART, WISCONSIN
Notes to Financial Statements
December 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

For the year ended December 31, 2011, the Village implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides more clearly defined fund balance classifications that comprise a hierarchy based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which fund balance amounts can be spent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Village Board. These constraints can only be removed or changed by the Village Board using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of Village management. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The Village has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

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.

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.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

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, 2011.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

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 \$8,739,653 on December 31, 2011 as summarized below:

Deposits with financial institutions	\$ 8,418,203
Investments	
Money market mutual funds	106,886
Wisconsin local government investment pool	214,564
	<u>\$ 8,739,653</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 7,492,476
Restricted cash and investments	1,247,177
	<u>\$ 8,739,653</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 interest-bearing 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 for all time accounts, savings accounts and interest-bearing demand deposit accounts 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, 2011, \$341,616 of the Village's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 106,886	\$ -	\$ -	\$ -	\$ 106,886
Wisconsin Local Government Investment Pool	214,564	-	-	-	214,564
Totals	\$ 321,450	\$ -	\$ -	\$ -	\$ 321,450

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	\$ 106,886	\$ 106,886	\$ -	\$ -	\$ -
Wisconsin Local Government Investment Pool	214,564	214,564	-	-	-
Totals	\$ 321,450	\$ 321,450	\$ -	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The Village has investments in the Wisconsin local government investment pool of \$214,564 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, 2011, 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, 2011

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, 2011 totaled \$1,247,177 and consisted of cash and investments held for the following purposes:

Developer escrow	<u>\$ 1,247,177</u>
------------------	---------------------

4. Capital Assets

Capital asset activity for the year ended December 31, 2011 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
Total capital assets, not being depreciated	<u>6,686,941</u>	-	-	<u>6,686,941</u>
Capital assets, being depreciated:				
Buildings and improvements	1,127,224	-	-	1,127,224
Machinery and equipment	1,343,164	72,900	-	1,416,064
Infrastructure	2,589,684	654,828	-	3,244,512
Subtotals	<u>5,060,072</u>	<u>727,728</u>	-	<u>5,787,800</u>
Less accumulated depreciation for:				
Buildings and improvements	538,098	25,929	-	564,027
Machinery and equipment	85,420	10,075	-	95,495
Vehicles	658,931	82,238	-	741,169
Infrastructure	175,534	98,329	-	273,863
Subtotals	<u>1,457,983</u>	<u>216,571</u>	-	<u>1,674,554</u>
Total capital assets, being depreciated, net	<u>3,602,089</u>	<u>511,157</u>	-	<u>4,113,246</u>
Governmental activities capital assets, net	<u>\$ 10,289,030</u>	<u>\$ 511,157</u>	<u>\$ -</u>	10,800,187
Less related long-term debt outstanding				<u>11,261,249</u>
Invested in capital assets, net of related debt				<u>\$ (461,062)</u>

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

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	95,699	-	95,699	-
Property held for future use	508,671	-	-	508,671
Subtotals	<u>669,400</u>	<u>-</u>	<u>95,699</u>	<u>573,701</u>
Capital assets, being depreciated:				
Buildings	263,031	463,374	-	726,405
Land improvements	16,518,283	1,131,573	580	17,649,276
Machinery and equipment	2,759,501	545,981	-	3,305,482
Subtotals	<u>19,540,815</u>	<u>2,140,928</u>	<u>580</u>	<u>21,681,163</u>
Less accumulated depreciation for:				
Water utility	1,751,226	190,318	580	1,940,964
Sewer utility	2,737,985	206,497	-	2,944,482
Storm water utility	21,196	25,855	-	47,051
Subtotals	<u>4,510,407</u>	<u>422,670</u>	<u>580</u>	<u>4,932,497</u>
Total capital assets, being depreciated, net	<u>15,030,408</u>	<u>1,718,258</u>	<u>-</u>	<u>16,748,666</u>
Business-type activities capital assets, net	<u>\$ 15,699,808</u>	<u>\$ 1,718,258</u>	<u>\$ 95,699</u>	<u>17,322,367</u>
Less related long-term debt outstanding				<u>7,222,339</u>
Invested in capital assets, net of related debt				<u>\$ 10,100,028</u>

