

**VILLAGE OF SOMERS
KENOSHA COUNTY, WISCONSIN**

**AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016**

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**Village of Somers
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INDEPENDENT AUDITOR'S REPORT

To the Village Board
Village 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 Village of Somers, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Village'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 Village of Somers, Wisconsin, as of December 31, 2016, 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.

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 80 and 81 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 Village 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.

Report on Summarized Comparative Information

We have previously audited the Village of Somers 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 15, 2016. In our opinion, the summarized comparative information for the government funds presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Andrea & Orendorff LLP

Andrea & Orendorff LLP
Kenosha, Wisconsin
May 31, 2017

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

Our discussion and analysis of the Village of Somers' financial performance provides an overview of the Village's financial activities for the year ended December 31, 2016.

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 Village as a whole. Governmental activities reflect how services were financed in the short term and what balance remains for future spending. The Village's fund financial statements report the Village's operations in more detail than government-wide statements. The statement of net position and statement of activities provide information about the Village's most significant funds. Our analysis of the Village as a whole begins on page 16.

Reporting the Village as a Whole

One of the most important questions asked about the Village's finances - "Is the Village 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 Village 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 Village's net position and changes in them. You can think of the Village's net position - the difference between assets and liabilities - as one way to measure the Village's financial health, or financial position. As of this writing it is evident that the Village is better off. Over time, increases or decreases in the Village's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the Village's financial health, you will need to consider other non-financial factors, such as changes in the Village's property tax base and the condition of the Village's roads. Both of which have shown significant improvement.

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 Village'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 Village into two kinds of activities:

Governmental activities: Most of the Village'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.

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

Reporting the Village as a Whole (continued)

Governmental Activities: (continued)

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

- General Government includes the Village Board, Municipal Court, Village Office, Clerk/Treasurer, Elections, Board of Review, Village Assessor, Audit Fees, Legal Fees, Engineering, Village 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 Village'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, the Park Committee and the two Tax Incremental Districts.
- Civic Committee includes the Parade.

Business-type activities:

The Village 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 Village of Somers Sewer Commission.

Reporting the Village's Most Significant Funds

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

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

Reporting the Village's Most Significant Funds (continued)

Governmental funds

Most of the Village'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 Village'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 Village'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 Debt Service Fund and Tax Incremental District #1 and #2. 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 infrastructure projects, developers incentive payments & on-going TIF project expenses. The Debt Service Fund serves as a clearing account for present and future debt payments.

Proprietary Funds

The Village 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 Village'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 Village as a Whole

Government-wide Financial Analysis

The condensed financial statements on page 7 and 8 present the net position of the Village and changes in net position. These statements are presented with comparisons to 2015. Net position may serve over time as a useful indicator of a government's financial position. In 2016, the Village's assets exceeded liabilities by \$26,498,885 as compared to \$28,251,272 in 2015.

