

TOWN OF SOMERS
KENOSHA COUNTY, WISCONSIN

AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Town Board
Town of Somers
Kenosha County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Somers, Wisconsin, as of and for the year ended December 31, 2015, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Somers, Wisconsin, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015 the Town adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and *Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the OPEB and GASB 68 schedules on pages 74 and 75 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Somers, Wisconsin's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Andrea & Orendorff LLP
Kenosha, Wisconsin
April 15, 2016

TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Our discussion and analysis of the Town of Somers' financial performance provides an overview of the Town's financial activities for the year ended December 31, 2015.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Activities and the Fund financial statements provide information about the long term finances and the activities of the Town as a whole. Governmental activities reflect how services were financed in the short term and what balance remains for future spending. The Town's fund financial statements report the Town's operations in more detail than government-wide statements. The statement of net position and statement of activities provide information about the Town's most significant funds. Our analysis of the Town as a whole begins on page 16.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances - "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. Most private-sector companies use accrual basis of accounting. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position - the difference between assets and liabilities - as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the Town's financial health, you will need to consider other non-financial factors, such as changes in the Town's property tax base and the condition of the Town's roads.

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing, through fees and grants.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental activities: Most of the Town's basic services are reported here, including public safety, highway, parks, planning, capital projects, and administration. Property taxes, licensure fees, fines, donations and state and federal grants finance most of these activities.

**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Reporting the Town as a Whole (continued)

Governmental Activities: (continued)

The functions and programs of the primary government, along with the composition of each function by Town department are listed below.

- General Government includes the Town Board, Municipal Court, Town Office, Clerk/Treasurer, Elections, Board of Review, Town Assessor, Audit Fees, Legal Fees, Engineering, Town Hall, Membership Dues, Advertising and Publications, Property and Liability Insurance, and Debt Service Payments.
- Public Safety includes the Somers Fire and Rescue department and the Town's Building and Inspection department.
- Public Works includes the Roads, Related Facilities and Street Lighting.
- Solid Waste Collection is contracted garbage and recycling pickup.
- Health and Social Services includes the Humane Agent.
- Leisure Activities includes the Recreation program.
- Conservation and Development includes the Plan Commission, the Board of Appeals and the Park Committee.
- Civic Committee includes the Parade.

Business-type activities:

The Town charges fees to customers for the business-type services it provides. The business-type activities include the Somers Water Utility and the two sewer utilities – K.R. and Utility District #1. Water rates are established by the Public Service Commission of Wisconsin based on fact and circumstances presented in rate case petitions by the water utility management. Once granted, water rates are implemented with the review and approval of the Somers Water Commissioners. Rates for sewer service are established by the sewer utility management subject to approval by the Town of Somers Sewer Commission.

Reporting the Town's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. The Town, by the nature of its activity, utilizes two types of funds - governmental and proprietary – each requiring different accounting approaches.

**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

Reporting the Town's Most Significant Funds (continued)

Governmental funds

Most of the Town's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides.

Governmental fund information helps determine the financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the respective governmental funds' statements.

The governmental funds include the General Fund, Capital Projects Fund and Debt Service Fund. All other governmental activities including park improvement, drainage and impact fees are included in the non-major Special Revenue funds. The General fund includes General Government, Public Safety, Public Works, Solid Waste Collection, Health and Welfare, Leisure Activities, Conservation and Development. The Capital Projects Fund is used to account for capital equipment and infrastructure replacement projects and the Tax Incremental Fund. The Debt Service Fund serves as a clearing account for present and future debt payments.

Proprietary Funds

The Town uses proprietary funds to account for its business-type activities such as the Somers Water Utility, the K.R. Sewer District and Utility District #1. The proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Town's proprietary fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information such as cash flows.

The Town as a Whole

Government-wide Financial Analysis

The condensed financial statements on page 7 and 8 present the net position of the Town and changes in net position. These statements are presented with comparisons to 2014. Net position may serve over time as a useful indicator of a government's financial position. In 2015, the Town's assets exceeded liabilities by \$28,251,272 as compared to \$27,392,050 in 2014.

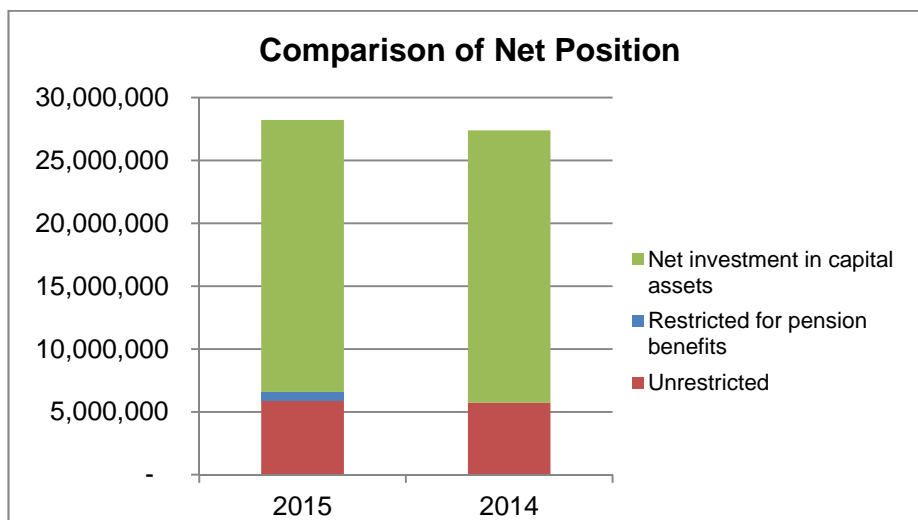
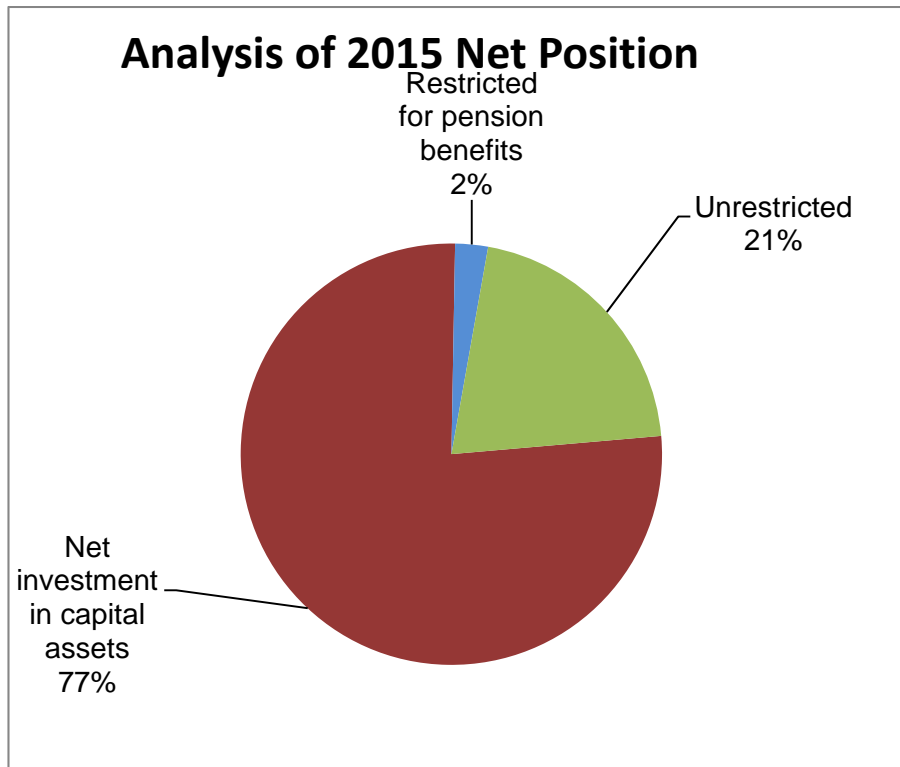
The largest portion of the Town's 2015 net position (77 percent) (2014 was 79%) reflects the Town's investment in capital assets less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the

**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

The Town as a Whole (continued)

Government-wide Financial Analysis (continued)

resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. 21 percent (21% for 2014) is the category of unrestricted net assets which may be used to meet the Town's ongoing obligations to citizens and creditors. As a result of GASB 68 implemented in 2015, 2% is restricted for pension benefits.



**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

The Town as a Whole (continued)

Government-wide Financial Analysis (continued)

TOWN OF SOMERS NET POSITION As of December 31, 2015						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$17,042,626	\$16,993,728	\$ 6,402,891	\$ 6,702,688	\$23,445,517	\$23,696,416
Capital assets	14,059,330	14,626,757	28,223,855	26,130,693	42,283,185	40,757,450
Net pension asset	316,550	-	35,172	-	351,722	-
Total Assets	<u>31,418,506</u>	<u>31,620,485</u>	<u>34,661,918</u>	<u>32,833,381</u>	<u>66,080,424</u>	<u>64,453,866</u>
Deferred outflows of resources	321,229	-	35,692	-	356,921	-
Long-term liabilities outstanding	5,317,868	5,880,996	13,824,905	11,929,712	19,142,773	17,810,708
Other liabilities	13,550,557	14,115,948	1,563,853	1,268,632	15,114,410	15,384,580
Total liabilities	<u>18,868,425</u>	<u>19,996,944</u>	<u>15,388,758</u>	<u>13,198,344</u>	<u>34,257,183</u>	<u>33,195,288</u>
Deferred inflows of resources	3,625,889	3,563,527	303,001	303,001	3,928,890	3,866,528
Net position:						
Net investment in capital assets	8,312,522	8,290,339	13,354,557	13,350,774	21,667,079	21,641,113
Restricted for pension benefits	637,779	-	70,864	-	708,643	-
Unrestricted	295,120	(230,325)	5,580,430	5,981,262	5,875,550	5,750,937
Total Net Position	<u>\$ 9,245,421</u>	<u>\$ 8,060,014</u>	<u>\$19,005,851</u>	<u>\$ 19,332,036</u>	<u>\$28,251,272</u>	<u>\$27,392,050</u>

**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

The Town as a Whole (continued)

Government-wide Financial Analysis (continued)

TOWN OF SOMERS CHANGES IN NET POSITION Year Ended December 31, 2015						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 863,644	\$ 750,680	\$ 2,974,008	\$ 3,021,040	\$ 3,837,652	\$ 3,771,720
Operating grants and contributions	170,964	186,165	-	-	170,964	186,165
Capital grants and contributions	-	-	-	118,564	-	118,564
General revenues:						
Property taxes	2,785,481	2,768,059	303,001	304,009	3,088,482	3,072,068
Property taxes levied for debt	812,763	775,725	-	-	812,763	775,725
Grants and contributions not restricted to specific programs	135,551	133,224	-	-	135,551	133,224
Other	36,014	65,185	106,073	32,807	142,087	97,992
Total revenues	<u>4,804,417</u>	<u>4,679,038</u>	<u>3,383,082</u>	<u>3,476,420</u>	<u>8,187,499</u>	<u>8,155,458</u>
Expenses:						
General government	864,308	701,034	-	-	864,308	701,034
Public works	912,841	905,562	-	-	912,841	905,562
Public safety	1,727,219	1,866,625	-	-	1,727,219	1,866,625
Solid waste collection	556,246	694,115	-	-	556,246	694,115
Leisure activities	46,405	56,224	-	-	46,405	56,224
Conservation and development	171,008	52,324	-	-	171,008	52,324
Interest on long-term debt	241,068	269,444	-	-	241,068	269,444
Sewer	-	-	2,125,523	1,839,995	2,125,523	1,839,995
Water	-	-	1,211,128	956,781	1,211,128	956,781
Total expenses	<u>4,519,095</u>	<u>4,545,328</u>	<u>3,336,651</u>	<u>2,796,776</u>	<u>7,855,746</u>	<u>7,342,104</u>
Increase (decrease) in net position	285,322	133,710	46,431	679,644	331,753	813,354
Transfers	424,459	-	(424,459)	-	-	-
Increase (decrease) in net position	<u>709,781</u>	<u>133,710</u>	<u>(378,028)</u>	<u>679,644</u>	<u>331,753</u>	<u>813,354</u>
Net position beginning of year (restated)	8,535,640	7,926,304	19,383,879	18,652,392	27,919,519	26,578,696
Net position end of year	<u>\$ 9,245,421</u>	<u>\$ 8,060,014</u>	<u>\$ 19,005,851</u>	<u>\$ 19,332,036</u>	<u>\$ 28,251,272</u>	<u>\$ 27,392,050</u>

Revenues:

Rate increases in the utility funds, an increase in collections for ambulance and fire services, and increases in building permits resulted in an increase of \$32,041 in total revenues for the Town.