Depreciation expense was charged to functions of the Village as follows:

Governmental activities	
General government	\$ 12,296
Public safety	55,854
Public works	144,731
Conservation and development	3,690
Total depreciation expense - governmental activities	<u>\$ 216,571</u>
Business-type activities	
Water utility	\$ 190,318
Sewer utility	206,497
Storm water utility	25,855
Total depreciation expense - business-type activities	<u>\$ 422,670</u>

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Interfund Receivable, Payables, and Transfers

Interfund transfers for the year ended December 31, 2011 were as follows:

	Transfer to:				
	General Fund	Water Utility Enterprise Fund	Tax Incremental District No. 1	Capital Projects	Total
Transfers from:					
Water utility enterprise fund	\$ 132,457	\$ -	\$ -	\$ -	132,457
Debt service fund	-	1,129,078	172,000	587,602	1,888,680
Capital projects fund	-	-	141,250	-	141,250
Storm water utility enterprise fund	-	-	58,750	-	58,750
Totals	\$ 132,457	\$ 1,129,078	\$ 372,000	\$ 587,602	\$ 2,221,137

The general fund transfer for 2011 relates to the utility payment in lieu of taxes made by the water utility to the Village's general fund. The debt service transfer was made to fund advance debt payments. The transfers from capital projects and storm water were for TID #1 costs.

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	\$ -	\$ 1,293,930
Debt service fund	-	873,539
Development	-	370,159
Capital projects fund	-	484,000
Special assessments		
Debt service fund	259,766	-
Totals	\$ 259,766	\$ 3,021,628

Special assessments are generally collectible in annual installments.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

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, 2011:

	Outstanding 1/1/11	Issued	Retired	Outstanding 12/31/11	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes	\$ 13,091,892	\$ -	\$ 2,600,142	\$ 10,491,750	\$ 621,750
Note anticipation notes	6,110,000	2,585,000	1,110,000	7,585,000	5,000,000
Governmental activities Long-term obligations	<u>\$ 19,201,892</u>	<u>\$ 2,585,000</u>	<u>\$ 3,710,142</u>	<u>\$ 18,076,750</u>	<u>\$ 5,621,750</u>
Business-type activities:					
General Obligation Debt					
Notes	\$ 580,763	\$ 3,993,507	\$ 92,513	\$ 4,481,757	\$ 282,366
Bond anticipation notes	4,635,000	-	4,635,000	-	-
Note anticipation notes	1,125,000	-	1,125,000	-	-
Notes payable - Green Bay MSD	2,910,757	-	170,175	2,740,582	170,528
Business-type activities Long-term obligations	<u>\$ 9,251,520</u>	<u>\$ 3,993,507</u>	<u>\$ 6,022,688</u>	<u>\$ 7,222,339</u>	<u>\$ 452,894</u>

Total interest paid during the year on long-term debt totaled \$1,003,899.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes

\$1,125,000 issued 7/15/03; \$100,000 to \$115,000 due annually through 2016; interest 3.6% to 3.8%	\$ 530,000
\$1,340,000 issued 12/15/03; \$175,000 to \$225,000 due annually through 2014; interest 5.2% to 5.6%	600,000
\$420,000 issued 4/1/07; \$40,000 to \$100,000 due annually through 2017; interest 4.15%	420,000
\$6,450,000 issued 12/15/09; \$6,450,000 due in 2015; interest 3.75%	6,450,000
\$1,300,000 issued 11/22/10; \$20,000 to \$290,000 due annually through 2024; interest 2.0% to 3.45%	1,085,000
\$1,895,000 issued 11/22/10; \$100,000 to \$165,000 due annually through 2026; interest 1.30% to 5.05%	1,895,000
\$2,900,000 issued 6/7/11; \$110,000 to \$360,000 due annually through 2026; interest 3.0% to 4.05%	2,900,000
\$1,123,268 authorized 7/27/11, \$1,093,507 drawn as of 12/31/11; \$44,116 to \$66,705 due annually through 2031; interest 2.2%	1,093,507
Total Outstanding General Obligation Debt	<u><u>\$ 14,973,507</u></u>