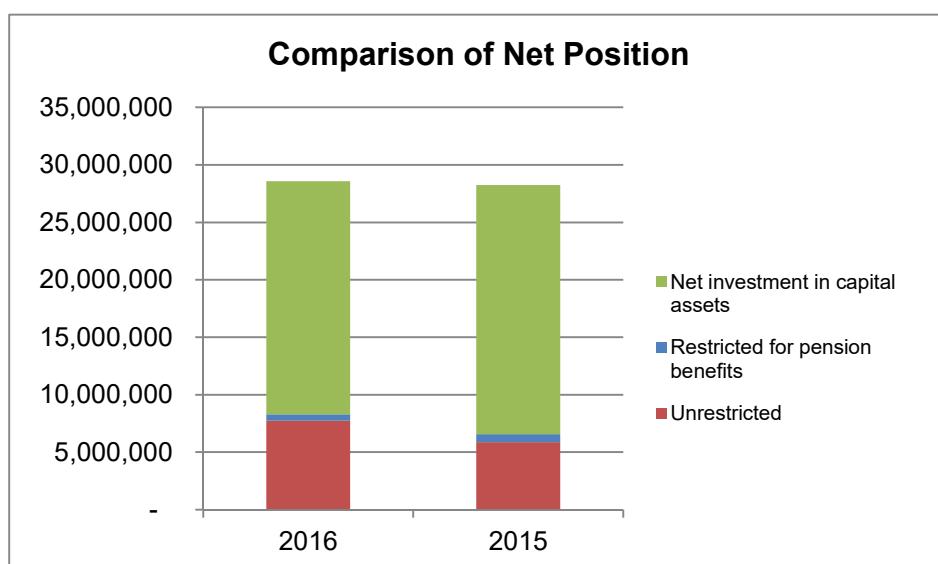
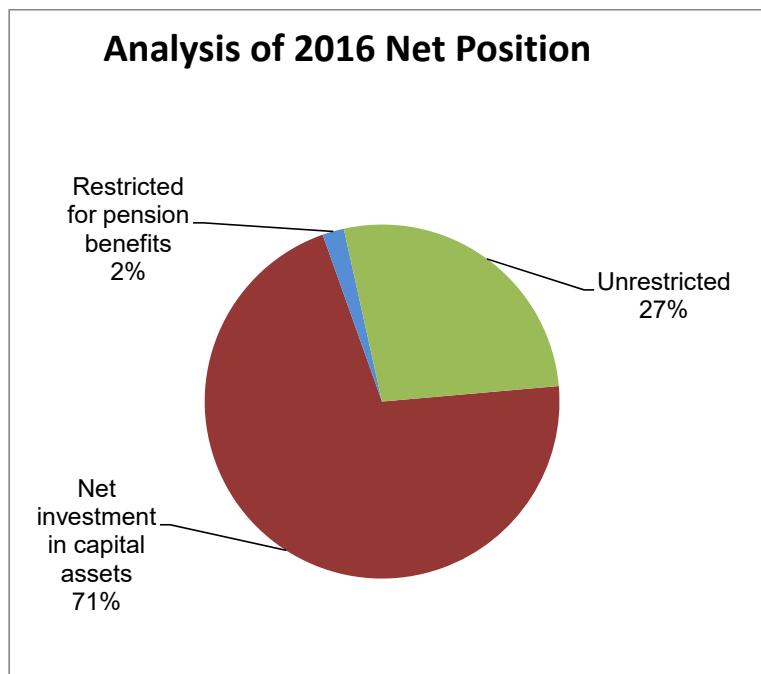
The largest portion of the Village's 2016 net position (69 percent) (2015 was 77%) reflects the Village's investment in capital assets less any outstanding related debt used to acquire those assets. The Village uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the

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

The Village 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. 29 percent (21% for 2014) is the category of unrestricted net assets which may be used to meet the Village's ongoing obligations to citizens and creditors. As a result of GASB 68 implemented in 2015, 2% is restricted for pension benefits in 2016 (2% for 2015).



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

The Village as a Whole (continued)

Government-wide Financial Analysis (continued)

VILLAGE OF SOMERS
NET POSITION
As of December 31, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$24,754,921	\$17,042,626	\$ 6,634,302	\$ 6,402,891	\$31,389,223	\$23,445,517
Capital assets	13,929,323	14,059,330	32,829,399	28,223,855	46,758,722	42,283,185
Net pension asset	-	316,550	-	35,172	-	351,722
Total Assets	38,684,244	31,418,506	39,463,701	34,661,918	78,147,945	66,080,424
Deferred outflows of resources	1,063,552	321,229	120,050	35,692	1,183,602	356,921
Long-term liabilities outstanding	15,141,810	5,317,868	14,539,950	13,824,905	29,681,760	19,142,773
Other liabilities	13,939,528	13,550,557	1,843,114	1,563,853	15,782,642	15,114,410
Total liabilities	29,081,338	18,868,425	16,383,064	15,388,758	45,464,402	34,257,183
Deferred inflows of resources	4,933,734	3,625,889	346,312	303,001	5,280,046	3,928,890
Net position:						
Net investment in capital assets	3,097,834	8,312,522	17,186,024	13,354,557	20,283,858	21,667,079
Restricted for pension benefits	505,630	637,779	56,327	70,864	561,957	708,643
Unrestricted	2,129,260	295,120	5,612,024	5,580,430	7,741,284	5,875,550
Total Net Position	\$ 5,732,724	\$ 9,245,421	\$22,854,375	\$ 19,005,851	\$28,587,099	\$28,251,272

