

TOWN OF SEVASTOPOL, WISCONSIN

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2010



Schlenker

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TOWN OF SEVASTOPOL, WISCONSIN
Statement of Net Assets
December 31, 2010
(With Summarized Financial Information for December 31, 2009)

	Governmental Activities	
	2010	2009
ASSETS		
Cash and investments	\$ 2,455,322	\$ 1,721,781
Receivables		
Taxes	6,667,839	7,049,524
Accounts	5,337	6,648
Capital assets, net of accumulated depreciation		
Land	382,820	382,820
Land improvements	1,086,972	1,086,972
Buildings and improvements	1,042,552	1,042,552
Machinery and equipment	149,433	143,443
Furnishings	23,364	23,364
Infrastructure	5,488,612	5,287,545
Less: Accumulated depreciation	(4,399,575)	(4,194,333)
TOTAL ASSETS	<u>12,902,676</u>	<u>12,550,316</u>
LIABILITIES		
Accounts payable	26,461	31,128
Occupancy bond deposits	2,400	6,000
Due to other taxing districts	8,349,877	7,918,110
Accrued interest	26,148	31,826
Unearned revenue	579,586	562,702
Long-term obligations		
Due within one year	84,536	79,659
Due in more than one year	735,804	820,341
TOTAL LIABILITIES	<u>9,804,812</u>	<u>9,449,766</u>
NET ASSETS		
Invested in capital assets, net of related debt	2,953,838	2,872,363
Unrestricted	144,026	228,187
TOTAL NET ASSETS	<u>\$ 3,097,864</u>	<u>\$ 3,100,550</u>

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

TOWN OF SEVASTOPOL, WISCONSIN

Statement of Activities

Year Ended December 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2010	2009
Governmental Activities						
General government	\$ 205,286	\$ 8,124	\$ 160	\$ -	\$ (197,002)	\$ (154,664)
Public safety	384,148	25,402	15,291	-	(343,455)	(331,905)
Public works	270,310	1,378	174,613	-	(94,319)	(130,295)
Culture and recreation	62,047	9,592	-	-	(52,455)	(111,654)
Interest on debt	34,063	-	-	-	(34,063)	(31,826)
Total Governmental Activities	\$ 955,854	\$ 44,496	\$ 190,064	\$ -	(721,294)	(760,344)

General revenues

Property taxes, levied for general purposes	562,702	535,597
Other taxes and franchise fees	89,983	83,634
State and federal aids not restricted to specific functions	55,319	63,640
Interest earnings	7,562	8,991
Miscellaneous	3,042	13,319
Total general revenues	718,608	705,181

Change in net assets (2,686) (55,163)

Net assets - January 1 3,100,550 3,155,713

Net assets - December 31 \$ 3,097,864 \$ 3,100,550

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

TOWN OF SEVASTOPOL, WISCONSIN
 Balance Sheet
 General Fund
 December 31, 2010
 (With Summarized Financial Information for December 31, 2009)

	2010	2009
ASSETS		
Cash and investments	\$ 2,455,322	\$ 1,721,781
Receivables		
Taxes	6,667,839	7,049,524
Accounts	5,337	6,648
	<hr/>	<hr/>
TOTAL ASSETS	\$ 9,128,498	\$ 8,777,953
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 26,461	\$ 31,128
Occupancy bond deposits	2,400	6,000
Due to other taxing districts	8,349,877	7,918,110
Deferred revenue - property taxes	579,586	562,702
Total Liabilities	<hr/>	<hr/>
	8,958,324	8,517,940
Fund Balance - Unreserved		
Designated for subsequent years' expenditures		
Breakwall	10,000	-
Revaluation	47,300	37,300
Holding tanks	11,540	20,790
Building fund	-	147,038
Sesquicentennial	-	15,232
Comprehensive planning	14,250	14,250
Designated for subsequent years' budget	86,411	25,403
Undesignated	673	-
Total Fund Balance	<hr/>	<hr/>
	170,174	260,013
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,128,498	\$ 8,777,953
<u>Reconciliation to the Statement of Net Assets</u>		
Total Fund Balance as shown above	\$ 170,174	\$ 260,013
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,774,178	3,772,363
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes payable	(820,340)	(900,000)
Accrued interest on long-term obligations	(26,148)	(31,826)
	<hr/>	<hr/>
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 3)	\$ 3,097,864	\$ 3,100,550
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The notes to the basic financial statements are an integral part of this statement.