Expenditures:

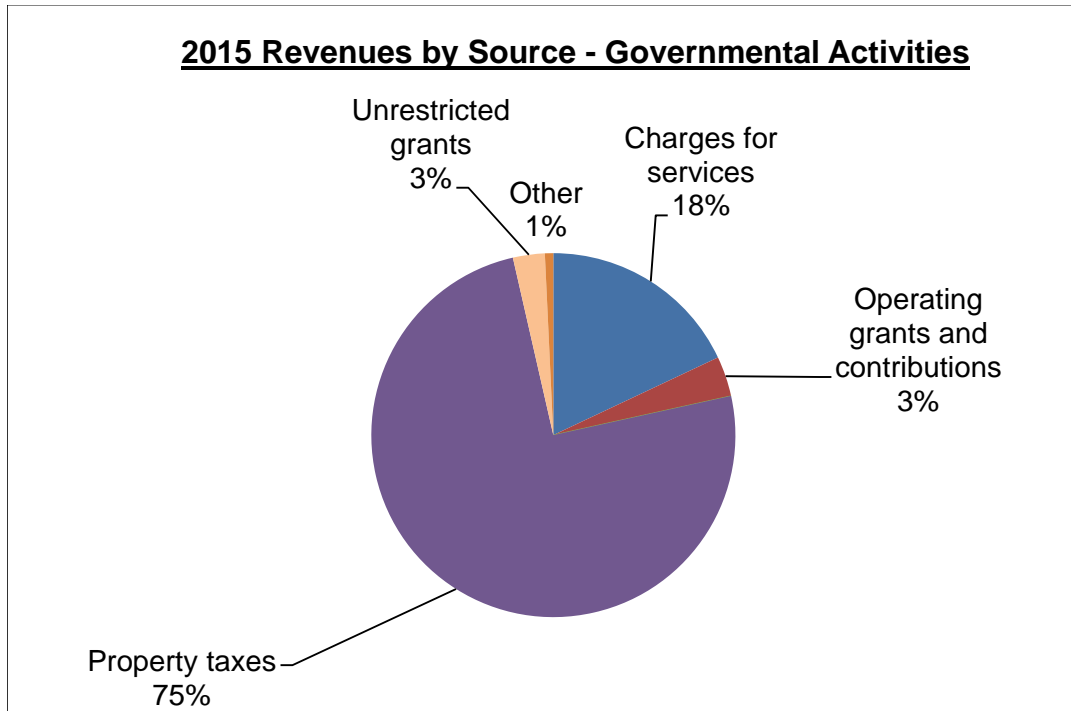
The Town reclassified the cost of collections for ambulance and fire services from the Public Safety category in 2014 to the General Government category in 2015. The Town recorded one-time expenses related to incorporation in the General Government category. The Hwy "E" interceptor project was completed in 2015. This allowed the building moratorium enacted in 1996 affecting the core of the town to be lifted.

Rate increases for sewer treatment and purchased water from Kenosha Water Utility and expenses related to refunding bonds in the sewer and water funds contributed to increased expenses.

**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

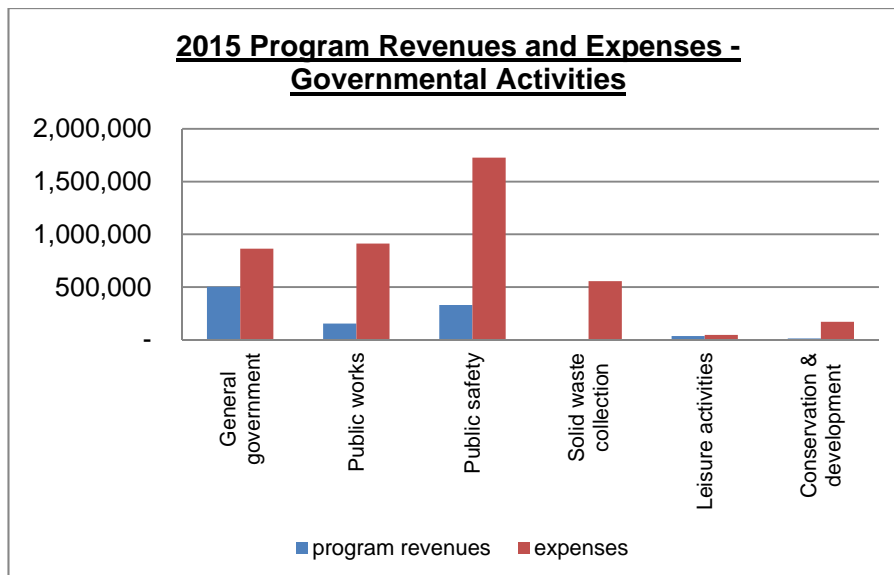
REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

This chart illustrates the percent of revenue sources that fund the Town's governmental activities.



PROGRAM REVENUES AND EXPENSES - GOVERNMENTAL ACTIVITIES

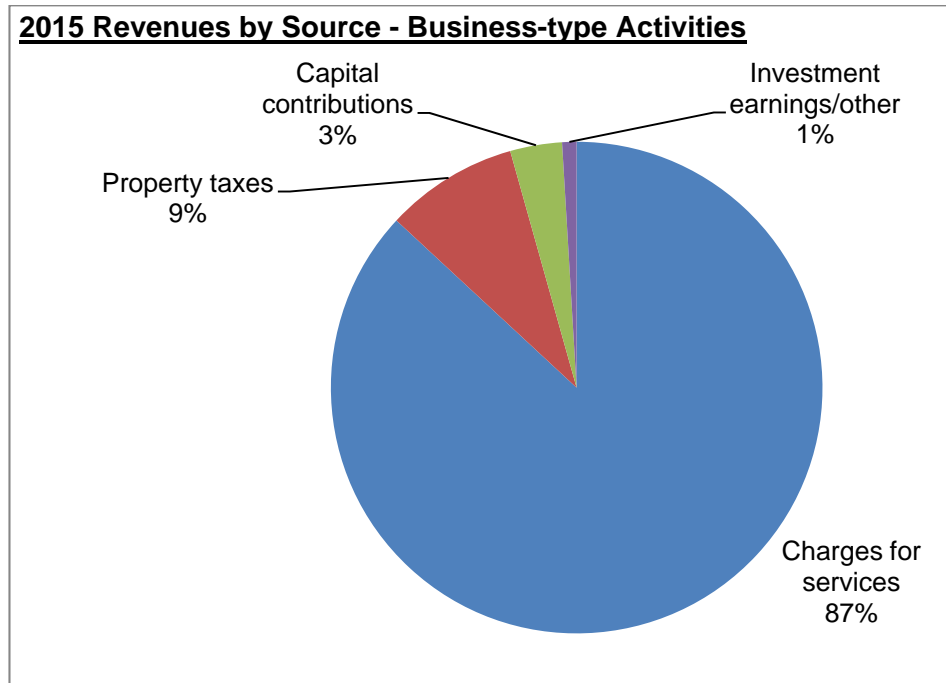
The following chart shows the portion of expenses by function that is covered by program revenues.



**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

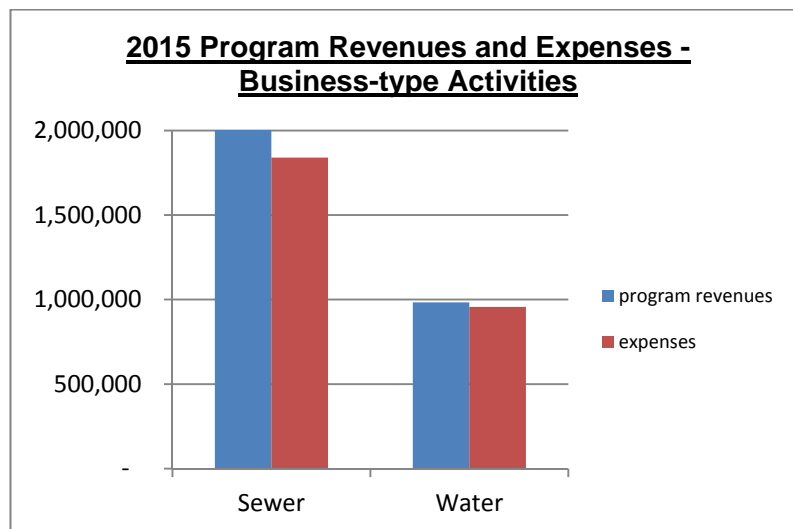
REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES

This chart illustrates the percent of revenue sources that fund the Town's business-type activities.



PROGRAM REVENUES AND EXPENSES – BUSINESS-TYPE ACTIVITIES

The following chart shows the portion of expenses by function that is covered by program revenues for business-type activities.



**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

The Town's Funds

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These funds, along with major changes that occurred in the Town's funds are described below.

General Fund

The General Fund closed out in 2015 with a healthy increase of \$757,075. New construction in the town resulted in increased permit fees. The Board authorized a one-time transfer of \$424,459 from Utility District #1.

Parks and Drainage Funds

The Parks and Drainage funds are long standing funds to be used for park and drainage improvement projects. The resources for these funds are generated when new lots are created. Since being involved with the Root-Pike Water Shed Initiative, the Town of Somers has utilized drainage funds to promote educational programs to teach the public about the benefits of preserving our natural resources. The programs chosen for this educational initiative were carefully reviewed to insure they satisfy the requirements for the State of Wisconsin's Storm Water Management Discharge Permit.

The Park Committee's goal is to increase residents' involvement and enjoyment of their community through park land improvement. A Veteran's Walkway was installed. Memorial bricks can be purchased to honor the veterans of the town.

Capital Projects Fund

The Capital Projects Fund is used to account for current and future capital assets. Projects need to be reviewed and approved by the Town Board before being established in the Capital Projects Budget.

Debt Service Fund

The sole purpose is for servicing governmental debt. Currently the Town's debt service fund balance is a negative \$494. This was due to a capital lease for a server budgeted in the General Fund, not Debt Service. Funds were not transferred.

Enterprise Funds

Somers Water Utility, Utility District #1 and KR Sewer operate as all enterprise funds. All of the enterprise funds account for contributed capital as revenue received in the year the capital asset is recognized.

Somers Water Fund

The Water fund closed 2015 with a \$203,496 decrease in net position. Management, in concert with consulting engineers and Board oversight, continues to develop town-wide plans that address new development in areas to be serviced by water.

**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

The Town's Funds (continued)

Enterprise Funds (continued)

Utility District #1 Fund

Overall, the Utility District #1 closed out the year with a decrease in net position of \$183,216. Total net operating income for the Utility District #1 in 2015 was \$497,180.

This fund has an unrestricted net position at yearend 2015 of \$4.8 million. The County Highway E sewer interceptor, was completed in June, 2015. This allowed the new connection moratorium to be lifted in April, 2015.

Sewer line maintenance is critical for the health and safety of our residents. To insure seamless service to the sewer customer base, Utility District #1 employs camera aided visual inspection to determine the need and type of periodic maintenance best suited. The district continues to use its VAC truck to maintain the Utility's infrastructure. This proactive approach is fully compliant both with DNR regulation and our collective concern for the environment.

