

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2012**

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
December 31, 2012**

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Liberty Grove
Door County, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Town of Liberty Grove, Wisconsin ("the Town") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements of the governmental activities and each major governmental fund in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the preparation and fair presentation of the financial statements of the business-type activities and water and sewer utility enterprise fund in accordance with accounting principles generally accepted in the United States of America. In addition, management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities and each major governmental fund of the Town as of December 31, 2012, and the respective changes in financial position - cash basis, thereof and the budgetary comparison for the general fund for the year then ended in accordance with the cash basis of accounting as described in Note A. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and water and sewer utility enterprise fund of the Town as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements of the governmental activities and general fund are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As described in Note A, the Town has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012.

Also as described in Note A, the Town has included the Utility District as a water and sewer utility enterprise fund within its reporting entity.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The financial information listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2013, on our consideration of the Town'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.

Schenk SC

Certified Public Accountants
Green Bay, Wisconsin
May 7, 2013

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Statement of Net Position
December 31, 2012

| | Governmental Activities | Business-type Activities | Total |
|-----------------------------------|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and investments | \$ 1,534,655 | \$ 503,498 | \$ 2,038,153 |
| Receivables | | | |
| Accounts | - | 23,351 | 23,351 |
| Special assessments | - | 27,355 | 27,355 |
| Restricted assets | | | |
| Cash and investments | - | 26,229 | 26,229 |
| Capital assets, nondepreciable | | | |
| Land | - | 8,000 | 8,000 |
| Capital assets, depreciable | | | |
| Improvements other than buildings | - | 157,883 | 157,883 |
| Machinery and equipment | - | 791 | 791 |
| Infrastructure | - | 2,637,890 | 2,637,890 |
| Less: Accumulated depreciation | - | (1,089,550) | (1,089,550) |
| TOTAL ASSETS | 1,534,655 | 2,295,447 | 3,830,102 |
| LIABILITIES | | | |
| Accounts payable | - | 21,924 | 21,924 |
| Advance tax collections | 1,275,327 | - | 1,275,327 |
| TOTAL LIABILITIES | 1,275,327 | 21,924 | 1,297,251 |
| NET POSITION | | | |
| Net investment in capital assets | - | 1,715,014 | 1,715,014 |
| Restricted for capital assets | - | 26,229 | 26,229 |
| Unrestricted | 259,328 | 532,280 | 791,608 |
| TOTAL NET POSITION | \$ 259,328 | \$ 2,273,523 | \$ 2,532,851 |

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

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2012

| Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---|----------------------|------------------------------------|-------------------------|---|-----------------|---------------------|
| | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | | |
| Governmental Activities | | | | | | |
| General government | \$ 328,668 | \$ 14,826 | \$ - | \$ (313,842) | \$ - | \$ (313,842) |
| Public safety | 247,830 | 25,530 | 23,300 | (199,000) | - | (199,000) |
| Public works | 601,899 | 7,018 | 220,584 | (374,297) | - | (374,297) |
| Culture, recreation and education | 106,726 | 21,988 | - | (84,738) | - | (84,738) |
| Health and human services | 11,968 | 27,649 | - | 15,681 | - | 15,681 |
| Conservation and development | 41,292 | - | - | (41,292) | - | (41,292) |
| Debt service | 671,967 | - | - | (671,967) | - | (671,967) |
| Total Governmental Activities | 2,010,350 | 97,011 | 243,884 | (1,669,455) | - | (1,669,455) |
| Business-type Activities | | | | | | |
| Water utility | 61,389 | 46,660 | - | - | (14,729) | (14,729) |
| Sewer utility | 99,782 | 62,230 | - | - | (37,552) | (37,552) |
| Total Business-type Activities | 161,171 | 108,890 | - | - | (52,281) | (52,281) |
| Total | \$ 2,171,521 | \$ 205,901 | 243,884 | (1,669,455) | (52,281) | (1,721,736) |
| General revenues | | | | | | |
| Property taxes, levied for general purposes | | | 1,595,488 | 6,088 | | 1,601,576 |
| Other taxes and fees | | | 88,123 | 4,154 | | 92,277 |
| State and federal aids not restricted to specific functions | | | 29,195 | - | | 29,195 |
| Interest and investment earnings | | | 1,155 | 4,503 | | 5,658 |
| Miscellaneous | | | 21,036 | 83 | | 21,119 |
| Total general revenues | | | 1,734,997 | 14,828 | | 1,749,825 |
| Change in net position | | | 65,542 | (37,453) | | 28,089 |
| Net position - January 1 | | | 193,786 | 2,310,976 | | 2,504,762 |
| Net position - December 31 | | | \$ 259,328 | \$ 2,273,523 | | \$ 2,532,851 |