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements
December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$14,973,507 on December 31, 2011 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 621,750	\$ 382,865	\$ 282,366	\$ 136,717	\$ 904,116	\$ 519,582
2013	604,500	361,993	290,586	129,853	895,086	491,846
2014	491,000	339,838	170,078	122,790	661,078	462,628
2015	6,744,750	204,385	187,342	118,038	6,932,092	322,423
2016	344,750	73,235	193,378	112,809	538,128	186,044
2017 - 2021	842,000	263,540	1,054,996	476,446	1,896,996	739,986
2022 - 2026	843,000	100,094	1,983,537	223,166	2,826,537	323,260
2027 - 2031	-	-	319,474	17,877	319,474	17,877
	<u>\$ 10,491,750</u>	<u>\$ 1,725,950</u>	<u>\$ 4,481,757</u>	<u>\$ 1,337,696</u>	<u>\$ 14,973,507</u>	<u>\$ 3,063,646</u>

Legal Margin for New Debt

The Village's legal margin for creation of additional general obligation debt on December 31, 2011 was \$16,457,528 as follows:

Equalized valuation of the Village	\$ 628,620,700
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	31,431,035
Total outstanding general obligation debt applicable to debt limitation	\$ 14,973,507
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>-</u>
Net outstanding general obligation debt applicable to debt limitation	<u>14,973,507</u>
Legal Margin for New Debt	<u><u>\$ 16,457,528</u></u>

The Village has outstanding \$7,585,000 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, 2011 totaled \$2,740,582 and was comprised of the following issues:

\$135,545 issued 1992 for interceptor construction; \$4,674 due annually through 2020; non-interest bearing	\$ 42,066
\$1,697,786 issued 1999 for interceptor construction; \$76,725 to \$113,506 due annually through 2022; interest 2.64% to 5%	1,034,215
\$2,151,581 issued 2005 for interceptor construction; \$89,129 to \$154,069 due annually through 2025; interest 5.00%	<u>1,664,301</u>
Total Notes Payable - Green Bay MSD	<u><u>\$ 2,740,582</u></u>

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest payments of the above outstanding notes payable on December 31, 2011 are shown below:

Year Ended December 31	Business-type Activities		
	Principal	Interest	Total
2012	\$ 170,528	\$ 112,985	\$ 283,513
2013	177,416	106,008	283,424
2014	184,592	98,832	283,424
2015	192,069	91,355	283,424
2016	199,859	83,565	283,424
2017 - 2021	1,123,410	289,034	1,412,444
2022 - 2025	692,708	68,124	760,832
	<u>\$ 2,740,582</u>	<u>\$ 849,903</u>	<u>\$ 3,590,485</u>

Note Anticipation Notes

Note anticipation notes outstanding at December 31, 2011 totaled \$7,585,000 and were comprised of the following issues:

\$5,000,000 issued 8/3/09; \$5,000,000 due in 2012; interest 3.0%	\$ 5,000,000
\$1,065,000 issued 10/4/11; \$1,065,000 due in 2016; interest 2.4%	1,065,000
\$1,520,000 issued 10/4/11; \$1,520,000 due in 2016; interest 2.55%	<u>1,520,000</u>
Total Note Anticipation Notes	<u>\$ 7,585,000</u>

Annual principal and interest maturities of the above outstanding note anticipation notes of \$7,585,000 on December 31, 2011 are shown below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 5,000,000	\$ 208,424	\$ -	\$ -	\$ 5,000,000	\$ 208,424
2013	-	64,320	-	-	-	64,320
2014	-	64,320	-	-	-	64,320
2015	-	64,320	-	-	-	64,320
2016	2,585,000	64,320	-	-	2,585,000	64,320
	<u>\$ 7,585,000</u>	<u>\$ 465,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,585,000</u>	<u>\$ 465,704</u>