K.R. Sewer Utility Fund

The K.R. Sewer Utility was established to service a small area along the County Highway KR border. The sewer line flows into the Mount Pleasant Interceptor Sewer and ultimately east to the Racine Sewer treatment plant.

For this service, the utility pays a set amount per quarter to the Village of Mount Pleasant for the treatment of sewer and an annual rental charge for the conveyance line K.R. In 2015 the Utility experienced an operating income of \$7,454.

The K.R. Sewer Utility has a multi-jurisdictional agreement to help Racine Sewer reconstruct the aging treatment plant. On an annual basis, a series of calculations based on property values is performed. The agreement and the resulting calculation, determines who owes money to Racine and who receives money.

**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund has an unassigned net position of \$531,704 which is a \$757,075 improvement over 2014. The Town has surplus funds of over \$4.8 million available in the Utility District #1 Fund that is not restricted.

The Town implemented GASB 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement NO. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. See Note V A. on page 59 for further information on this implementation.

Management has calculated the Other Post-employment Benefits (OPEB) expense and liability as required by the Governmental Accounting Standards Board (GASB) Statement No. 45 – *Financial Reporting for Post employment Benefit Plans Other Than Pension Plans*. Please see Note V B. on page 65 for further information on this calculation

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2015, the Town had \$42,283,185 invested in capital assets including buildings, parks, vehicles, equipment and infrastructure. See Note IV C on page 48 for more detail on capital assets. A summary report of capital assets is as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Intangible Assets	\$ -	\$ -	\$ 21,660	\$ 13,650	\$ 21,660	\$ 13,650
Construction in Progress	-	-	119,679	110,560	119,679	110,560
Land	216,294	216,294	-	-	216,294	216,294
Land Improvements	4,350,524	4,350,524	-	-	4,350,524	4,350,524
Utility Plant in Service	-	-	35,179,517	32,367,308	35,179,517	32,367,308
Buildings	6,025,568	6,025,568	-	-	6,025,568	6,025,568
Machinery & Equipment	4,035,246	4,004,046	924,452	924,452	4,959,698	4,928,498
Infrastructure	12,486,410	12,486,410	-	-	12,486,410	12,486,410
Total Capital Assets	27,114,042	27,082,842	36,245,308	33,415,970	63,359,350	60,498,812
Less: Accumulated Depreciation	(13,054,712)	(12,456,085)	(8,021,453)	(7,285,277)	(21,076,165)	(19,741,362)
Total Net Capital Assets	<u>\$ 14,059,330</u>	<u>\$ 14,626,757</u>	<u>\$ 28,223,855</u>	<u>\$ 26,130,693</u>	<u>\$ 42,283,185</u>	<u>\$ 40,757,450</u>

**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt

At the end of the year, the Town's outstanding general obligation (GO) debt totaled \$20,411,307. See Notes to the Financial Statements page 51 for more detail on debt.

Debt Outstanding 12/31/14	\$ 19,164,140
Debt Issued	11,675,000
Principal Retired	<u>(10,427,833)</u>
Debt Outstanding 12/31/15	<u>\$ 20,411,307</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In 2015, the Town of Somers and its residents continued to experience an economic recovery as seen throughout much of the Country in the wake of the economic correction of 2008. Feeling empowered by successfully weathering the financial challenges of the past few years, Somers stands poised to welcome residential and commercial development.

We have substantial reason to be optimistic about our future. Somers is located ideally between Chicago and Milwaukee with the capacity and infrastructure to attract those interested in improving their quality of life. In late 2014, United Hospital Systems announced its plan to construct a medical office/clinic in the Town of Somers on Lots 18 and 19 in the Somers Market Center. Groundbreaking occurred in 2015 and was completed in late 2015. Sunset Ridge Cemetery started construction on a mausoleum and office space, with completion in 2016.

The town submitted an application to the Wisconsin Department of Administration for a referendum vote of the citizens some time in 2015. Final approval for the referendum was granted by the Department of Administration in January, 2015. The result of the April 7, 2015 referendum was to incorporate a portion of the town into a village. A Certificate of Incorporation was issued effective April 24, 2015. Both a town and village budget will be done for 2016. The Town and Village entered into an Intergovernmental Agreement which was effective at midnight on December 31, 2015. The Village assumed all assets and liabilities of the Town. The Village shall provide all existing services to the Town.

Two Tax Incremental Financing Districts were created in 2015 in order to facilitate economic development. TIF District #1 encompasses the First Park LLC development. The first building is scheduled for completion in June 2016. A second building is currently in the planning stages. TIF District #2 encompasses a Festival Foods grocery store and Somers Market Square Apartments. Festival Foods is scheduled to open in July 2016. The first phase of the Somers Market Square Apartments, totaling 48 units, is scheduled for occupancy in the fall of 2016. The entire project of 280 units will be phased in over the next 2-1/2 years depending upon the market.

**TOWN OF SOMERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers and creditors with a comprehensive overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Town of Somers at 7511 12th Street, P.O. Box 197, Somers, WI.

William Morris
Town Administrator
Town of Somers, Wisconsin

TOWN OF SOMERS
STATEMENT OF NET POSITION
As of December 31, 2015

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 9,254,131	\$ 4,632,067	\$ 13,886,198
Receivables	7,945,977	1,452,731	9,398,708
Interfund balances	(287,284)	287,284	-
Inventory	-	30,563	30,563
Prepaid expenses	4,440	246	4,686
Restricted assets			
Cash and cash equivalents	125,362	-	125,362
Capital assets			
Land and construction in progress	4,345,765	141,339	4,487,104
Other capital assets, net of depreciation	9,713,565	28,082,516	37,796,081
Total Capital Assets	14,059,330	28,223,855	42,283,185
Net pension asset	316,550	35,172	351,722
Total Assets	31,418,506	34,661,918	66,080,424
DEFERRED OUTFLOW OF RESOURCES			
Related to pension	321,229	35,692	356,921
LIABILITIES			
Accounts payable and accrued expenses	277,768	231,742	509,510
Due to other governments	12,512,022	-	12,512,022
Other current liabilities	74,276	264,202	338,478
Long-term liabilities			
Due within one year	686,491	1,067,909	1,754,400
Due in more than one year	5,317,868	13,824,905	19,142,773
Total Liabilities	18,868,425	15,388,758	34,257,183
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax levy	3,625,889	303,001	3,928,890
Total deferred inflows of resources	3,625,889	303,001	3,928,890
NET POSITION			
Net investment in capital assets	8,312,522	13,354,557	21,667,079
Restricted for pension benefits	637,779	70,864	708,643
Unrestricted (deficit)	295,120	5,580,430	5,875,550
Total Net Position	\$ 9,245,421	\$ 19,005,851	\$ 28,251,272

See accompanying notes to the financial statements.

**TOWN OF SOMERS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Governmental activities:							
General government	\$ 864,308	\$ 500,217	\$ 3,213	\$ -	\$ (360,878)	\$ -	\$ (360,878)
Public works	912,841	23,125	130,412	-	(759,304)	-	(759,304)
Public safety	1,727,219	292,100	37,339	-	(1,397,780)	-	(1,397,780)
Solid waste collection	556,246	-	-	-	(556,246)	-	(556,246)
Leisure activities	46,405	35,227	-	-	(11,178)	-	(11,178)
Conservation and development	171,008	12,975	-	-	(158,033)	-	(158,033)
Interest on long-term debt	241,068	-	-	-	(241,068)	-	(241,068)
Total Governmental Activities	4,519,095	863,644	170,964	-	(3,484,487)	-	(3,484,487)
Business-type activities:							
Sewer	2,125,523	2,032,853	-	-	-	(92,670)	(92,670)
Water	1,211,128	941,155	-	-	-	(269,973)	(269,973)
Total Business-Type Activities	3,336,651	2,974,008	-	-	-	(362,643)	(362,643)
Total Primary Government	<u>\$ 7,855,746</u>	<u>\$ 3,837,652</u>	<u>\$ 170,964</u>	<u>\$ -</u>	<u>(3,484,487)</u>	<u>(362,643)</u>	<u>(3,847,130)</u>
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					2,785,481	303,001	3,088,482
Property taxes, levied for debt service					812,763	-	812,763
Grants and contributions not restricted to specific programs					135,551	-	135,551
Unrestricted investment earnings					13,750	33,700	47,450
Miscellaneous					22,264	72,373	94,637
Transfers					424,459	(424,459)	-
Total general revenues					4,194,268	(15,385)	4,178,883
Change in net position					709,781	(378,028)	331,753
Net position-beginning (restated)					8,535,640	19,383,879	27,919,519
Net position-ending					<u>\$ 9,245,421</u>	<u>\$ 19,005,851</u>	<u>\$ 28,251,272</u>

See accompanying notes to the financial statements.

**TOWN OF SOMERS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015**

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,104,982	\$ -	\$ 149,149	\$ 9,254,131
Receivables				
Property taxes receivables	6,746,764	842,861	32,264	7,621,889
Ambulance fees	182,919	-	-	182,919
Miscellaneous	51,320	-	-	51,320
Customers	89,849	-	-	89,849
Due from other funds	26,226	-	41,507	67,733
Prepaid items	4,440	-	-	4,440
Restricted cash	21,331	-	104,031	125,362
TOTAL ASSETS	\$ 16,227,831	\$ 842,861	\$ 326,951	\$ 17,397,643
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 228,547	\$ -	\$ 7,680	\$ 236,227
Accrued compensation	41,540	-	-	41,540
Due to other governments	12,512,022	-	-	12,512,022
Due to other funds	163,254	494	191,269	355,017
TOTAL LIABILITIES	12,945,363	494	198,949	13,144,806
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax levy	2,750,764	842,861	32,264	3,625,889
TOTAL DEFERRED INFLOWS OF RESOURCES	2,750,764	842,861	32,264	3,625,889
Fund Balances				
Nonspendable				
Prepaid items	4,440	-	-	4,440
Restricted				
Drainage Fund	-	-	143,270	143,270
Park Fund	-	-	60,807	60,807
Impact Fund	-	-	90,610	90,610
Unassigned	527,264	(494)	(198,949)	327,821
TOTAL FUND BALANCES (DEFICIT)	531,704	(494)	95,738	626,948
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 16,227,831	\$ 842,861	\$ 326,951	\$ 17,397,643

See accompanying notes to the financial statements.

TOWN OF SOMERS
Reconciliation of the Governmental Fund Balance Sheet
and the Statement of Net Position
As of December 31, 2015

Fund Balance - Total Governmental Funds	\$ 626,948
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,059,330
Long-term liabilities, including bonds payable, vacation/sick and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	(5,366,579)
Interest expense is not accrued in the governmental funds.	<u>(74,278)</u>
Net Position	<u><u>\$ 9,245,421</u></u>

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,785,481	\$ 812,763	\$ -	\$ 3,598,244
Intergovernmental revenues	321,391	-	-	321,391
Charges for services	437,185	-	-	437,185
Licenses and permits	401,623	-	-	401,623
Fines, forfeits & penalties	9,959	-	-	9,959
Investment income	13,548	-	202	13,750
Miscellaneous income	21,665	-	600	22,265
Total Revenues	<u>3,990,852</u>	<u>812,763</u>	<u>802</u>	<u>4,804,417</u>
EXPENDITURES				
Current				
General government	830,325	-	-	830,325
Public safety	1,646,901	-	-	1,646,901
Public works	537,026	-	1,000	538,026
Solid waste collection	556,431	-	-	556,431
Recreation and leisure	15,991	-	27,790	43,781
Planning and development	40,362	-	131,710	172,072
Capital outlay	31,200	-	-	31,200
Debt service	-	820,713	49	820,762
Total Expenditures	<u>3,658,236</u>	<u>820,713</u>	<u>160,549</u>	<u>4,639,498</u>
Excess (deficiency) of revenues over expenditures	<u>332,616</u>	<u>(7,950)</u>	<u>(159,747)</u>	<u>164,919</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	424,459	-	13,885	438,344
Transfers to other funds	-	(13,885)	-	(13,885)
Total Other Financing Sources (Uses)	<u>424,459</u>	<u>(13,885)</u>	<u>13,885</u>	<u>424,459</u>
Net change in fund balance	757,075	(21,835)	(145,862)	589,378
FUND BALANCES - Beginning of year	<u>(225,371)</u>	<u>21,341</u>	<u>241,600</u>	<u>37,570</u>
FUND BALANCES - END OF YEAR (DEFICIT)	<u>\$ 531,704</u>	<u>\$ (494)</u>	<u>\$ 95,738</u>	<u>\$ 626,948</u>

See accompanying notes to the financial statements.