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

The Village as a Whole (continued)

Government-wide Financial Analysis (continued)

VILLAGE OF SOMERS
CHANGES IN NET POSITION
Year Ended December 31, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,093,737	\$ 863,644	\$ 3,156,063	\$ 2,974,008	\$ 4,249,800	\$ 3,837,652
Operating grants and contributions	192,082	170,964	-	-	192,082	170,964
Capital grants and contributions	-	-	3,001,162	-	3,001,162	-
General revenues:						
Property taxes	2,837,313	2,785,481	303,001	303,001	3,140,314	3,088,482
Property taxes levied for debt	842,861	812,763	-	-	842,861	812,763
Grants and contributions not restricted to specific programs	152,877	135,551	-	-	152,877	135,551
Other	900,482	36,014	41,584	106,073	942,066	142,087
Total revenues	6,019,352	4,804,417	6,501,810	3,383,082	12,521,162	8,187,499
Expenses:						
General government	1,060,741	864,308	-	-	1,060,741	864,308
Public works	859,712	912,841	-	-	859,712	912,841
Public safety	1,708,205	1,727,219	-	-	1,708,205	1,727,219
Solid waste collection	561,252	556,246	-	-	561,252	556,246
Leisure activities	22,481	46,405	-	-	22,481	46,405
Conservation and development	4,502,240	171,008	-	-	4,502,240	171,008
Interest on long-term debt	429,226	241,068	-	-	429,226	241,068
Sewer	-	-	2,118,156	2,125,523	2,118,156	2,125,523
Water	-	-	923,322	1,211,128	923,322	1,211,128
Total expenses	9,143,857	4,519,095	3,041,478	3,336,651	12,185,335	7,855,746
Increase (decrease) in net position	(3,124,505)	285,322	3,460,332	46,431	335,827	331,753
Transfers	(332,518)	424,459	332,518	(424,459)	-	-
Increase (decrease) in net position	(3,457,023)	709,781	3,792,850	(378,028)	335,827	331,753
Net position beginning of year (restated)	9,189,747	8,535,640	19,061,525	19,383,879	28,251,272	27,919,519
Net position end of year	\$ 5,732,724	\$ 9,245,421	\$ 22,854,375	\$ 19,005,851	\$ 28,587,099	\$ 28,251,272

Revenues:

Increases in collections for ambulance and fire services, building permits & voluntary donations from developers resulted in an increase of \$2,202,832 in total revenues for the Village.