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

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 hired before July 1, 2011 and expected to work over 600 hours a year (440 hours for teachers and educational support employees) or hired on or after July 1, 2011 and expected to work over 1200 hours a year (880 hours for teachers and educational support employees) are eligible to participate in the WRS. Covered employees in the General/Teacher/ Educational Support Personnel category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% 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, 2011 was \$811,715; the employer's total payroll was \$969,674. The total required contribution for the year ended December 31, 2011 was \$108,730, which consisted of \$94,753, or 11.7% of payroll from the employer and \$13,977, or 1.7% of payroll from employees. Total contributions for the years ending December 31, 2010 and 2009 were \$100,208 and \$94,484 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.

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.

VILLAGE OF HOBART, WISCONSIN

Notes to Financial Statements

December 31, 2011

NOTE D - OTHER INFORMATION (Continued)

3. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2011 budget year, the increase in the maximum allowable tax levy is limited 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. The actual limit for the Village for the 2011 budget was 3.0%. For the 2012 budget year, Wisconsin statutes limit the increase in the maximum allowable tax levy to the change in the Village's January 1 equalized value as a result of net new construction. The actual limit for the Village for the 2012 budget was 2.84%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow 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.

SUPPLEMENTAL INFORMATION

VILLAGE OF HOBART, WISCONSIN
 General Fund
 Detailed Comparison of Budgeted and Actual Revenues
 Year Ended December 31, 2011
 With Comparative Actual Amounts for Year Ended December 31, 2010

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Taxes				
General property	\$ 1,130,991	\$ 1,130,991	\$ -	\$ 1,102,896
Managed forest crop tax	500	52	(448)	250
Payment in lieu of taxes	1,644	1,644	-	1,596
Interest on taxes	-	7,308	7,308	14,762
Use value penalty	500	(146)	(646)	359
Total Taxes	1,133,635	1,139,849	6,214	1,119,863
Intergovernmental				
Federal aids				
Police grant	10,050	12,829	2,779	11,639
State aids				
Shared taxes	84,080	84,080	-	84,080
Fire insurance	19,148	19,857	709	19,148
Fire department grant	-	9,982	9,982	-
Transportation	227,445	227,445	-	239,445
Exempt computer aid	2,340	1,566	(774)	2,340
Gypsy moth grant	4,000	3,544	(456)	4,394
Recycling	25,000	18,327	(6,673)	25,538
Parks	-	5,762	5,762	-
Local aids				
Reimbursements from the Town of Lawrence	220,838	239,210	18,372	204,894
Total Intergovernmental	592,901	622,602	29,701	591,478
Licenses and Permits				
Quarry permits	3,135	7,622	4,487	5,635
Liquor and malt beverages	1,880	2,480	600	1,880
Operators license	1,150	1,675	525	1,080
Cigarette license	50	-	(50)	50
Dog license	1,700	1,305	(395)	1,068
Cable TV franchise fees	25,000	39,952	14,952	36,097
Building permits and associated fees	51,250	95,558	44,308	83,519
Site review permits	700	300	(400)	700
Park fee/building permits	1,500	5,800	4,300	1,670
Park developer fees	4,000	5,109	1,109	1,971
Zoning permits	3,200	3,520	320	3,100
Total Licenses and Permits	93,565	163,321	69,756	136,770

(Continued)

VILLAGE OF HOBART, WISCONSIN

General Fund

Detailed Comparison of Budgeted and Actual Revenues (Continued)