TOWN OF SOMERS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	589,378
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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. This is the amount by which depreciation (\$598,627) exceeded capital outlay (\$31,200) in the current period.

		(567,427)
--	--	-----------

The net effect of adjusting the pension expense to the actuarially determined amount instead of the cash payments made to the fund.

		146,806
--	--	---------

Bond issues provide current financial resources to governmental funds, but issuing debt increase the long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded debt issued. See Note II B.

		534,098
--	--	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

		<div style="border-top: 1px solid black; display: inline-block;">6,926</div>
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	\$	<div style="border-top: 3px double black; display: inline-block;">709,781</div>
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Change in net position of governmental activities

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2015

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,780,777	\$ 2,780,777	\$ 2,785,481	\$ 4,704
Intergovernmental revenues	320,481	320,481	321,391	910
Charges for services	173,840	173,840	437,185	263,345
Licenses and permits	528,634	528,634	401,623	(127,011)
Fines, forfeits & penalties	1,150	1,150	9,959	8,809
Investment income	7,110	7,110	13,548	6,438
Miscellaneous income	56,930	63,764	21,665	(42,099)
Total revenues	<u>3,868,922</u>	<u>3,875,756</u>	<u>3,990,852</u>	<u>115,096</u>
Expenditures				
General government	887,613	894,447	861,525	32,922
Public safety	1,737,527	1,737,527	1,646,901	90,626
Public works	590,297	590,297	537,026	53,271
Solid waste collection	536,168	536,168	556,431	(20,263)
Recreation and leisure	22,838	22,838	15,991	6,847
Planning and development	53,074	53,074	40,362	12,712
Contingency	41,405	41,405	-	41,405
Total expenditures	<u>3,868,922</u>	<u>3,875,756</u>	<u>3,658,236</u>	<u>217,520</u>
Excess (deficiency) of revenues over expenditures	-	-	332,616	332,616
Other Financing Sources (Uses)				
Transfer in	-	424,459	424,459	-
Total Other Financing Sources (Uses)	-	424,459	424,459	-
Net change in fund balance	-	424,459	757,075	332,616
Fund balances - beginning	<u>(225,371)</u>	<u>(225,371)</u>	<u>(225,371)</u>	<u>-</u>
Fund balances - ending	<u>\$ (225,371)</u>	<u>\$ 199,088</u>	<u>\$ 531,704</u>	<u>\$ 332,616</u>

See accompanying notes to the financial statements.

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**TOWN OF SOMERS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015**

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
ASSETS				
Current assets				
Cash and investments	\$ 244,719	\$ 3,871,699	\$ 515,649	\$ 4,632,067
Accounts receivable	29,752	325,550	117,176	472,478
Tax levy receivable	-	304,469	-	304,469
Delinquent receivable	12,409	161,657	67,689	241,755
Due from other funds - current	28,847	147,365	8,939	185,151
Inventories	-	-	30,563	30,563
Prepaid expenses	14	117	115	246
Total current assets	315,741	4,810,857	740,131	5,866,729
Noncurrent assets				
Due from other funds - noncurrent	497,977	402,827	154,315	1,055,119
Utility plant in service	1,276,015	22,733,819	11,169,683	35,179,517
Machinery and equipment	-	731,467	192,985	924,452
Construction in progress	-	119,679	-	119,679
Intangible assets	-	17,660	4,000	21,660
Accumulated depreciation	(689,982)	(5,223,288)	(2,108,183)	(8,021,453)
Deferred special assessments, net of uncollectible	30,984	147,927	255,118	434,029
Net Pension Asset	3,517	17,586	14,069	35,172
Total noncurrent assets	1,118,511	18,947,677	9,681,987	29,748,175
Total Assets	\$ 1,434,252	\$ 23,758,534	\$ 10,422,118	\$ 35,614,904
DEFERRED OUTFLOW OF RESOURCES				
Related to pension	\$ 3,569	\$ 17,846	\$ 14,277	\$ 35,692

See accompanying notes to the financial statements.

**TOWN OF SOMERS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015**

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
LIABILITIES				
Current liabilities				
Accounts payable	\$ 32,463	\$ 122,227	\$ 77,052	\$ 231,742
Accrued interest	-	146,147	29,975	176,122
Due to other funds - current	-	-	52,182	52,182
Other liabilities	-	-	88,080	88,080
Current portion of long-term debt payable	397	899,345	168,167	1,067,909
Total current liabilities	32,860	1,167,719	415,456	1,616,035
Noncurrent liabilities				
Due to other funds - noncurrent	-	-	900,804	900,804
General obligation debt payable	2,303	8,432,680	5,389,922	13,824,905
Total noncurrent liabilities	2,303	8,432,680	6,290,726	14,725,709
Total Liabilities	35,163	9,600,399	6,706,182	16,341,744
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax levy	-	303,001	-	303,001
Total deferred inflows of resources	-	303,001	-	303,001
NET POSITION				
Net investment in capital assets	586,033	9,060,141	3,708,383	13,354,557
Restricted for pension benefits	7,086	35,432	28,346	70,864
Unrestricted	809,539	4,777,407	(6,516)	5,580,430
Total Net Position	\$ 1,402,658	\$ 13,872,980	\$ 3,730,213	\$ 19,005,851

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
OPERATING REVENUES				
Charges for services	\$ 199,758	\$ 1,833,095	\$ 929,923	\$ 2,962,776
Total operating revenues	199,758	1,833,095	929,923	2,962,776
OPERATING EXPENSES				
Personnel	29,541	178,942	117,167	325,650
Materials and supplies	1,800	58,094	377,441	437,335
Contractual and other services	135,443	594,836	52,438	782,717
Depreciation	25,520	504,043	219,648	749,211
Total operating expense	192,304	1,335,915	766,694	2,294,913
Operating income (loss)	7,454	497,180	163,229	667,863
NON-OPERATING REVENUES (EXPENSES)				
Tax levy for debt service	-	303,001	-	303,001
Investment income	1,228	7,266	11,655	20,149
Amortization	-	(61,830)	(67,492)	(129,322)
Interest and fiscal charges	-	(535,474)	(376,941)	(912,415)
Miscellaneous	-	20	11,233	11,253
Total non-operating revenues (expenses)	1,228	(287,017)	(421,545)	(707,334)
Income (loss) before capital contributions	8,682	210,163	(258,316)	(39,471)
CAPITAL CONTRIBUTIONS and TRANSFERS				
Developer fees	-	-	13,550	13,550
Connection fees	-	31,080	41,270	72,350
Transfer out	-	(424,459)	-	(424,459)
Total contributions	-	(393,379)	54,820	(338,559)
Change in net position	8,682	(183,216)	(203,496)	(378,030)
Total net position at the beginning of year (restated)	1,393,976	14,056,196	3,933,709	19,383,881
Total net position at end of year	\$ 1,402,658	\$ 13,872,980	\$ 3,730,213	\$ 19,005,851

See accompanying notes to the financial statements.

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TOWN OF SOMERS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 201,096	\$ 1,696,693	\$ 976,673	\$ 2,874,462
Paid to suppliers and employees for goods and services	(168,887)	(829,217)	(558,341)	(1,556,445)
Cash Flows from Operating Activities	<u>32,209</u>	<u>867,476</u>	<u>418,332</u>	<u>1,318,017</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tax levy	-	303,001	-	303,001
Miscellaneous income	-	20	223	243
Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>303,021</u>	<u>223</u>	<u>303,244</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES				
Debt retired	-	(5,193,941)	(4,616,382)	(9,810,323)
Interest paid	-	(444,842)	(277,905)	(722,747)
Debt issued	-	7,080,000	4,595,000	11,675,000
Special assessments	-	40,017	53,739	93,756
Capital Contributions	-	31,080	19,820	50,900
Acquisition and construction of capital assets	-	(2,782,720)	(6,991)	(2,789,711)
Cash Flows from Capital and Financing Activities	<u>-</u>	<u>(1,270,406)</u>	<u>(232,719)</u>	<u>(1,503,125)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Transfer out to General Fund	-	(424,459)	-	(424,459)
Deposits from restricted cash	-	3,130,022	-	3,130,022
Interfund loans payments received (paid)	28,798	39,296	(45,348)	22,746
Interest income	1,228	7,266	14,789	23,283
Cash Flows from Investing Activities	<u>30,026</u>	<u>2,752,125</u>	<u>(30,559)</u>	<u>2,751,592</u>
Net Change in Cash and Cash Equivalents	62,235	2,652,216	155,277	2,869,728
Cash and Cash Equivalents - Beginning of Year	<u>182,484</u>	<u>1,219,483</u>	<u>360,372</u>	<u>1,762,339</u>

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
Cash and Cash Equivalents - End of Year	<u>\$ 244,719</u>	<u>\$ 3,871,699</u>	<u>\$ 515,649</u>	<u>\$ 4,632,067</u>
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	7,454	497,180	163,229	\$ 667,863
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation expense	25,520	504,043	219,648	749,211
Changes in assets and liabilities:				
Accounts receivable	1,338	(12,372)	46,750	35,716
Due to other funds	-	(124,030)	-	(124,030)
Prepaid items		1,761	688	2,449
Accounts payable	-	4,640	(12,155)	(7,515)
Wages payable	(2,103)	(3,746)	172	(5,677)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 32,209</u>	<u>\$ 867,476</u>	<u>\$ 418,332</u>	<u>\$ 1,318,017</u>

See accompanying notes to the financial statements.

Town of Somers
Notes to the Financial Statements
December 31, 2015

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Town of Somers
Notes to the Financial Statements
December 31, 2015

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Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Somers, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

The Town of Somers was formed in 1843. The Town is governed by a five-member Town Board, each of which is elected to a two-year staggered term. The Town provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation, sewerage treatment and waterworks.

A. REPORTING ENTITY

This report includes all of the funds of the Town. The reporting entity for the Town consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents, (2) the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization, (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to or has the ability to otherwise access are significant to that primary government. This report does not contain any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Town 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, 2014. In 2015, the Town implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. This statement improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently does have an asset that qualifies for reporting in this category which is the amount related to pension benefits and the difference between the amount paid to the fund and the actuarially determined value.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The Town also has an additional type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, special assessments. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 or segment.

Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which, are considered to be separate accounting entities. Each fund is accounted for by providing a

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental, proprietary, and fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the Town believes is particularly important to financial statement users may be reported as a major fund.

The Town reports the following major governmental funds:

Major Governmental Funds

- General Fund – accounts for the Town's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise debt.

The Town reports the following major enterprise funds:

Major Enterprise Funds

- Utility District #1 – accounts for the sewer operations of the Town.
- Somers Water Utility – accounts for water operations of the Town.
- K.R. Utility District – accounts for the sewer operations of the Town.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

The Town reports the following non-major governmental and enterprise funds:

Non-Major Governmental Funds

- Capital Projects Fund - accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds accounts for resources legally restricted to supporting expenditures for capital projects. These funds are:

Tax Incremental District #1 Capital Projects

- Special Revenue Funds – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds are:

Park Improvement

Drainage

Impact Fees

Non-Major Enterprise Funds

- The Town has no non-major enterprise funds.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

The revenues susceptible to accrual are franchise taxes, ambulance services, and interest income. All other Governmental Fund type revenues are recognized when received.