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

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Statement of Assets, Liabilities and Fund Balance -
General Fund
December 31, 2012

| | | |
|---|--|----------------------------|
| ASSETS | | |
| Cash and investments | | <u>\$ 1,534,655</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Advance tax collections | | <u>\$ 1,275,327</u> |
| Fund Balance | | |
| Assigned | | |
| Harbor improvements | | 22,650 |
| Capital reserve | | 10,844 |
| Highway and streets | | 120,319 |
| Niagara escarpment | | 1,001 |
| Audit | | 5,000 |
| Subsequent years expenditures | | 70,000 |
| Unassigned | | 29,514 |
| Total Fund Balance | | <u>259,328</u> |
| TOTAL LIABILITIES AND FUND BALANCE | | <u><u>\$ 1,534,655</u></u> |

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

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance -
General Fund

For the Year Ended December 31, 2012

| | |
|--|--------------------------|
| Revenues | |
| Taxes | \$ 1,672,050 |
| Intergovernmental | 273,079 |
| Licenses and permits | 47,362 |
| Public charges for services | 53,336 |
| Intergovernmental charges for services | 7,874 |
| Miscellaneous | 22,191 |
| Total Revenues | <u>2,075,892</u> |
| Expenditures | |
| General government | 328,668 |
| Public safety | 247,830 |
| Public works | 601,899 |
| Culture, recreation and education | 106,726 |
| Health and human services | 11,968 |
| Conservation and development | 41,292 |
| Debt service | |
| Principal | 535,445 |
| Interest and fiscal charges | 136,522 |
| Total Expenditures | <u>2,010,350</u> |
| Net Change in Fund Balance | 65,542 |
| Fund Balance - January 1 | <u>193,786</u> |
| Fund Balance - December 31 | <u><u>\$ 259,328</u></u> |

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

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended December 31, 2012

| | Original and Final Budget | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--|---------------------------------|-------------------|---|
| Revenues | | | |
| Taxes | \$ 1,666,671 | \$ 1,672,050 | \$ 5,379 |
| Intergovernmental | 269,617 | 273,079 | 3,462 |
| Licenses and permits | 43,500 | 47,362 | 3,862 |
| Public charges for services | 49,500 | 53,336 | 3,836 |
| Intergovernmental charges for services | 25,855 | 7,874 | (17,981) |
| Miscellaneous | 19,550 | 22,191 | 2,641 |
| Total Revenues | 2,074,693 | 2,075,892 | 1,199 |
| Expenditures | | | |
| General government | 349,630 | 328,668 | 20,962 |
| Public safety | 248,379 | 247,830 | 549 |
| Public works | 701,840 | 601,899 | 99,941 |
| Culture, recreation and education | 81,076 | 106,726 | (25,650) |
| Health and human services | 16,222 | 11,968 | 4,254 |
| Conservation and development | 5,400 | 41,292 | (35,892) |
| Debt service | | | |
| Principal | 535,445 | 535,445 | - |
| Interest and fiscal charges | 136,961 | 136,522 | 439 |
| Total Expenditures | 2,074,953 | 2,010,350 | 64,603 |
| Net Change in Fund Balance | (260) | 65,542 | 65,802 |
| Fund Balance - January 1 | 193,786 | 193,786 | - |
| Fund Balance - December 31 | \$ 193,526 | \$ 259,328 | \$ 65,802 |

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

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Statement of Net Position
Proprietary Fund
December 31, 2012

| | Enterprise Fund |
|-----------------------------------|----------------------------|
| | Water and Sewer Utility |
| ASSETS | |
| Cash and investments | \$ 503,498 |
| Receivables | |
| Accounts | 23,351 |
| Special assessments | 27,355 |
| Restricted assets | |
| Cash and investments | 26,229 |
| Capital assets, nondepreciable | |
| Land | 8,000 |
| Capital assets, depreciable | |
| Improvements other than buildings | 157,883 |
| Machinery and equipment | 791 |
| Infrastructure | 2,637,890 |
| Less: Accumulated depreciation | <u>(1,089,550)</u> |
| TOTAL ASSETS | <u>2,295,447</u> |
| LIABILITIES | |
| Accounts payable | <u>21,924</u> |
| TOTAL LIABILITIES | <u>21,924</u> |
| NET POSITION | |
| Net investment in capital assets | 1,715,014 |
| Restricted for capital assets | 26,229 |
| Unrestricted | <u>532,280</u> |
| TOTAL NET POSITION | <u><u>\$ 2,273,523</u></u> |