Year Ended December 31, 2011

With Comparative Actual Amounts for Year Ended December 31, 2010

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
Fines and Forfeits				
Court fines and penalties	52,500	50,690	(1,810)	53,058
Public Charges for Services				
General government	3,000	4,570	1,570	3,065
Garbage collection	329,493	320,706	(8,787)	317,231
Police liaison fees	12,515	10,749	(1,766)	11,034
Street lighting	61,236	57,908	(3,328)	58,599
Fire calls	6,000	4,910	(1,090)	6,903
Bins and bags	-	-	-	1,005
Park rentals	3,500	5,005	1,505	9,148
Land and tower rental fees	25,000	30,639	5,639	36,094
Total Public Charges for Services	440,744	434,487	(6,257)	443,079
Other General Government				
Reimbursements	-	24,136	24,136	-
Interest	80,000	41,815	(38,185)	90,329
Donations	-	-	-	107
Sale of village property	-	-	-	21,757
Other general government	2,200	29,274	27,074	6,199
Total Other General Government	82,200	95,225	13,025	118,392
Total Revenues	\$ 2,395,545	\$ 2,506,174	\$ 110,629	\$ 2,462,640

VILLAGE OF HOBART, WISCONSIN
 General Fund
 Detailed Comparison of Budgeted and Actual Expenditures
 Year Ended December 31, 2011
 With Comparative Actual Amounts for Year Ended December 31, 2010

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)	Prior Year Actual
General Government				
Board	\$ 56,814	\$ 53,785	\$ 3,029	\$ 55,948
Municipal court	68,569	67,801	768	60,318
Legal	200,000	239,183	(39,183)	270,950
Administrator	54,852	60,396	(5,544)	60,942
Clerk	85,526	87,078	(1,552)	63,710
General government	21,500	22,091	(591)	79,647
Secretary	-	-	-	18,083
Information technology	38,800	43,667	(4,867)	-
Elections	4,902	8,840	(3,938)	4,627
Audit and other accounting	6,520	4,134	2,386	5,575
Treasurer	34,923	29,176	5,747	27,546
Uncollected taxes and refunds	-	67,634	(67,634)	-
Assessor	27,600	29,976	(2,376)	25,500
General building and equipment	49,094	50,150	(1,056)	54,104
General insurance	48,189	27,638	20,551	46,391
Total General Government	697,289	791,549	(94,260)	773,341
Public Safety				
Police department	535,313	576,559	(41,246)	503,154
Fire department	348,279	347,028	1,251	315,043
Building inspection	53,892	57,725	(3,833)	47,559
Ambulance	43,526	43,526	-	42,316
First responders	7,000	1,075	5,925	2,446
Total Public Safety	988,010	1,025,913	(37,903)	910,518
Public Works				
Highway administration	23,600	36,031	(12,431)	111,807
Highway maintenance and construction	276,096	207,062	69,034	92,417
Street lighting	68,126	126,069	(57,943)	62,179
Garbage collection	332,493	218,499	113,994	205,474
Recycling	-	-	-	10,732
Total Public Works	700,315	587,661	112,654	482,609
Health and Human Services				
Animal control	3,520	6,472	(2,952)	3,704
Culture and Recreation				
Parks	16,751	14,707	2,044	9,863
Conservation and Development				
Economic development	96,509	103,580	(7,071)	105,469
Gypsy moth grant	10,000	6,789	3,211	8,537
Planning	3,675	3,550	125	370
Total Conservation and Development	110,184	113,919	(3,735)	114,376
Total Expenditures	\$ 2,516,069	\$ 2,540,221	\$ (24,152)	\$ 2,294,411

**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, 2011, which collectively comprise the basic financial statements and have issued our report thereon dated March 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Village of Hobart, Wisconsin is responsible for establishing and maintaining effective 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 questioned costs, 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 Village's 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 questioned costs, as item 2011-01 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 questioned costs as items 2011-02 and 2011-03 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 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 Village of Hobart, Wisconsin in a separate letter dated March 6, 2012.

Village of Hobart, Wisconsin's responses to the findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. 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 management and 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
March 6, 2012

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES

To the Village Board
Village of Hobart, Wisconsin

Compliance

We have audited Village of Hobart, Wisconsin's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of Village of Hobart, Wisconsin's major federal programs for the year ended December 31, 2011. Village of Hobart, Wisconsin's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Village of Hobart, Wisconsin's management. Our responsibility is to express an opinion on Village of Hobart, Wisconsin's compliance based on our audit.

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

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

Internal Control Over Compliance

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



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-04 to be a significant deficiency.