TOWN OF SEVASTOPOL, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Year Ended December 31, 2010
(With Summarized Financial Information for Year Ended December 31, 2009)

	2010	2009
Revenues		
Taxes	\$ 630,967	\$ 599,170
Intergovernmental	245,383	250,192
Licenses and permits	53,369	49,156
Public charges for services	10,970	11,946
Interest on Investment	7,562	8,991
Miscellaneous	4,917	13,319
Total Revenues	<u>953,168</u>	<u>932,774</u>
Expenditures		
Current		
General government	172,763	134,119
Public safety	377,652	362,729
Public works	323,378	356,291
Culture and recreation	31,523	77,093
Debt service		
Principal	79,660	-
Interest and fiscal charges	39,741	-
Capital outlay	18,290	757,167
Total Expenditures	<u>1,043,007</u>	<u>1,687,399</u>
Excess of Revenues Over (Under) Expenditures	(89,839)	(754,625)
Other Financing Sources		
Long-term debt issued	-	745,519
Net Change in Fund Balance	(89,839)	(9,106)
Fund Balance - January 1	260,013	269,119
Fund Balance - December 31	<u>\$ 170,174</u>	<u>\$ 260,013</u>
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balance as shown above	\$ (89,839)	\$ (9,106)
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 asset additions reported in governmental fund statements	207,057	930,672
Depreciation expense reported in the statement of activities	(205,242)	(199,384)
Principal payments on outstanding debt are reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long term debt principal payments in the current year is:		
	79,660	-
Some capital assets acquired during the year were financed with debt. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net assets, however, debt constitutes a long-term liability. The amount of debt reported in the governmental funds statement is:		
	-	(745,519)
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.		
	5,678	(31,826)
Change in Net Assets of Governmental Activities as Reported in the Statement of Activities (see page 4)	<u>\$ (2,686)</u>	<u>\$ (55,163)</u>

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

TOWN OF SEVASTOPOL, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended December 31, 2010
(With Summarized Financial Information for Year Ended December 31, 2009)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Prior Year Amount
	Original	Final			
Revenues					
Taxes	\$ 613,152	\$ 613,152	\$ 630,967	\$ 17,815	\$ 599,170
Intergovernmental	238,639	238,639	245,383	6,744	250,192
Licenses and permits	51,040	51,040	53,369	2,329	49,156
Public charges for services	7,000	7,000	10,970	3,970	11,946
Interest on investments	9,250	9,250	7,562	(1,688)	8,991
Miscellaneous	1,300	1,300	4,917	3,617	13,319
Total Revenues	920,381	920,381	953,168	32,787	932,774
Expenditures					
Current					
General government	174,600	174,600	172,763	1,837	134,119
Public safety	385,652	385,652	377,652	8,000	362,729
Public works	335,400	335,400	323,378	12,022	356,291
Culture and recreation	34,300	34,300	31,523	2,777	77,093
Debt service					
Principal	-	-	79,660	(79,660)	-
Interest and fiscal charges	-	-	39,741	(39,741)	-
Capital outlay	20,000	20,000	18,290	1,710	757,167
Total Expenditures	949,952	949,952	1,043,007	(93,055)	1,687,399
Excess of Revenues Over (Under)					
Expenditures	(29,571)	(29,571)	(89,839)	(60,268)	(754,625)
Other Financing Sources					
Long-term debt issued	-	-	-	-	745,519
Net Change in Fund Balance	(29,571)	(29,571)	(89,839)	(60,268)	(9,106)
Fund Balance - January 1	260,013	260,013	260,013	-	269,119
Fund Balance - December 31	\$ 230,442	\$ 230,442	\$ 170,174	\$ (60,268)	\$ 260,013

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

TOWN OF SEVASTOPOL, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Sevastopol, Wisconsin ("the Town"), 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 Town are described below:

1. Reporting Entity

The Town of Sevastopol is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town. The Town 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. Joint Ventures

Door County Tourism Zone

The Town of Sevastopol is a participant with all other Door County municipalities in a joint venture to create the Door County Tourism Zone as prescribed under Wisconsin Statute 66.0615. The Tourism Zone is responsible for collecting a 5.5% room tax on the gross receipts from retail furnishing of rooms or lodgings over all of the member municipalities. The Tourism Zone distributes 66% of the room tax collected to the Door County Visitor Bureau, 30% to the member municipalities and retains 4% for its operations. During 2010, the Town of Sevastopol received \$66,533 of room tax from the Tourism Zone. Complete financial information for the Door County Tourism Zone Commission can be obtained from their office in Sister Bay.