Property taxes are recorded in the year levied as receivables and deferred inflows of resources. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the Town is entitled to the resources and the amounts are available. Amounts owed to the Town which are not available are recorded as receivables and unearned revenue. Amounts received prior to the entitlement period are also recorded as unearned revenue.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in the future years are reflected as receivables and deferred inflows of resources. Delinquent special assessments being held for collection by the Town are reported as receivables and nonspendable fund balance in the General Fund.

Licenses and permits, fines, forfeitures and penalties, public charges for services and commercial revenues (except investment earnings), are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings and mobile home fees are recorded as earned since they are measurable and available.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(continued)

Fund Financial Statements (continued)

The Town reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements, unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Town has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Both the Tax Incremental Financing District No. 1 (TID #1) and Tax Incremental Financing District No. 2 (TID #2) were created in 2015 under the provisions of Wisconsin Statute Section 66.1105. The purpose of that section is to allow a municipality to recover development and improvements costs in a designated area from the property taxes generated on the increased value of the property after the creation date of the district. That tax on the increased value is called a tax increment. Project costs may not be incurred longer than 5 years prior to the termination date of the district. The statutes allow the municipality to collect tax increments until the net project cost has been fully recovered, or maximum life based on the resolution date and type of District, whichever occurs first. Project costs uncollected at the dissolution date are absorbed by the municipality.

For TID #1, the equalized value of the increment of existing tax incremental districts within Somers, plus the base value of the TID #1, totals \$476,300 and it has been declared to be an Industrial District. The plan assumes that development will increase this value to between \$75 million and \$150 million over the span of the project. The project costs for TID#1 are estimated to be \$12,597,000.

For TID #2, the equalized value of the increment of existing tax incremental districts within Somers, plus the base value of the TIF #2, totals \$3,665,400 and it has been declared to be a mixed-use development. The plan assumes that development will increase this value to approximately \$57.5 million over the span of the project. The project costs for TID#2 are estimated to be \$9.5 million.

The Proprietary Fund types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned or able to be calculated, including unbilled water and sewer services which are accrued. Expenses are recorded at the time liabilities are incurred.

The proprietary funds have elected to follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989. The 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 proprietary funds

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION
(continued)

Fund Financial Statements (continued)

are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the Town considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Wisconsin Statutes restrict the investments of the Town to:

- Time deposits in financial institutions
- Securities issued or guaranteed by the Federal governments
- Municipal obligations of Wisconsin entities
- State of Wisconsin Local Government Pooled Investment Fund
- Repurchase agreements which are secured by securities issued or guaranteed by the Federal government
- Securities maturing in seven years or less and having the highest or second highest rating category of nationally recognized rating agency
- Securities of open-end management investment companies or investment trusts if the portfolio is limited to specified securities

No significant violations of these restrictions occurred during the year.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)***1. Deposits and Investments*** (continued)

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

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, 2015, the fair value of the Town's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

2. Receivables

Wisconsin cities, villages and towns are charged with the responsibility of assessing taxable property and collecting taxes and making distributions to counties, school districts and other public bodies, including sanitary districts. All assessments are made as of January 1st.

Taxes on real and personal property are levied in December of each year by the Town of Somers in the amounts that when collected in the ensuing year, along with revenues, are sufficient to cover operating expenses, debt service and other expenditures of the Town. The Town's taxpayers have two options for the payment of their real estate taxes. One option is to pay the total amount of taxes due by January 31st. The other option is to utilize an installment plan whereby one-half of real estate taxes plus total special assessments must be paid by January 31st. The second and final payment must be made not later than July 31st. Taxes unpaid by July 31st become delinquent and are turned over to the county for collection. Personal property taxes are due on or before January 31st.

Initially, all taxes are collected by city, village and town treasurers who then make settlements with counties, school districts and other public bodies including sanitary districts. Kenosha County settles with the Town for all real estate taxes due and payable by January 31st. The Town receives a portion of their real estate levy in February, except for the amount of taxes that have been postponed for payment in July. These postponed taxes are paid to Kenosha County no later than July 31st and the Town receives these funds in August.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

2. Receivables (continued)

The Town has the right under the Wisconsin Statutes to place delinquent water and sewer bills on the tax rolls for collection. No allowance for uncollectible accounts is considered necessary at year end.

Property tax calendar - 2015 tax roll:

Lien date and levy date	December 2015
Tax bills mailed	December 2015
(1) Payment in full, or	
First installment due	January 31, 2016
Second installment due	July 31, 2016
(2) Personal property taxes in full	January 31, 2016
Tax settlement with Town:	
First settlement	January 15, 2016
Second settlement	February 20, 2016
Final settlement	August 15, 2016

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds”. Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

3. Inventories and Prepaid Items

Inventories are generally used for construction and the operation and maintenance work and not for resale. They are valued at lower of cost or market based on average prices and charged to construction, operation and maintenance expense when used.

Prepaid balances are for the payments made by the Town in the current year to provide services occurring in the subsequent fiscal year, and the reserve to prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

4. Restricted Assets

The General Fund has restricted assets in the amount of \$21,331 on December 31, 2015. These funds are to be used for costs that arise after the land has been developed.

Special Revenue Funds were established to account for impact fees, as required by state statutes, in order to provide funds which may be necessary to pay for capital costs that are required to accommodate land development. At year end, the restricted cash amount in the Drainage Fund was \$43,631 and in the Impact Fund that amount was \$28,290.

A third Special Revenue Fund was established called the Park Fund which also accumulated impact fees. They were established, by contract between the Town and the developer, to provide funds necessary to pay for the engineering, construction and legal fees during land development. At year end, this amount was \$32,110 which is reported in the Park Fund.

5. Capital Assets

Government-Wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and infrastructure assets, and an estimated useful life based on the asset type. All capital assets are valued at historical cost, or estimated historical cost, if actual amounts are unavailable based on the records of the Town. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50-100 Years
Land Improvements	20 Years
Machinery and Equipment	5-40 Years
Infrastructure	20-50 Years

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)***5. Capital Assets (continued)******Fund Financial Statements***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue.

7. Compensated Absences

Under terms of employment, employees are granted sick leave/casual days and vacation days in varying amounts. Seventy-five percent of all unused accumulated sick leave/casual days will be paid to the employee upon termination of employment with the Town, up to a maximum of 90 days and/or 720 hours. No more than 90 days of sick leave/casual days may be accumulated. Vacation days can be carried over into the next year and must be used within the first quarter of the following year. For employees represented under a contract, vacation benefits are subject to the terms of the Collective Bargaining Agreement.

Vacation and casual days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources.

Accumulated liabilities at December 31, 2015 are determined on the basis of current salary rates and salary-related payments.

8. Long-Term Obligations/Conduit Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable as well as other postemployment benefits and vested vacation and sick days.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)

8. Long-Term Obligations/Conduit Debt (continued)

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources. The payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the balance sheet.

The Town does not engage in conduit debt transactions.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured.

Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. See Note V. C. on commitments and contingencies.

10. Equity Classifications

Government-Wide Financial Statements

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

- a. Net investment in capital assets – includes the Town's capital assets (net of accumulated depreciation) reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – includes assets that have third party (statutory, bond covenant, or granting agency) limitations on their use. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)***10. Equity Classifications (continued)******Government-Wide Financial Statements (continued)***

- c. Unrestricted net position – typically includes unrestricted liquid assets. The Town has the authority to revisit or alter this designation.

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.

Fund Financial Statements

Governmental fund equity is classified as fund balance. GASB 54 requires the fund balance amounts to be reported in the following categories:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form, or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for the specific purposed stipulated by constitution, external resource providers, or through enabling legislation.
- c. Committed – Amounts that can be used only for the specific purposed determined by a formal action or resolution of the Board of Trustees (the Town's highest level of decision-making authority).
- d. Assigned – Amounts that are intended to be used for a particular purpose expressed by the Board or other authorized committee or individual.
- e. Unassigned – All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

11. Use of Estimates

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

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities applicable to the Town’s governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities.” All liabilities, both current and long-term, are reported in the statement of net position. Following are details of these differences:

Bonds and notes payable December 31, 2014	\$ (6,523,109)
Unamortized debt discount and issue costs (net change)	(1,094)
Vacation/sick day accrual	(38,668)
Other postemployment benefits (OPEB)	(15,348)
Net pension benefits	637,780
Principal retirements	<u>573,860</u>
Combined adjustment for long-term liabilities	<u>\$ (5,366,579)</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation states that “bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.” Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. This is the amount by which repayments exceeded debt issued.

Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$534,098 difference are as follows:

Vacation/Sick day accrual	(38,668)
Amortization of bond costs	(1,094)
Principal repayments – General Obligation debt	<u>573,860</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 534,098</u>
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NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

As set forth in the Town's Charter, the Town Board adopts an annual budget prepared in accordance with the basis of accounting utilized by the fund. The summary budget, notice of the place where the budget in detail is available for public inspection and notice of the time and place for holding the public hearing thereon, must be published in the Town fifteen days prior to the time of the public hearing. Not less than fifteen days after the publication of the proposed budget and the notice of hearing thereon, a public hearing must be held at the time and place stipulated at which any resident or taxpayer of the Town shall have an opportunity to be heard on the proposed budget. The amount of tax to be levied or certified, the amounts of the appropriations and the purposes for such appropriations stated in the budget may not be changed unless authorized by a vote of two-thirds of the entire membership of the Town Board.

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.

A budget has been adopted for the general fund, special revenue funds, debt service fund, and capital projects funds and comparisons of actual to budget for the general fund is presented in the general purpose financial statements. Budgetary comparisons are not required for proprietary funds.

The budgeted amounts presented include any amendments made. Board approvals are required to transfer budgeted amounts within departments, between departments, or changes to the overall budget.

Appropriations lapse at year-end unless specifically carried over.

B. GOVERNMENTAL FUNDS - EXCESS EXPENDITURES OVER APPROPRIATIONS

The Town controls expenditures at the appropriation unit level. The detail of those items can be found in the Town's year end budget to actual report. In 2015, the waste collection appropriation unit experienced excess expenditures. This occurred because the Town changed to a different vendor with lower rates but the volume count had not been accurate in the past. The number of households was higher than billed in the past.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. The following funds have deficit fund balances as of December 31, 2015.

<u>Fund</u>	<u>Deficit Balance</u>	<u>Reason</u>
Debt Service	\$ 494	The budgeted amount was estimated slightly less than the actual to produce an immaterial deficit.
Capital Projects Fund	\$ 67,239	Necessary items were purchased that were not budgeted for in prior years.
TIF District	\$131,710	TIF District deficits are anticipated to be funded with future incremental taxes levied over the life of the district.

D. LIMITATIONS ON THE TOWN'S TAX LEVY RATE AND ITS ABILITY TO ISSUE NEW DEBT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2015 and 2016 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2015 budget was 0.126%. The actual limit for the Town for the 2016 budget was 0.692%. 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. The Town is in compliance with the limitation.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Cash and cash equivalents balances as disclosed on the accompanying financial statements are comprised of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash	\$ 1,383	\$ -	\$ 1,383
Demand deposits			
Interest bearing	13,826,917	-	13,826,917
Non-interest bearing	15,885	-	15,885
Other cash	<u>42,013</u>	<u>125,362</u>	<u>167,375</u>
Total cash and cash equivalents	<u>\$ 13,886,198</u>	<u>\$ 125,362</u>	<u>\$ 14,011,560</u>

Per statement of net position - cash and cash equivalents	\$ 13,886,198
Per statement of net position - restricted cash	<u>125,362</u>
	<u>\$ 14,011,560</u>

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 the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-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 the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount 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.