Village of Hobart's responses to the findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. We did not audit Village of Hobart's responses and, accordingly, we express no opinion on the responses.

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



Certified Public Accountants
Green Bay, Wisconsin
March 6, 2012

VILLAGE OF HOBART, WISCONSIN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Grantor Agency/Pass-through Agency/Program Title	Federal CFDA Number	(Accrued) Deferred 1/1/11	Cash Receipts	Accrued (Deferred) 12/31/11	Total Revenues	Total Expenditures
<u>U.S. DEPARTMENT OF ADMINISTRATION</u>						
Passed through Wisconsin Department of Administration						
EPA Capitalization Grants for Drinking Water						
State Revolving Funds	66.468	\$ -	\$ 1,071,882	\$ -	\$ 1,071,882	\$ 1,071,882
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>						
Passed through Wisconsin Department of Transportation						
State and Community Highway Safety						
Speed Grant	20.600	-	9,943	-	9,943	9,943
Youth Alcohol Grant		-	1,891	-	1,891	1,891
Total U.S. Department of Transportation		-	11,834	-	11,834	11,834
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>						
Direct Program						
Assistance to Firefighters Grant	97.044	-	65,746	-	65,746	65,746
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ -	\$ 1,149,462	\$ -	\$ 1,149,462	\$ 1,149,462

The notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of these schedules.

VILLAGE OF HOBART, WISCONSIN
Schedule of State Financial Assistance
For the Year Ended December 31, 2011

Grantor Agency/Pass-through Agency/Program Title	State I.D. Number	(Accrued) Deferred Revenue 1/1/11	Cash Receipts	Accrued (Deferred) Revenue 12/31/11	Total Revenues	Total Expenditures
<u>WISCONSIN DEPARTMENT OF NATURAL RESOURCES</u>						
Brownfield Projects	370.687	\$ -	\$ 10,546	\$ -	\$ 10,546	\$ 10,546
Fire Suppression Grants	370.545	-	9,982	-	9,982	9,982
Recycling Programs	370.670	-	18,327	-	18,327	18,327
Total Wisconsin Department of Natural Resources		-	38,855	-	38,855	38,855
<u>WISCONSIN DEPARTMENT OF JUSTICE</u>						
Law Enforcement Training	455.231	-	1,080	-	1,080	1,080
TOTAL STATE FINANCIAL ASSISTANCE		\$ -	\$ 39,935	\$ -	\$ 39,935	\$ 39,935

The notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of these schedules.

VILLAGE OF HOBART, WISCONSIN
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
December 31, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance for Village of Hobart, Wisconsin, are presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The Schedules of Expenditures of Federal Awards and State Financial Assistance include all federal and state awards of the Village of Hobart, Wisconsin.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the Village's 2011 basic financial statements. Accrued revenue at year-end consists of program expenditures scheduled for reimbursement to the Village in the succeeding year while deferred revenue represents advances for programs that exceed recorded Village expenditures.

Major federal and state financial assistance programs are identified in the Schedule of Findings and Questioned Costs and are determined as follows:

Federal Programs: Village of Hobart, Wisconsin, does not qualify as a low risk auditee in accordance with paragraph 530 of OMB Circular A-133. Therefore major programs represent those with combined expenditures exceeding 50% of total federal awards that also were deemed major programs based on the auditor's risk assessment. All other federal programs are considered non-major programs.

State Programs: Village of Hobart, Wisconsin, does not qualify as a low risk auditee in accordance with the *State Single Audit Guidelines*. Therefore major programs represent those with combined expenditures exceeding 50% of total state financial assistance that also were deemed major programs based on the auditor's risk assessment. In addition, certain state financial assistance programs were designated state major by the state granting agency and therefore considered state major. All other state financial assistance programs are considered non-major programs. The Village had no major state programs for 2011.