Municipal Taxpayer Commission

The Town of Sevastopol is a participant with the Villages of Egg Harbor, Ephraim and Sister Bay and the Towns of Baileys Harbor, Gibraltar, Liberty Grove and Washington in a joint venture to fund activities to modify, reduce or eliminate taxes imposed for the support of the technical college system. The Municipal Taxpayer Commission was formed for that purpose and is governed by members appointed by each participant municipality. Complete financial information for the Municipal Taxpayer Commission can be obtained from the Village of Ephraim's office.

3. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. 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 Town reports no business-type activities.

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. Governmental funds include the general fund. The Town has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWN OF SEVASTOPOL, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following major governmental fund:

GENERAL FUND

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

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Certain private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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.

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

TOWN OF SEVASTOPOL, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of 2 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

<u>Assets</u>	<u>Governmental Activities Years</u>
Land improvements	15 - 25
Buildings	30 - 50
Improvements other than buildings	20
Machinery and equipment	10 - 20
Furnishings	15
Infrastructure	8 - 20

d. 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.

TOWN OF SEVASTOPOL, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE STATEMENTS

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

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

6. Use of Estimates

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

7. Summarized Comparative Information

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

TOWN OF SEVASTOPOL, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE B - STEWARDSHIP AND COMPLIANCE

Budgets and Budgetary Accounting

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

1. During November, Town management submits to the Town 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 Town Board action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the general fund.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.
5. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

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

TOWN OF SEVASTOPOL, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Town maintains various cash and investment accounts. 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 Town's cash and investments totaled \$2,455,322 on December 31, 2010 as summarized below:

Deposits with financial institutions	<u>\$ 2,455,322</u>
--------------------------------------	---------------------

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

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 Town does have an additional custodial credit risk policy.

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

As of December 31, 2010, \$1,815,566 of the Town's deposits with financial institutions were in excess of amount, federal and state depository insurance limits and uncollateralized.

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 Town.

The Town is responsible to bill and collect its own property taxes and also levy and collect taxes for the Sevastopol School District, Sturgeon Bay School District, Door County, Northeast Wisconsin Technical College and the State of Wisconsin. The Town contracts with the Door County Treasurer to collect.

TOWN OF SEVASTOPOL, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 382,820	\$ -	\$ -	\$ 382,820
Capital assets, being depreciated:				
Land improvements	1,086,972	-	-	1,086,972
Buildings and improvements	1,042,552	-	-	1,042,552
Machinery and equipment	143,443	5,990	-	149,433
Furnishings	23,364	-	-	23,364
Infrastructure	5,287,545	201,067	-	5,488,612
Subtotals	7,583,876	207,057	-	7,790,933
Less accumulated depreciation for:				
Land improvements	999,339	16,612	-	1,015,951
Buildings and improvements	83,971	28,020	-	111,991
Machinery and equipment	98,531	11,482	-	110,013
Furnishings	1,557	1,558	-	3,115
Infrastructure	3,010,935	147,570	-	3,158,505
Subtotals	4,194,333	205,242	-	4,399,575
Total capital assets, being depreciated, net	3,389,543	1,815	-	3,391,358
Capital assets, net	\$ 3,772,363	\$ 1,815	\$ -	3,774,178
Less related long-term debt outstanding				820,340
Invested in capital assets, net of related debt				\$ 2,953,838

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

Governmental activities	
General government	\$ 28,061
Public safety	6,496
Public works	147,570
Culture and recreation	23,115
Total depreciation expense - governmental activities	\$ 205,242

TOWN OF SEVASTOPOL, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. 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:

	Unearned
Subsequent year tax levy receivable	
General fund	\$ 579,586

5. Long-term Obligations

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

	Outstanding 1/1/2010	Issued	Retired	Outstanding 12/31/2010	Due Within One Year
General Obligation Debt					
Notes Payable	\$ 900,000	\$ -	\$ 79,660	\$ 820,340	\$ 84,536

At the end of the current fiscal year, the Town had total debt outstanding of \$820,340 consisting of eight state trust fund loans. The Town refinanced the above outstanding debt of \$820,340 on February 1, 2011. Cash on hand and long-term notes in the amount of \$760,000 were issued to refinance the debt. The notes are due in annual installments of \$80,000 to \$105,000 with interest of 1.00% to 2.95%. Presented below are the future annual principal and interest payments on the February 1, 2011 debt issue:

Due	Principal	Interest	Total
2012	\$ 80,000	\$ 25,408	\$ 105,408
2013	90,000	14,870	104,870
2014	95,000	13,433	108,433
2015	95,000	11,628	106,628
2016	95,000	9,514	104,514
2017-2019	305,000	13,145	318,145
	\$ 760,000	\$ 87,998	\$ 847,998

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2010 was \$36,268,085 as calculated below:

Equalized valuation of the Town	\$ 741,768,500
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	37,088,425
Net outstanding general obligation debt applicable to debt limitation	820,340
Legal Margin for New Debt	\$ 36,268,085

TOWN OF SEVASTOPOL, WISCONSIN

Notes to Basic Financial Statements

December 31, 2010

NOTE D - OTHER INFORMATION

1. Risk Management

The Town 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 Town completes an annual review of its insurance coverage to ensure adequate coverage.

2. Property Tax Levy Limit

Wisconsin Act 25 imposed a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period effective July 27, 2005. Subsequent legislation extended the levy limit through 2010. The current law limits the increase in the maximum allowable tax levy to the greater of the percentage change in the Town's January 1 equalized value as a result of net new construction or 3.0% in the 2010 budget year. The actual limit for the Town for the 2011 budget was 3.0%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, the Act allows the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

3. Contingencies

From time to time, the Town 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 that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Town's financial position or results of operations.

SUPPLEMENTAL INFORMATION

TOWN OF SEVASTOPOL, WISCONSIN

General Fund

Detail of Budgeted and Actual Revenues

Year Ended December 31, 2010

(With Summarized Financial Information for Year Ended December 31, 2009)

	Original and Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
Taxes				
General property	\$ 562,702	\$ 562,702	\$ -	\$ 535,597
Forest crop and other taxes	450	1,330	880	1,195
Public accommodation taxes	50,000	66,533	16,533	62,097
Use-value penalties	-	281	281	281
Other taxes	-	121	121	-
Total Taxes	613,152	630,967	17,815	599,170
Intergovernmental				
State shared taxes	49,026	48,793	(233)	57,110
State aids				
Forest crop severance/yield/withdrawal	-	655	655	463
Transportation	174,613	174,613	-	171,396
Fire insurance	15,000	15,291	291	14,898
Exempt computer aid	-	101	101	101
Municipal services	-	1,294	1,294	1,508
DNR in lieu of taxes	-	4,476	4,476	4,458
Other state aid	-	160	160	258
Total Intergovernmental	238,639	245,383	6,744	250,192
Licenses and Permits				
Liquor and beer licenses	5,500	6,178	678	6,648
Holding tank permits	500	750	250	1,000
Building permits	25,000	24,652	(348)	21,422
Cable franchise fee	20,000	21,718	1,718	20,061
Other licenses and permits	40	71	31	25
Total Licenses and Permits	51,040	53,369	2,329	49,156
Public Charges for Services				
Public works	1,000	1,378	378	4,519
Park	6,000	9,592	3,592	7,427
Total Public Charges for Services	7,000	10,970	3,970	11,946
Interest on Investments				
	9,250	7,562	(1,688)	8,991
Miscellaneous				
Rental income	1,000	1,975	975	600
Sesquicentennial donations	300	438	138	11,594
Donations	-	-	-	100
All other	-	2,504	2,504	1,025
Total Miscellaneous	1,300	4,917	3,617	13,319
Total Revenues	\$ 920,381	\$ 953,168	\$ 32,787	\$ 932,774

TOWN OF SEVASTOPOL, WISCONSIN

General Fund

Detail of Budgeted and Actual Expenditures

Year Ended December 31, 2010

(With Summarized Financial Information for Year Ended December 31, 2009)