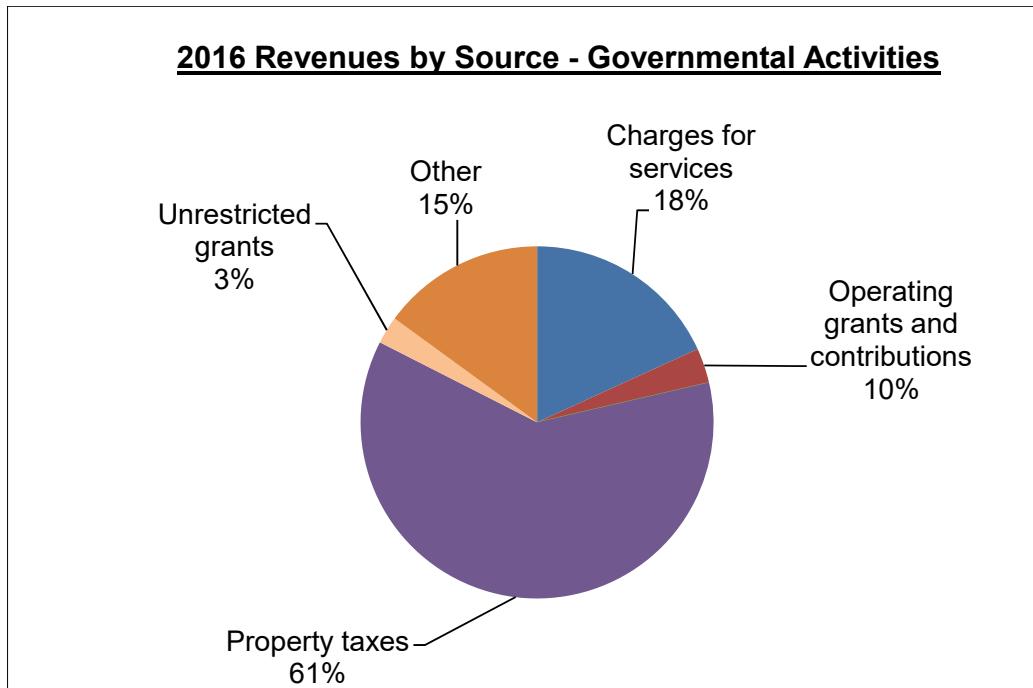
Expenditures:

Expenditures increased by \$4,624,762 for the governmental funds. This is due to higher legal fees, start-up costs for a joint municipal court & two major TIF projects.

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

REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

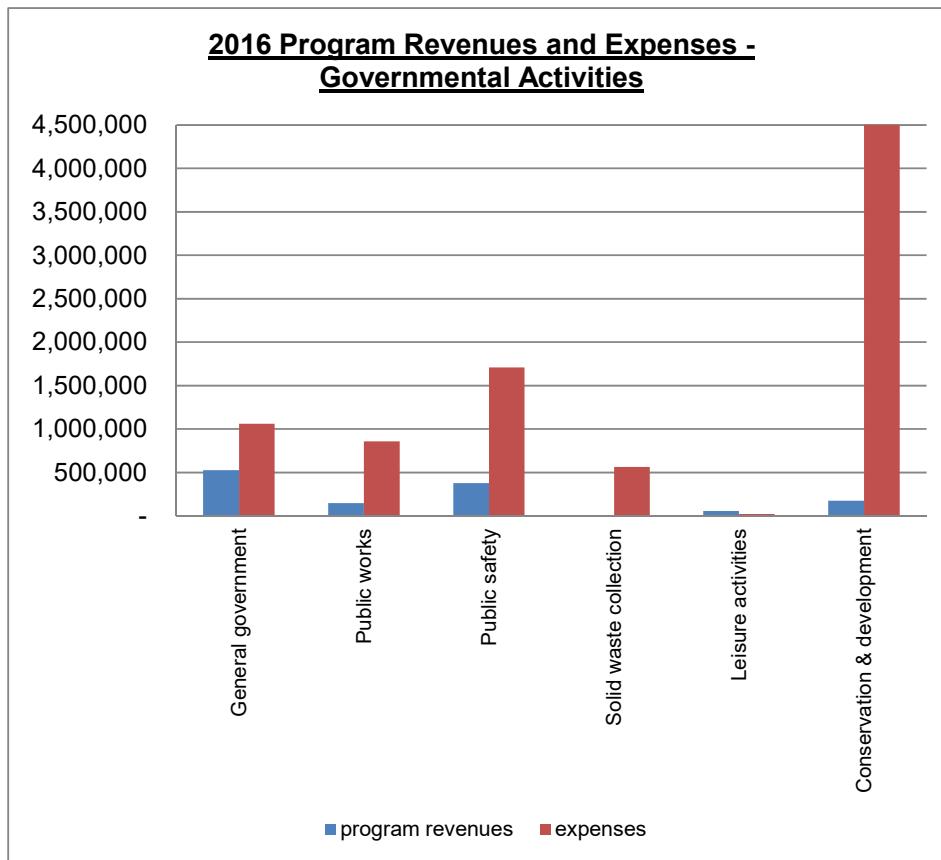
This chart illustrates the percent of revenue sources that fund the Village's governmental activities.