Deposits in the local government investment pool (LGIP) are pooled along with the deposits of all of the LGIP participants. The balance in the LGIP represents a pro-rated share of the total investments in the LGIP portfolio, meaning that the LGIP balance is insured to the same extent that the entire LGIP portfolio is insured. As of December 31, 2015, 96.54% was invested in various US Government investments which are backed by the federal government and not insured; and 3.46% was invested in various certificates of deposits and bankers acceptance notes which are guaranteed by the state deposit guarantee fund up to their insurance limitations.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in uninsured balances during the year significantly exceeding uninsured amounts at year end.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

The Town maintains cash deposits within the LGIP. The deposit and investment balances of the various fund types on December 31, 2015 were as follows:

Local Government Investment Pool	
General Fund	\$ 24,354
Park Fund	32,110
Somers Market	21,331
Drainage	43,631
Impact Fund	28,290
Utility District #1	5,942
Water Fund	11,717
	<u>\$ 167,375</u>

The Town has not formally adopted a deposit and investment policy but follows the requirements of the Wisconsin State statutes.

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian holding the Town's deposits, the deposits may not be returned.

At December 31, 2015, the reported amount of the Town's deposits, including LGIP, was \$14,011,560 and the bank and LGIP balance was \$13,109,804. Of this balance, \$11,398,618 was not covered by federal depository insurance or by the Wisconsin insurance program. In addition, the Town maintained petty cash funds in the amount of \$1,383.

Investments

The Town has no investments.

B. RECEIVABLES

Revenues of the Town are reported net of uncollectible amounts. Total uncollectible amounts related to receivables of the governmental funds for the current period are \$70,000.

In the Water Fund, the deferred special assessments are recorded net of the uncollectible amount of \$255,118.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

The valuation of the Town's fixed assets of the governmental funds is based on historical costs and an inventory done by the staff. The additions column represents the new assets in 2015. The deletions column represents the assets that were discarded in 2015. Capital asset valuation for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Governmental Activities			
Capital Assets not being depreciated:			
Land	\$ 216,294	\$ -	\$ 216,294
Land Improvements	4,129,471	-	4,129,471
Total Capital Assets not being depreciated	4,345,765	-	4,345,765
Other Capital Assets:			
Land Improvements	221,053	-	221,053
Buildings	6,025,568	-	6,025,568
Machinery & Equipment	4,004,046	31,200	4,035,246
Infrastructure	12,486,410	-	12,486,410
Total Other Capital Assets at Historical Cost	22,737,077	31,200	22,768,277
Less: Accumulated Depreciation	(12,456,085)	(598,627)	(13,054,712)
Net Total Other Capital Assets	10,280,992	(567,427)	9,713,565
Net Total Government Activities Capital Assets	<u>\$ 14,626,757</u>	<u>\$ (567,427)</u>	<u>\$ 14,059,330</u>

Depreciation expense was charged to functions as follows:

Governmental Activities

General Government	\$ 48,675
Public Safety	152,250
Public Works	390,185
Leisure Activities	7,517
Total Governmental Activities - Depreciation Expense	<u>\$ 598,627</u>

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business - Type Activities				
Capital Assets not being depreciated:				
Intangible Asset - Easement	\$ 13,650	\$ 8,010	\$ -	\$ 21,660
Construction in Progress	<u>110,560</u>	<u>9,119</u>	<u>-</u>	<u>119,679</u>
Total Capital Assets not being depreciated	124,210	17,129	-	141,339
Other Capital Assets:				
Utility Plant in Service	32,367,308	2,825,244	(13,035)	35,179,517
Machinery & Equipment	<u>924,452</u>	<u>-</u>	<u>-</u>	<u>924,452</u>
Total Other Capital Assets at Historical Cost	33,291,760	2,825,244	(13,035)	36,103,969
Less: Accumulated Depreciation	<u>(7,285,277)</u>	<u>(749,211)</u>	<u>13,035</u>	<u>(8,021,453)</u>
Net Total Other Capital Assets	26,006,483	2,076,033	-	28,082,516
Net Total Business - Type Activities Capital Assets	<u>\$ 26,130,693</u>	<u>\$ 2,093,162</u>	<u>\$ -</u>	<u>\$ 28,223,855</u>

Depreciation expense was charged to functions as follows:

Business - Type Activities

Utility District #1	\$ 504,043
Somers Water Utility	219,648
K.R. Utility District	25,520
Total Business - Type Activities Depreciation Expense	<u>\$ 749,211</u>

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund		\$ 26,226
	Debt Service	(494)
	Capital Fund	(25,732)
Utility District #1		\$ 124,030
	TIF District	(124,030)

This interfund receivable is to cover negative cash in the different funds. The balance resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The interfund balances shown below reflect long term loans formalized between the funds due to major projects completed in prior years not funded by external debt and reallocation of external debt between the funds.

Receivable Fund	Payable Fund	Amount	Annual Payment	Terms	Year of Maturity
Water Fund	General Fund	\$ 163,254	\$ 9,217	20 years at .17%	2033
Utility District #1	Water Fund	\$ 426,162	\$24,060	20 years at .17%	2033
K.R. Utility District	Water Fund	\$ 526,824	\$29,743	20 years at .17%	2033
Impact Fund	Capital Projects	\$ 41,507	\$13,836	5 years at .09%	2018

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Town had the following transfers for 2015:

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

Transfer To	Transfer From	In	Out	Reason
Capital Projects	Debt Service	\$ 13,885	\$ 13,885	To give Capital projects funds to make payment on 47th Ave. loan.
General Fund	Utility District #1	\$ 424,459	\$ 424,459	To transfer the present value savings of the refunding of certain bonds.

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable:					
General Obligation Bond	\$ 6,200,000	\$ -	\$ 525,000	\$ 5,675,000	\$ 555,000
Promissory Note	21,830	-	7,063	14,767	7,276
Promissory Note	22,388	-	10,993	11,395	11,547
Promissory Note	68,740	-	26,887	41,853	27,694
Capital Leases	9,733	-	3,917	5,816	4,294
Add/(Subtract) Deferred Amounts For:					
(Discounts)/Premiums	(3,117)	-	(1,094)	(2,023)	
Total Bonds and Notes Payable	6,319,574	-	572,765	5,746,808	605,811
Other Liabilities					
Post Retirement Benefits	-	15,348	-	15,348	-
Vested Vacation and Sick Days	203,535	38,668	-	242,203	80,680
Total Other Liabilities	203,535	54,016	-	257,551	80,680
Total Governmental Activities- Long-Term Liabilities	\$ 6,523,109	\$ 54,016	\$ 572,765	\$ 6,004,359	\$ 686,491

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
Bonds and Notes Payable:					
General Obligation Bond	\$ 12,595,000	\$ 9,175,000	\$ 9,805,000	\$ 11,965,000	\$ 910,000
Capital Leases	188,041	-	22,578	165,463	23,516
Promissory Note	58,408	-	26,395	32,013	27,335
State Trust Fund Loan	-	2,500,000	-	2,500,000	103,396
Add/(Subtract) Deferred Amounts For:					
(Discouts)	(61,531)	397,675	129,322.00	206,822	
Total Bonds and Notes Payable	12,779,918	12,072,675	9,983,295	14,869,298	1,064,246
Other Liabilities					
Post Retirement Benefits	-	2,708	-	2,708	-
Vested Vacation and Sick Days	16,360	4,448	-	20,808	3,663
Total Other Liabilities	16,360	7,156	-	23,516	3,663
Total Business-Type Activities-					
Long-Term Liabilities	<u>\$ 12,796,278</u>	<u>\$12,079,831</u>	<u>\$ 9,983,295</u>	<u>\$ 14,892,814</u>	<u>\$ 1,067,909</u>

GENERAL OBLIGATION DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the Town. Notes and bonds in the governmental funds will be retired by future property tax levies accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Town may not exceed five percent of the equalized value of taxable property within the Town's jurisdiction. The debt limit as of December 31, 2015, was \$35,991,255. Total general obligation debt outstanding at year end was \$20,411,307.

See Note V. D. for more information on the debt of the Town.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2015</u>
<u>Governmental Activities - General Obligation Debt</u>					
General Obligation Promissory Note	2008	2023	3.50 - 4.40%	\$ 5,150,000	\$ 3,950,000
General Obligation Refunding Bond	2011	2026	2.00 - 4.00%	2,465,000	1,725,000
Promissory Note	2011	2016	2.95%	53,398	11,395
Promissory Note	2012	2017	2.95%	35,342	14,767
Promissory Note	2014	2017	2.95%	81,898	41,853
Capital Lease	2014	2017	0.77%	12,246	<u>5,816</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 5,748,831</u>
<u>Business Type Activities - General Obligation Debt</u>					
General Obligation Promissory Note	2006	2018	3.75 - 4.00%	\$ 9,145,000	\$ 1,360,000
General Obligation Promissory Note	2007	2018	3.75 - 4.10%	6,230,000	830,000
General Obligation Promissory Note	2007	2017	3.5 - 3.85%	2,235,000	600,000
General Obligation Refunding Bond	2015	2027	2.00 - 3.50%	9,175,000	9,175,000
State Trust Fund Loan	2015	2035	3.75%	2,500,000	2,500,000
Promissory Note	2011	2016	2.95%	106,795	22,790
Promissory Note	2012	2017	2.95%	22,070	9,222
Capital Lease	2012	2022	3.63%	219,986	161,587
Capital Lease	2014	2017	0.77%	8,164	<u>3,876</u>
Total Business Type Activities - General Obligation Debt					<u>\$ 14,662,476</u>
				Total Debt	<u><u>\$ 20,411,307</u></u>

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2016	605,811	219,206	1,064,246	453,424
2017	588,020	197,688	1,091,091	446,976
2018	625,000	175,520	1,114,324	406,263
2019	675,000	151,670	1,148,591	348,622
2020	660,000	126,570	1,152,799	313,514
2021-2025	2,460,000	242,396	6,019,539	1,019,407
2026-2030	135,000	2,700	2,271,189	271,281
2031-2035	-	-	800,885	92,379
	<u>\$ 5,748,831</u>	<u>\$ 1,115,750</u>	<u>\$ 14,662,664</u>	<u>\$ 3,351,866</u>

Capital Leases

Refer to Note IV G. The Town has two capital leases which are included in the above schedule.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The Town believes it is in compliance with all significant limitations and restrictions.

Advance Refunding

On November 19, 2015, Somers issued \$9,175,000 in general obligation bonds with an average interest rate of 2.75% to partially advance refund \$8,985,000 of outstanding principal with an average interest rate of 3.93%. The net proceeds of \$9,396,349 (after payment of \$85,857 for discount, underwriting fees, insurance and other issuance costs) were used to establish an escrow account which will pay a portion of the interest payments due on the bonds through November 1, 2015 (call date). The escrow account will also pay the 2019 through 2027 maturities

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

Advance Refunding (continued)

of the bonds on the call date. As a result, the general obligation bonds in the amount of \$8,985,000 are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the prior bond were \$14,175,650 from 2016 through 2027. The cash flow requirements on the refunding bonds are \$13,580,791 from 2016 through 2027. The advance refunding resulted in an economic gain of \$424,459 (present value dollars).

Defeasance of Debt

In 2015, Somers defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in Somer's financial statements. At December 31, 2015, the call date of the bond held in escrow and amounts of bonds outstanding and considered defeased are as follows:

<u>Call Date</u>	<u>Balance at 12/31/15</u>
11/01/2016	\$ 8,895,000

F. RESTRICTED ASSETS

The Restricted Assets at December 31, 2015 consisted of cash and cash equivalents as follows:

General Fund	\$ 21,331
Special Revenue Funds	
Drainage	\$ 43,631
Park	32,110
Impact	<u>28,290</u>
Total Special Revenue Funds	<u>\$ 104,031</u>
Total Restricted Assets	\$ <u>125,362</u>

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. LEASE DISCLOSURES

Lessor – Operating Leases

The Town entered into a new operating lease for a copier in 2013. The minimum term for the operating lease is 48 months and monthly minimum payments are \$225.