	Original Budget	Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
General Government					
Legislative	\$ 28,750	\$ 28,750	\$ 26,349	\$ 2,401	\$ 27,799
Legal	2,000	2,000	1,823	177	784
General administration	49,850	49,850	49,249	601	26,829
Social security and Medicare	7,000	7,000	7,743	(743)	6,190
Election	5,500	5,500	4,814	686	1,566
Advertising, supplies, and postage	10,100	10,100	8,086	2,014	6,900
Accounting	5,300	5,300	6,190	(890)	5,140
Assessor	30,000	30,000	20,640	9,360	20,967
Insurance	12,000	12,000	16,985	(4,985)	11,629
Dues and fees	1,000	1,000	865	135	841
Telephone	1,100	1,100	1,316	(216)	1,060
Town hall	10,000	10,000	12,949	(2,949)	14,792
Cable/newsletter communication	12,000	12,000	15,536	(3,536)	9,622
Other general government	-	-	218	(218)	-
Total General Government	174,600	174,600	172,763	1,837	134,119
Public Safety					
Animal control/constable	4,200	4,200	3,347	853	3,322
Building inspection	23,000	23,000	22,573	427	19,457
Fire protection	347,587	347,587	342,533	5,054	331,036
First responders	10,865	10,865	9,199	1,666	8,914
Total Public Safety	385,652	385,652	377,652	8,000	362,729
Public Works					
Road maintenance and construction	230,000	230,000	226,672	3,328	225,364
Wages	16,300	16,300	19,588	(3,288)	24,233
Tree and brush control	5,000	5,000	8,918	(3,918)	3,897
Street lighting	6,000	6,000	10,008	(4,008)	6,484
Signs	1,000	1,000	30	970	-
Snow removal	75,000	75,000	53,710	21,290	84,530
Other - works	2,000	2,000	4,363	(2,363)	11,733
Miscellaneous	100	100	89	11	50
Total Public Works	335,400	335,400	323,378	12,022	356,291
Culture and Recreation					
Boat ramp	2,300	2,300	6,594	(4,294)	3,056
Clarks Lake beach and boat launch	10,000	10,000	2,499	7,501	23,692
Town park	20,000	20,000	20,523	(523)	19,584
Town park utilities	2,000	2,000	1,807	193	1,880
Parks and beaches	-	-	100	(100)	1,500
Recreation programs and events	-	-	-	-	27,381
Total Culture and Recreation	34,300	34,300	31,523	2,777	77,093

(Continued)

TOWN OF SEVASTOPOL, WISCONSIN

General Fund

Detail of Budgeted and Actual Expenditures (Continued)

Year Ended December 31, 2010

(With Summarized Financial Information for Year Ended December 31, 2009)

	Original Budget	Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
Debt Service					
Principal	-	-	79,660	(79,660)	-
Interest and fiscal charges	-	-	39,741	(39,741)	-
Total Debt Service	-	-	119,401	(119,401)	-
Capital Outlay					
Town Hall	-	-	-	-	751,160
Cable equipment	10,000	10,000	9,901	99	3,710
Land survey	-	-	980	(980)	-
Town park improvements	10,000	10,000	7,409	2,591	2,297
Total Capital Outlay	20,000	20,000	18,290	1,710	757,167
Total Expenditures	\$ 949,952	\$ 949,952	\$ 1,043,007	\$ (93,055)	\$ 1,687,399

TOWN OF SEVASTOPOL, WISCONSIN
 Schedule of Findings and Responses
 For the Year Ended December 31, 2010

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
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2010-01 Segregation of Duties - Clerk/Treasurer

Condition: The Town has a combined clerk/treasurer position to essentially complete all financial and recordkeeping duties of the general Town's 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 Town's 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 Town Board continue to monitor the transactions and the financial records of the Town.

Management Response: Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.

2010-02 Year End Closing and Financial Reporting

Condition: While the current staff of the Town maintain financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting, closing and GASB 34 conversion entries necessary to prepare financial statements, including related notes and state financial reports require additional expertise that would entail additional training and staff time to develop. The Town contracts with Schenck and their knowledge of current accounting principles and regulatory requirements of the Wisconsin Department of Revenue to prepare required journal entries and financial reports for the Town 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 Town 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 Town 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 Town is necessary to obtain an adequate understanding of the Town's financial report.

Management Response: Management believes the cost for additional staff time and training to prepare year end closing entries and reports outweigh the benefits to be received.

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

Section I - Internal Control Over Financial Reporting (Continued)

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

Condition: The Town's accounting personnel 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 Town 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 Town in maintaining its capital asset records as the Town does not employ staff with the expertise or experience to maintain these records in accordance with generally accepted accounting principles.

Effect: The Town could have capital assets transactions which are not reflected in the detailed capital records.

Recommendation: We recommend the accounting personnel and the Town Board continue to review the capital asset records of the Town. We believe the costs of employing staff with the relevant expertise would outweigh the benefits to be received.

Management Response: Management believes that the cost of hiring additional staff to maintain capital asset records outweighs the benefits to be received.

Section II - Compliance and Other Matters

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