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

PROGRAM REVENUES AND EXPENSES - GOVERNMENTAL ACTIVITIES

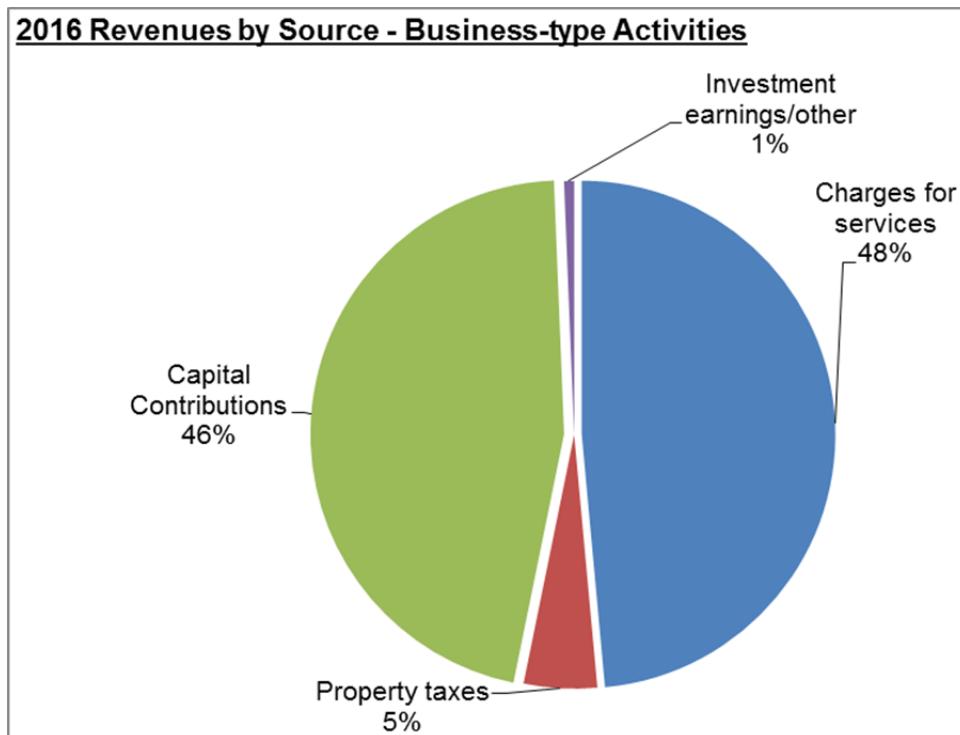
The following chart shows the portion of expenses by function that is covered by program revenues.



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

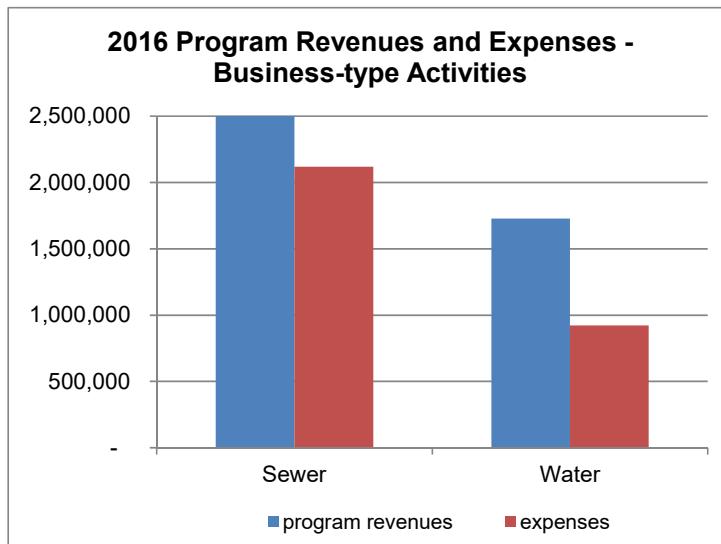
REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES

This chart illustrates the percent of revenue sources that fund the Village'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.