Capital Leases – Lessee/Lessor

The Town entered into a lease-purchase agreement on November 30, 2012 for a customized truck for use by Utility District #1 in the amount of \$319,986 with a down payment of \$100,000 in 2012. The lease amount of \$219,986 began accruing interest on that date at 3.63% maturing on October 31, 2022. The vehicle was delivered in April, 2013 and depreciation began in 2013. The lease has been accrued as a long term liability in the UD#1 Fund at December 31, 2012. The lease payments have been included in the schedule of debt service requirements in Note E. above and are shown separately below with the depreciation schedule of the truck.

	<u>Utility District #1</u>
Asset	
Machinery and Equipment	\$ 319,986
Less: Accumulated depreciation	<u>79,997</u>
Net Machinery and Equipment	<u><u>\$ 239,989</u></u>

Future Lease Payments

	<u>Principal</u>	<u>Interest</u>
2016	20,674	5,673
2017	21,431	4,917
2018	22,215	4,133
2019	23,027	3,320
2020	23,870	2,478
2021-2022	<u>50,370</u>	<u>2,304</u>
	<u><u>\$ 161,587</u></u>	<u><u>\$ 22,825</u></u>

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. LEASE DISCLOSURES (continued)

The Town entered into a lease-purchase agreement on May 14, 2015 for a computer server for use by all departments in the amount of \$20,410.95 with a security deposit of \$645.87. The monthly lease payments have an interest rate of 0.77% maturing on May 5, 2017.

	Utility District #1	Water	General Fund	Total
Asset				
Machinery and Equipment	\$ 5,103	\$ 3,061	\$ 12,246	\$ 20,410
Less: Accumulated depreciation	(1,531)	(818)	(4,898)	(7,247)
Net Machinery and Equipment	<u>\$ 3,572</u>	<u>\$ 2,243</u>	<u>\$ 7,348</u>	<u>\$ 13,163</u>

Future payments on the server lease are shown below.

	Utility District #1		Water		General Fund		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	1,789	148	1,073	89	4,294	356	7,156	593
2017	634	12	380	7	1,521	29	2,535	48
	<u>\$ 2,423</u>	<u>\$ 160</u>	<u>\$ 1,453</u>	<u>\$ 96</u>	<u>\$ 5,815</u>	<u>\$ 385</u>	<u>\$ 9,691</u>	<u>\$ 641</u>

H. GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at December 31, 2015 includes the following:

GOVERNMENTAL ACTIVITIES

Net Investment in Capital Assets	
Land and construction in progress	\$ 4,345,765
Other capital assets, net of accumulated depreciation	9,685,485
Less: related long-term debt outstanding	
(net of unspent proceeds of debt and vacation accrual)	<u>(5,746,808)</u>
Total Investment in Capital Assets	8,284,442
Restricted for pension benefits	<u>637,779</u>
Unrestricted (deficit)	<u>(26,108)</u>
Total Governmental Activities Net Position	<u>\$ 8,896,113</u>

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. GOVERNMENTAL ACTIVITIES NET POSITION (continued)

Governmental fund balances reported on the fund financial statements at December 31, 2015 include the following:

Nonspendable

Major Fund	
General Fund, prepaid expenses	\$ 4,440
Total Nonspendable	<u>\$ 4,440</u>

Restricted

Nonmajor Funds	
Special Revenue Funds	
Drainage Fund – used only for drainage purposes	\$ 143,270
Park Fund – used only for park purposes	60,807
Impact Fund – used only for impact related purposes	<u>90,610</u>
Total Special Revenue	<u>\$ 294,687</u>
 Total Restricted	 <u>\$ 294,687</u>

Unassigned

Major Fund	
General Fund, undesignated funds	\$ 527,264
Debt Service	<u>(494)</u>
Total Unassigned - Major funds	<u>\$ 526,770</u>
 Non-major Funds	
Capital Service – used only for capital projects	\$ (67,239)
Tax Incremental Fund	<u>(131,710)</u>
Total Unassigned - Non-major funds	<u>(198,949)</u>
 Total Unassigned	 <u>\$ 327,821</u>

I. RESTATEMENT OF NET POSITION

The proprietary funds and the governmental activities beginning net positions needed to be restated because of the implementation of GASB 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement NO. 27* and GASB 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The amounts below would have been recorded as income in the prior year had the statement been allowed to be implemented. Restating the beginning net positions is part of the cumulative effect of change in accounting principle.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

I. RESTATEMENT OF NET POSITION (continued)

	Governmental Activities	K.R. Utility District	Utility District #1	Water Fund	Total Business- type
Net Position - December 31, 2014 (as reported)	\$ 8,060,014	\$ 1,389,799	\$13,402,676	\$ 3,859,917	\$ 18,652,392
Add: Effects of GASB 68 - Pension	490,974	5,455	27,276	21,821	54,552
Less: Effects of GASB 45 - OPEB	(15,348)	(387)	(1,290)	(1,032)	(2,709)
Net Position - January 1, 2015 (as restated)	<u>\$ 8,535,640</u>	<u>\$ 1,394,867</u>	<u>\$13,428,662</u>	<u>\$ 3,880,706</u>	<u>\$ 18,704,235</u>

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability (on expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting. 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 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings are the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$115,376 in contributions from the employer

Contribution rates as of December 31, 2015 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2014, the Town reported a liability (asset) of (\$320,298) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability (asset) was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Town's proportion was 0.01304000%, which was a decrease of 0.00079707% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2014 the Town recognized pension expense of \$129,291.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,433	\$0 -
Net differences between projected and actual earnings on pension plan investments	155,104	0 -
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,702	0 -
Employer contributions subsequent to the measurement date	151,682	0 -
Total	\$ 356,921	0 -

\$151,682 reported as deferred outflows related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflow of Resources	Deferred Inflows of Resources
2015	\$ 42,573	\$0 -
2016	42,573	0 -
2017	42,573	0 -
2018	42,573	0 -
2019	42,573	0 -
Thereafter	4,462	0 -

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset):	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7	23%
Fixed Income	1.7	36%
Inflation Sensitive Assets	2.3	20%
Real Estate	4.2	7%
Private Equity/Debt	6.9	7%
Multi-Asset	3.9	6%
Cash	0.9%	-20%

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
The Town's proportionate share of the net pension liability (asset)	\$903,616	\$(320,298)	\$(1,286,896)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

B. OTHER POSTEMPLOYMENT BENEFITS (OPEB)***Plan Descriptions and Contribution Information***

As a special benefit to certain retirees and certain non-represented employees of the Town, identified by name in the employee manual, the Town pays a portion of their health insurance premiums for continued coverage under the then-existing Town group health insurance plan following retirement and until eligibility for Medicare insurance. Alternatively, retirees who have become eligible for Medicare supplemental insurance, may be entitled to payments of a portion of their Medicare supplemental health insurance premiums based upon a pre-determined and approved schedule also available in the employee manual. The partial premium payments are for the retiree only and do not include family or spousal coverage. As related to OPEB, retirees are defined as non-represented employees who were eligible for health insurance coverage from the Town for a period of not less than five (5) years prior to retirement and who have retired from such employment with the Town in good standing. No benefit is available for any retiree who was not a full-time, non-represented employee of the Town on or before January 1, 2011. The plan is administered by the Town and does not issue a standalone financial report.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

B. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Funding Policy

The Town contribution is based on actual pay-as-you-go expenditures. Premium payments are made as a reimbursement of eligible costs directly to the retiree according to the details set forth in the employee manual. This manual, and the post-employment benefits offered have been established and can be amended by the Somers Town Board.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the alternative measurement method determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation at the end of the year:

	<u>12/31/2015</u>
Annual Required Contribution	\$ 27,111
Interest on net OPEB	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (expense)	<u>\$ 27,111</u>
Contributions made	<u>(9,055)</u>
Change in net OPEB Obligation	<u>\$ 18,056</u>
 OPEB Obligation - Beginning of Year	 -
OPEB Obligation - End of Year	<u><u>\$ 18,056</u></u>

The increase in the net OPEB obligation of \$18,056 was allocated to the Town's functions as follows:

General Government	\$ 7,867
Public Works	1,290
Public Safety	5,159
Planning & Development	1,032
K.R. Utility District	387
Utility District #1	1,290
Somers Water Utility	<u>1,031</u>
	<u><u>\$ 18,056</u></u>

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

B. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 was as follows:

Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Annual OPEB Cost Contributed	% of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 27,111	\$ 27,111	\$ 9,055	33.40%	\$ 18,056

The funded status of the plan as of December 31, 2015, the most recent valuation date, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a] / c)
12/31/2015	-	\$ 317,117	\$ 317,117	0.0%	\$ 289,521	109.5%

Examples include assumptions about future employment, mortality, and the healthcare cost trend. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The Town generated an OPEB financial report with a valuation date of December 31, 2015 through GASB help website, a service of the actuarial firm, Milliman, Inc. In this valuation, the entry age actuarial cost method was used. While the Town adopted the current employee manual providing these other post-employment benefits with an effective date of January 1, 2011, this is the first year that the Town has implemented a valuation and reporting of OPEB in accordance with government accounting standards board statement 45, and so there is no historical data to represent.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

B. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The Town has not established a separate, irrevocable trust to fund the annual OPEB cost. As a result, actuarial assumptions included a 2.5 percent interest discount rate compounded annually based on the Town's long term expectations of returns on its own investments, and an annual healthcare cost trend rate of 8.0 percent per annum for 2015. In addition, the actuarial valuation calculated the liability estimates using actuarial assumptions related to claim costs, premium rates, annual trends in the utilization and cost of medical care, eligibility of Medicare, participation rates, termination rates, retirement rates, disability rates, and mortality based on information provided by the Town. The participant data as of December 31, 2015 was used in the development of the ARC consisted of four (4) active employees and three (3) retirees with the average age of 61 years.

C. RISK MANAGEMENT

The Town of Somers is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Town of Somers to purchase commercial insurance for the risks of losses to which it is exposed.

D. COMMITMENTS AND CONTINGENCIES

From time to time, the Town is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Town's Attorney 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.

Funding for the operating budget of the Town comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the Town. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Town.

NOTE V – OTHER INFORMATION (continued)

E. INTERGOVERNMENTAL AGREEMENT BETWEEN TOWN OF SOMERS AND VILLAGE OF SOMERS

On April 24th, 2015, the Secretary of State for the State of Wisconsin issued an incorporation certificate, recognizing the Village of Somers (Village) as an independent Wisconsin municipality consisting of lands that were formerly located in the Town of Somers (Town).

The Town provided municipal services to the property owners and residents of the Town prior to the incorporation of the Village and in order to continue the adequate provision of services on a cost-effective basis, the Town and Village entered into an agreement whereby the Village will provide the majority or all municipal services for the benefit of the Town and Village, and the Town and Village will share the costs of these services in accordance with the proportions and other terms listed below.

The Town and Village of Somers did annex a portion of the "Remnant Town" into the Village, leaving the remaining "B" area to be annexed by the City of Kenosha as a result of a boundary agreement between the Town of Somers and the City of Kenosha.

Wisconsin statute §66.0235 requires the Town and Village to apportion assets and liabilities as a result of the recent incorporation of the Village and further apportionment will be required in accordance with the boundary adjustments detailed in the Agreement.

Terms of the Agreement:

Term shall be 10 years from the effective date with mutual 10- year renewal until such time that the "B" Area is annexed to the City. The "Effective Date" shall be Midnight of December 31, 2015.

Apportionments of Assets and Liabilities:

Before apportioning any other asset or liability, all monetary assets and liabilities presently owned or owed by the Town shall be apportioned in accordance with the formula contained at §66.0235(2)(b) based upon the average assessed valuation for the preceding five (5) years of the post-boundary-line change Town and Village areas, respectively. Because all assets permitted by law will be transferred by the Town to the Village, the goal is to ensure that assets and liabilities that must be divided by law are divided in the appropriate proportion before deciding the apportionment of any other tangible asset.