NOTE C - OVERSIGHT AGENCIES

The federal and state oversight agencies for the Village are as follows:

Federal - U.S. Department of Homeland Security
State - Wisconsin Department of Natural Resources

VILLAGE OF HOBART, WISCONSIN
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2011

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiencies identified?	Yes
Noncompliance material to basic financial statements noted?	No

Federal Awards and State Financial Assistance

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes

Identification of major federal programs:

Number	Name of Federal Program
66.468	EPA Capitalization Grants for Drinking Water State Revolving Loans

Audit threshold used to determine between Type A and Type B programs:

Federal	\$300,000
State	\$100,000
Auditee qualified as low-risk auditee	No

VILLAGE OF HOBART, WISCONSIN
 Schedule of Findings and Questioned Costs (Continued)
 December 31, 2011

Section II - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
-------------	----------------------

2011-01 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.

2011-02 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.

VILLAGE OF HOBART, WISCONSIN
Schedule of Findings and Questioned Costs (Continued)
December 31, 2011

Section II - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
-------------	----------------------

2011-03 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.

VILLAGE OF HOBART, WISCONSIN
 Schedule of Findings and Questioned Costs (Continued)
 December 31, 2011

Section III - Federal Award and State Financial Assistance Findings and Questioned Costs

Finding No.	Internal Control Deficiencies
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2011-01 Segregation of Duties - Clerk/Treasurer

Federal CFDA - All
State IDs - All

Details of finding are described in Section II.

2011-04 Financial Reporting for Federal and State Financial Assistance

Federal CFDA – All
State IDs - All

Condition: OMB Circular A-133 and the *State Single Audit Guidelines* requires the Village to prepare appropriate financial statements, including the schedules of expenditures of federal awards and state financial assistance. While the current staff of the Village maintain financial records supporting amounts reported in the schedules of expenditures of federal awards and state financial assistance, the Village contracts with Schenck to compile the data from these records and prepare the single audit report for the Village.

Criteria: Having staff with expertise in federal and state financial reporting prepare the Village's single audit report is an internal control intended to prevent, detect and correct a potential misstatement in the schedules of expenditures of federal awards and state financial assistance, or accompanying notes to the schedule.

Cause: The additional costs associated with hiring staff sufficiently experienced to prepare the Village's single audit report, including the additional training time, outweigh the derived benefits.

Effect: The Village could receive federal or state grant awards which are not included in the accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance.

Recommendation: We recommend Village personnel continue reviewing the Village's single audit report 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 ensure all federal and state financial assistance programs are properly reported in the Village's single audit report.

VILLAGE OF HOBART, WISCONSIN
Schedule of Findings and Questioned Costs (Continued)
December 31, 2011

Section IV - Other Issues

- | | |
|--|---|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> :

Department of Natural Resources
Department of Justice | Yes
Yes |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of partner | 

Thomas L. Karman, CPA |
| 5. Date of report | March 6, 2012 |

VILLAGE OF HOBART, WISCONSIN
 Schedule of Prior Year Findings and Correction Action Plan
 December 31, 2011

Prior Year Audit Findings

All findings and noncompliance items noted in the December 31, 2010 Schedule of Findings and Responses have been reported to management and, in the Village's opinion, have been adequately resolved or are in the process of being resolved.

Corrective Action Plan

Finding No.	Corrective Action Plan
2011-01	<p>Segregation of Duties – Clerk/Treasurer</p> <p>The Village has contracted with an experienced governmental finance professional to provide oversight and review of Village transactions.</p>
2011-02	<p>Year End Closing and Financial Reporting</p> <p>The Village has contracted with an experienced governmental finance professional to review the records and reports drafted by Schenck. Management will continue to review financial statements and other information prepared by Schenck.</p>
2011-03	<p>Assistance with Capital Asset Records</p> <p>The Village has contracted with an experienced governmental finance professional to review the records and reports drafted by Schenck. Management will continue to review financial statements and other information prepared by Schenck.</p>
2011-04	<p>Financial Reporting for Federal and State Financial Assistance</p> <p>The Village has contracted with an experienced governmental finance professional to review the records and reports drafted by Schenck. Management will continue to review financial statements and other information prepared by Schenck.</p>