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

The Village's Funds

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

In 2016, the Village Board adopted three policies that cover the areas of debt, fund balance and capitalization. The Village also finalized a 5-year Capital Improvement Plan and a Utility study.

General Fund

The General Fund closed out in 2016 with a healthy increase of \$1,459,332. New construction in the Village resulted in increased permit fees. This along with developer's donations, and TIF reimbursements accounted for the increase. The Unrestricted General Fund balance of \$2.2 million is sixty percent of General Fund expenditures. The Village's fund balance policy requires at least a nineteen percent reserve.

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 Village 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 Village.

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 Village Board before being established in the Capital Projects Budget.

Debt Service Fund

The sole purpose is for servicing governmental debt. Both of the Tax Incremental District's debt is included in the Debt Service. The fund balance closed out the year with \$551,554 compared to the \$494 deficit in 2015.

Tax Incremental District #1

This District has a deficit fund balance of \$462,047. This is due to developer incentives, administrative & engineering costs exceeding initial estimates. TIF District deficits are anticipated to be funded with future incremental taxes levied over the life of the district.

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

Tax Incremental District #2

The Board borrowed for TID #2 projects. The fund balance is \$4,276,035, This is a planned surplus to be used for pending developer payments as developer responsible projects are completed.

The Village's Funds (continued)

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 2016 with an increase in net position of \$1,161,213. Management, in concert with consulting engineers and Board oversight, continues to develop Village-wide plans that address new development in areas to be serviced by water.

Utility District #1 Fund

Overall, the Utility District #1 closed out the year with an increase in net position of \$2,623,843. \$2.1 million of this increase was due to developers contributions of assets. Total net operating income for the Utility District #1 in 2016 was \$495,171. This fund has an unrestricted net position at yearend 2016 of \$5.7 million.

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 2016 the Utility experienced an operating income of \$6,853.

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.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund has an unassigned net position of \$2,198,078 which is a \$1,666,374 improvement over 2015. The Village has surplus funds of over \$5.7 million available in the Utility District #1 Fund that is not restricted.

The Village 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 64 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 70 for further information on this calculation

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2016, the Village had \$46,758,723 invested in capital assets including buildings, parks, vehicles, equipment and infrastructure. See Note IV C on page 50 for more detail on capital assets. A summary report of capital assets is as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Intangible Assets	\$ -	\$ -	\$ 21,660	\$ 21,660	\$ 21,660	\$ 21,660
Construction in Progress	-	-	2,073,159	119,679	2,073,159	119,679
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	-	-	38,613,068	35,179,517	38,613,068	35,179,517
Buildings	6,025,568	6,025,568	-	-	6,025,568	6,025,568
Machinery & Equipment	4,056,656	4,035,246	924,452	924,452	4,981,108	4,959,698
Infrastructure	12,585,547	12,486,410	-	-	12,585,547	12,486,410
Total Capital Assets	27,234,589	27,114,042	41,632,339	36,245,308	68,866,928	63,359,350
Less: Accumulated Depreciation	(13,305,266)	(13,054,712)	(8,802,939)	(8,021,453)	(22,108,205)	(21,076,165)
Total Net Capital Assets	<u>\$13,929,323</u>	<u>\$14,059,330</u>	<u>\$32,829,400</u>	<u>\$28,223,855</u>	<u>\$46,758,723</u>	<u>\$42,283,185</u>

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

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Debt

At the end of the year, the Village's outstanding general obligation (GO) debt totaled \$30,616,384. See Notes to the Financial Statements page 53 for more detail on debt.