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

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2012

| | Enterprise Fund | | |
|--|------------------|------------------|---------------------|
| | Water Utility | Sewer Utility | Total |
| Operating Revenues | | | |
| Charges for services | \$ 45,246 | \$ 60,118 | \$ 105,364 |
| Other | 1,414 | 2,112 | 3,526 |
| Total Operating Revenues | <u>46,660</u> | <u>62,230</u> | <u>108,890</u> |
| Operating Expenses | | | |
| Operation and maintenance | 38,427 | 76,762 | 115,189 |
| Depreciation | 22,917 | 23,020 | 45,937 |
| Taxes | 45 | - | 45 |
| Total Operating Expenses | <u>61,389</u> | <u>99,782</u> | <u>161,171</u> |
| Operating Income (Loss) | <u>(14,729)</u> | <u>(37,552)</u> | <u>(52,281)</u> |
| Nonoperating Revenues (Expenses) | | | |
| Interest income | | | 4,503 |
| Town property tax levy | | | 6,088 |
| Water impact fees | | | 4,154 |
| Miscellaneous | | | 83 |
| Total Nonoperating Revenues (Expenses) | | | <u>14,828</u> |
| Change in Net Position | | | (37,453) |
| Net Position - January 1 | | | <u>2,310,976</u> |
| Net Position - December 31 | | | <u>\$ 2,273,523</u> |

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

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2012

| | Enterprise Fund |
|---|----------------------------|
| | Water and Sewer Utility |
| Cash Flows from Operating Activities | |
| Cash received from user charges | \$ 108,986 |
| Cash payments to suppliers and contractors | (112,636) |
| Net Cash Used by Operating Activities | (3,650) |
| Cash Flows from Noncapital Financing Activities | |
| Cash received from miscellaneous revenues | 83 |
| Property tax levy | 6,088 |
| Net Cash Provided by Noncapital Financing Activities | 6,171 |
| Cash Flows from Capital and Related Financing Activities | |
| Collection of special assessments | 9,118 |
| Collection of impact fees | 4,154 |
| Net Cash Provided by Capital and Related Financing Activities | 13,272 |
| Cash Flows from Investing Activities | |
| Interest received | 4,503 |
| Change in Cash and Cash Equivalents | 20,296 |
| Cash and Cash Equivalents - Beginning of Year | 509,431 |
| Cash and Cash Equivalents - End of Year | \$ 529,727 |
| Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities: | |
| Operating income (loss) | \$ (52,281) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation | 45,937 |
| Changes in assets and liabilities | |
| Accounts receivable | 96 |
| Accounts payable | 2,598 |
| Net Cash Used by Operating Activities | \$ (3,650) |
| Noncash Investing, Capital and Financing Activities | |
| Contribution of capital assets | \$ - |
| Reconciliation of cash and cash equivalents to statement of net position: | |
| Cash and investments | \$ 503,498 |
| Restricted assets | 26,229 |
| Total cash and cash equivalents | \$ 529,727 |

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

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Liberty Grove, 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 except for the financial statements of the governmental activities and governmental fund financial statements which have been prepared on the cash basis of accounting, as described in Note A. 3. 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 Liberty Grove, Wisconsin, 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. The Town of Liberty Grove Sanitary District No. 1 is included in the general fund operations of the Town since the Town Board is the governing body of the District. During 2012, no financial transactions relating to the sanitary district were incurred.

The Town included the Liberty Grove Utility District, an enterprise fund of the Town, in the Town's financial statements for 2012. A utility committee has been appointed by the Town Board to administer the affairs of the Utility District.

2. Government-Wide and Fund Financial Statements

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

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include the general fund. Proprietary funds include the enterprise fund. The Town has no internal service funds.

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 general government, except those accounted for in another fund.

The Town reports the following major enterprise fund:

WATER AND SEWER UTILITY FUND

This fund accounts for the operations of the Town's water utility and sewer utility.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus and basis of accounting. Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements.

GOVERNMENTAL ACTIVITIES AND GOVERNMENTAL FUNDS

Financial statements of the Town's governmental activities and general fund are reported using the current financial resources measurement focus and the cash basis of accounting. Under the cash basis of accounting, the Town generally recognizes revenues when received and expenditures/expenses when paid.

As a result, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, accrued expenses and deferred inflow of resources related to future periods) are not recorded in these financial statements. In addition, capital assets, including a provision for depreciation, and long-term liabilities are not reported in the government-wide financial statements. The Town does record receivables and recognizes revenue for delinquent charges and special assessments placed on a property tax bill which will be collected by Door County and remitted to the Town.

This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under generally accepted accounting principles, the Town would have used the modified accrual basis of accounting for preparing its governmental fund financial statements and the accrual basis of accounting for its government-wide financial statements.

BUSINESS ACTIVITIES AND ENTERPRISE FUND

Financial statements of the Town's business-type activities and proprietary funds 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.

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 Town's enterprise fund is charges to customers for services. Operating expenses for the enterprise fund includes 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.

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

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.