The majority of debt of the Town and Village is General Obligation (GO) Debt issued either through competitive bids, through the State Trust Fund, or by other means and backed by the full faith and credit of the Town prior to incorporation. It is required that this debt be apportioned between the Village and Town regardless of the purpose for which it was issued unless otherwise permitted by law.

Following apportionment, and as determined by the apportionment board, the Town may lease any real estate, buildings, road maintenance equipment, park equipment, vehicles, fire and rescue equipment, garbage and recycling equipment, and other similar non-monetary assets that it retains after apportionment, to the Village in exchange for payment of \$1.00 in annual consideration (the Village's compliance with the other terms and conditions contained in this Agreement will serve as additional consideration for said lease the receipt of which is acknowledged by Town).

NOTE V – OTHER INFORMATION (continued)

E. INTERGOVERNMENTAL AGREEMENT BETWEEN TOWN OF SOMERS AND VILLAGE OF SOMERS
(continued)

Provision of Municipal Services:

All *public works and related services* that were previously provided by the Town for the benefit of the Town shall hereafter be provided by the Village for the benefit of the Town and Village.

The Village shall provide *fire and rescue services* to its own property owners and residents and to the Town's property owners and residents.

Parties to this agreement agree to jointly operate the *Somers Municipal Court* and share in its cost and revenue.

The Town is presently a party to a contract with a private contracted service providing *refuse and recycling services* to property owners and residents. This contract shall continue in force and effect for the duration of their term. The contract with the private vendor shall be transferred to the Village on the effective date of this intergovernmental agreement.

The Village shall be responsible for the maintenance of all *parks* located in the Town and Village.

Town and Village shall share all employees and administrative staff. The employees will be employees of the Village and the Town shall contribute to the cost. The record keeping will be performed by the Village staff. All employees of the Town shall be terminated by the Town and rehired by the Village on terms identical to the terms of their current employment with the Town. Any Collective Bargaining Agreement shall be assigned from the Town to the Village as of the Effective Date.

The Town and Village shall appoint a common *Clerk and Treasurer* and share the cost.

Payment of Expenses Related to Shared Services:

Unless otherwise agreed by the Parties, the Town and Village shall be jointly responsible for the cost of all shared services in the nature of public works, public safety, refuse and recycling, parks, administrative staff, and costs resulting from the provision of similar services, as referenced above. The Town and Village shall each pay the proportion of total expenses equal to their respective share of the total assessed value of all real and personal property located in the Town and Village in the prior year. This value shall be based upon legally taxable value as determined by the Village assessor.

Apportionment of Levy:

The apportionment of the levy shall be based upon the property originally approved by the State Department of Administration to become a Village, plus any subsequent properties annexed to the Village by ordinance adopted by the Village Board. In this case, to the degree practicable, the mill rate of the Village shall equal the mill rate of the Town. For the 2016 budget, the apportionment ratio shall be as determined by the Kenosha County Division of Land Information using the best information available as determined by the Division of Land Information.

NOTE V – OTHER INFORMATION (continued)

E. INTERGOVERNMENTAL AGREEMENT BETWEEN TOWN OF SOMERS AND VILLAGE OF SOMERS
(continued)

Assignment of Revenue:

The Town does hereby agree to assign revenues to the Village to the degree allowed by State or Federal agencies.

Contracts:

All contracts currently held by the Town shall be transferred to the Village.

Capital Expenditures:

The cost of any new capital equipment or other asset necessary or useful for the provision of the municipal services contemplated herein shall be apportioned between the Town and Village in a proportion equal to their respective shares of the total assessed value of all real and personal property located in the Town and Village in the prior year.

Capital Financing & Debt:

In accordance with 66.0301, all existing debt of the Town that was not already transferred to the Village on May 26, 2015 (the "Existing Debt") shall be transferred to the Village. It is the intention of the Village and the Town that each municipality share the cost of the Existing Debt in proportion to the assessed value of each municipality. In order to evidence the intention to share the cost of the Existing Debt, the Town shall issue a general obligation promissory note (the "Note") to the Village for its proportionate share of the Existing Debt based upon its share of assessed value.

Village will issue all future debt (the "New Debt") to fund municipal projects pursuant to this IGA, to include GO debt, leases, revenue bonds, conduit debt, or any other debt needed to fund the joint budget, the Utility, or any TIF district in the Village including refunding bonds. Therefore, in order to be able to adjust the principal amount of the Note to reflect either or both (1) any change in the proportionate share of assessed value and/or (2) additional obligations of the Town in connection with additional debt issued by the Village on behalf of the Town, the Note shall be issued for a two-year term. The payments due in the first year of the Note will reflect the Town's share of debt service on the Existing Debt and the New Debt in that same year and the payments due in the second year will be the remaining principal plus interest.

GO debt service for general fund debt, or other debt intended to be funded by tax levy through operation of this agreement shall be apportioned between the Town and Village based upon assessed value in accord with apportionment and assessment standards.

Town of Somers
Notes to the Financial Statements
December 31, 2015

NOTE V – OTHER INFORMATION (continued)

F. SUBSEQUENT EVENTS

Management evaluated subsequent events through March 25, 2016 the date the financial statements were available to be issued. The Wisconsin Department of Administration approved Somers' Incorporation application in January, 2015. This allowed the question to be presented to the voters in the proposed Village area. The Incorporation Referendum was approved by the voters on April 7, 2015. The Wisconsin Secretary of State issued the Incorporation Certificate on April 24, 2015. This marked the beginning of the Village of Somers which will coexist with the Town of Somers. Resolution No. 2015-19 was signed on December 22, 2015 as a result of the incorporation of the Village and the existence of the Town. This resolution authorizes the issuance of a \$714,380.88 General Obligation promissory note to the Village of Somers to pay the Town's share of the cost of obligations incurred by the Town or on behalf of the Town.

Tax provisions of the note: For the purpose of paying the principal and interest of the note, the full faith, credit, and resources of the Town are irrevocably pledged, and it is levied upon all of the taxable property of the Town as a direct annual irrevocable tax in the years 2015 and 2016 for the payments due in the years 2016 and 2017 in the amounts in the schedule below.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
3/1/2016	37,703.58	13,349.86	51,053.44
9/1/2016	37,703.58	13,349.86	51,053.44
3/1/2017	36,035.13	12,758.48	48,793.61
9/1/2017	36,035.13	12,758.48	48,793.61

On April 7, 2016, the Village of Somers and the Town of Paris entered into an Intergovernmental Cooperation Agreement that would alter the boundary line between Paris and Somers. The agreement will transfer land from the Town to the Village. As a result, the Town will pay \$1.25 million to the Village and provide a \$5 million revolving loan fund. The boards voted to amend their earlier plans and move up its implementation, making it effective April 15.

On April 14, 2016, a Kenosha County judge temporarily blocked this agreement between Paris and Somers. The court order bars the ordinance from going into effect and altering municipal boundaries "without further hearing before the court."

G. UPCOMING ACCOUNTING PRONOUNCEMENTS

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also requires disclosures about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Town is currently evaluating the impact this standard will have on the financial statements when adopted.

TOWN OF SOMERS

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SOMERS
KENOSHA COUNTY, WISCONSIN

OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDED STATUS

For the year ended December 31, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a] / c)
12/31/2015	-	\$ 317,117	\$ 317,117	0.0%	\$ 289,521	109.5%

TOWN OF SOMERS

KENOSHA COUNTY, WISCONSIN

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET

Wisconsin Retirement System

Last 10 Fiscal Years*

	2015
Proportion of the net pension asset	0.01304000%
Proportionate share of the net pension asset	\$ 320,298
Covered-employee payroll	\$ 1,376,535
Plan fiduciary net position as a percentage of the total pension asset	102.74%

*The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

SCHEDULE OF CONTRIBUTIONS

Wisconsin Retirement System

Last 10 Fiscal Years*

Contractually required contributions	\$ 115,376
Contributions in relation to the contractually required contributions	\$ 115,376
Contribution deficiency (excess)	\$ 0
Covered-employee payroll	\$ 1,376,535
Contributions as a percentage of covered-employee payroll	8.32%

*The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

TOWN OF SOMERS

Notes to Required Supplementary Information December 31, 2015

NOTE A – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71

The Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* for the fiscal year ended December 31, 2015. Information for prior year is not available.

NOTE B – WISCONSIN RETIREMENT SYSTEM

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

TOWN OF SOMERS
KENOSHA COUNTY, WISCONSIN

SUPPLEMENTARY INFORMATION

**TOWN OF SOMERS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2015**

	Special Revenue Funds				Capital Project Funds		Total Nonmajor
	Drainage Fund	Park Fund	Impact Fees Fund	Total Special Revenue Funds	Tax Incremental Fund	Capital Projects Fund	Governmental Funds
ASSETS							
Cash and investments	\$ 99,639	\$ 28,697	\$ 20,813	\$ 149,149	\$ -	\$ -	\$ 149,149
Property taxes receivable	-	-	-	-	-	32,264	32,264
Due from other funds	-	-	41,507	41,507	-	-	41,507
Restricted Cash	43,631	32,110	28,290	104,031	-	-	104,031
TOTAL ASSETS	<u>143,270</u>	<u>60,807</u>	<u>90,610</u>	<u>294,687</u>	<u>-</u>	<u>32,264</u>	<u>326,951</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	-	-	-	-	7,680	-	7,680
Due to other funds	-	-	-	-	124,030	67,239	191,269
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,710</u>	<u>67,239</u>	<u>198,949</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred property tax levy	-	-	-	-	-	32,264	32,264
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,264</u>	<u>32,264</u>
FUND BALANCES							
<i>Restricted</i>	143,270	60,807	90,610	294,687	-	-	294,687
<i>Unassigned</i>	-	-	-	-	(131,710)	(67,239)	(198,949)
Total Fund Balances (deficit)	<u>143,270</u>	<u>60,807</u>	<u>90,610</u>	<u>294,687</u>	<u>(131,710)</u>	<u>(67,239)</u>	<u>95,738</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 143,270</u>	<u>\$ 60,807</u>	<u>\$ 90,610</u>	<u>\$ 294,687</u>	<u>\$ -</u>	<u>\$ 32,264</u>	<u>\$ 326,951</u>

TOWN OF SOMERS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	Drainage Fund	Park Fund	Impact Fees Fund	Total Special Revenue Funds	Tax Incremental Fund	Capital Projects Fund	
REVENUES							
Investment income	\$ 57	\$ 57	\$ 88	\$ 202	\$ -	\$ -	\$ 202
Miscellaneous revenue	-	600	-	600	-	-	600
Total Revenues	57	657	88	802	-	-	802
EXPENDITURES							
Public works	1,000	-	-	1,000	-	-	1,000
Leisure activities	-	27,790	-	27,790	-	-	27,790
Conservation and development	-	-	-	-	131,710	-	131,710
Principal retirement	-	-	-	-	-	49	49
Total Expenditures	1,000	27,790	-	28,790	131,710	49	160,549
Excess (deficiency) of revenues over expenditures	(943)	(27,133)	88	(27,988)	(131,710)	(49)	(159,747)
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	-	-	-	13,885	13,885
	-	-	-	-	-	13,885	13,885
Net change in fund balance	(943)	(27,133)	88	(27,988)	(131,710)	13,836	(145,862)
FUND BALANCES							
Beginning of year	144,213	87,940	90,522	322,675	-	(81,075)	241,600
FUND BALANCES - END OF YEAR (DEFICIT)	<u>\$ 143,270</u>	<u>\$ 60,807</u>	<u>\$ 90,610</u>	<u>\$ 294,687</u>	<u>\$ (131,710)</u>	<u>\$ (67,239)</u>	<u>\$ 95,738</u>