Debt Outstanding 12/31/15	\$ 20,411,308
Debt Issued	11,875,000
Principal Retired	<u>(1,669,924)</u>
Debt Outstanding 12/31/16	<u>\$ 30,616,384</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In 2016, the Village 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 Village 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 completed construction of a mausoleum and office space.

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 was completed in June 2016. A second building is currently 50% occupied with interest shown by perspective tenants for the remaining 50%. First Park 94 has indicated the potential for a third Building. TIF District #2 encompasses a Festival Foods grocery store, Somers Market Square Apartments & multiple multi-tenant lots in the subdivision. The Festival Foods grocery store opened in July, 2016. The first phase of the Somers Market Square Apartments, totaling 48 units, was completed. The entire project of 280 units will be phased in over the next year.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

William Morris
Village Administrator
Village of Somers, Wisconsin

VILLAGE OF SOMERS
STATEMENT OF NET POSITION
As of December 31, 2016

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 12,503,638	\$ 4,840,271	\$ 17,343,909
Receivables	11,630,101	1,616,988	13,247,089
Inventory	-	30,563	30,563
Prepaid expenses	-	14	14
Restricted assets			
Cash and cash equivalents	621,182	146,466	767,648
Capital assets			
Land and construction in progress	4,345,765	2,073,159	6,418,924
Other capital assets, net of depreciation	9,583,558	30,756,240	40,339,798
Total Capital Assets	<u>13,929,323</u>	<u>32,829,399</u>	<u>46,758,722</u>
Total Assets	<u>38,684,244</u>	<u>39,463,701</u>	<u>78,147,945</u>
DEFERRED OUTFLOW OF RESOURCES			
Related to pension	1,063,552	120,050	1,183,602
LIABILITIES			
Accounts payable and accrued expenses	638,708	343,981	982,689
Due to other governments	12,418,434	-	12,418,434
Other current liabilities	120,590	345,149	465,739
Long-term liabilities			
Net Pension Liability	179,715	20,555	200,270
Long term-special assessments	290,460	-	290,460
Debt due within one year	761,796	1,153,984	1,915,780
Debt due in more than one year	<u>14,671,635</u>	<u>14,519,395</u>	<u>29,191,030</u>
Total Liabilities	<u>29,081,338</u>	<u>16,383,064</u>	<u>45,464,402</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax levy	4,130,527	303,054	4,433,581
Special assessments	425,000	-	425,000
Related to pension	378,207	43,258	421,465
Total deferred inflows of resources	<u>4,933,734</u>	<u>346,312</u>	<u>5,280,046</u>
NET POSITION			
Net investment in capital assets	3,097,834	17,186,024	20,283,858
Restricted for pension benefits	505,630	56,327	561,957
Unrestricted (deficit)	2,129,260	5,612,024	7,741,284
Total Net Position	<u>\$ 5,732,724</u>	<u>\$ 22,854,375</u>	<u>\$ 28,587,099</u>

See accompanying notes to the financial statements.

VILLAGE OF SOMERS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
Governmental activities:								
General government	\$ 1,060,741	\$ 526,022	\$ 2,729	\$ -	\$ (531,990)	\$ -	\$ (531,990)	
Public works	859,712	4,690	141,382	-	(713,640)	-	(713,640)	
Public safety	1,708,205	330,882	47,971	-	(1,329,352)	-	(1,329,352)	
Solid waste collection	561,252	-	-	-	(561,252)	-	(561,252)	
Leisure activities	22,481	55,815	-	-	33,334	-	33,334	
Conservation and development	4,502,240	176,328	-	-	(4,325,912)	-	(4,325,912)	
Interest on long-term debt	429,226	-	-	-	(429,226)	-	(429,226)	
Total Governmental Activities	9,143,857	1,093,737	192,082	-	(7,858,038)	-	(7,858,038)	
Business-type activities:								
Sewer	2,118,156	2,158,151	-	2,271,111	-	2,311,106	2,311,106	
Water	923,322	997,912	-	730,051	-	804,641	804,641	
Total Business-Type Activities	3,041,478	3,156,063	-	3,001,162	-	3,115,747	3,115,747	
Total Primary Government	<u>\$ 12,185,335</u>	<u>\$ 4,249,800</u>	<u>\$ 192,082</u>	<u>\$ 3,001,162</u>	<u>(7,858,038)</u>	<u>3,115,747</u>	<u>(4,742,291)</u>	
General Revenues:								
Taxes:								
Property taxes, levied for general purposes				2,837,313	303,001	3,140,314		
Property taxes, levied for debt service				842,861	-	842,861		
Grants and contributions not restricted to specific programs				152,877	-	152,877		
Unrestricted investment earnings				15,549	22,340	37,889		
Miscellaneous				884,933	19,244	904,177		
Transfers				(332,518)	332,518	-		
Total general revenues				<u>4,401,015</u>	<u>677,103</u>	<u>5,078,118</u>		
Change in net position				<u>(3,457,023)</u>	<u>3,792,850</u>	<u>335,827</u>		
Net position - December 31, 2015, as originally stated				9,245,421	19,005,851	28,251,272		
Change due to reallocation of debt between funds				(55,674)	55,674	-		
Total net position at the beginning of year (restated)				<u>9,189,747</u>	<u>19,061,525</u>	<u>28,251,272</u>		
Total net position at end of year				<u>\$ 5,732,724</u>	<u>\$ 22,854,375</u>	<u>\$ 28,587,099</u>		

See accompanying notes to the financial statements.

VILLAGE OF SOMERS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

										2015 audited
		General	Tax Incremental District #1	Tax Incremental District #2	Nonmajor Governmental Funds	Total Governmental Funds				Total Governmental Funds
ASSETS										
Cash and investments		\$ 8,088,883	\$ -	\$ 3,914,510	\$ 500,245	\$ 12,503,638				\$ 9,254,131
Receivables										
Property taxes receivables		9,227,984	-	-	1,242,641	10,470,625				7,621,889
Ambulance fees		308,976	-	-	-	308,976				182,919
Miscellaneous		527,545	-	290,460	-	818,005				51,320
Customers		32,496	-	-	-	32,496				89,849
Due from other funds		-	-	400,216	-	400,216				67,733
Prepaid items		-	-	-	-	-				4,440
Restricted cash		21,420	-	-	599,762	621,182				125,362
TOTAL ASSETS		\$ 18,207,304	\$ -	\$ 4,605,186	\$ 2,342,648	\$ 25,155,138				\$ 17,397,643
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities										
Accounts payable		\$ 207,094	\$ 61,858	\$ 38,691	\$ 260,253	\$ 567,896				\$ 236,227
Accrued compensation		70,812	-	-	-	70,812				41,540
Due to other governments		12,418,434	-	-	-	12,418,434				12,512,022
Due to other funds		-	400,216	-	-	400,216				355,017
Long-term special assessments		-	-	290,460	-	290,460				-
TOTAL LIABILITIES		12,696,340	462,074	329,151	260,253	13,747,818				13,144,806
DEFERRED INFLOWS OF RESOURCES										
Deferred property tax levy		2,887,886	-	-	1,242,641	4,130,527				3,625,889
Special assessments		425,000	-	-	-	425,000				-
TOTAL DEFERRED INFLOWS OF RESOURCES		3,312,886	-	-	1,242,641	4,555,527				3,625,889
Fund Balances										
<i>Nonspendable</i>										
Prepaid items		-	-	-	-	-				4,440
<i>Committed</i>										
Designated donations		-	-	-	10,350	10,350				-
<i>Restricted</i>										
Tax Incremental District #2		-	-	4,276,035	-	4,276,035				-
Drainage Fund		-	-	-	142,322	142,322				143,270
Park Fund		-	-	-	61,185	61,185				60,807
Impact Fund		-	-	-	-	-				90,610
Debt Service		-	-	-	551,574	551,574				-
Capital projects		-	-	-	74,323	74,323				-
<i>Unassigned</i>										
TOTAL FUND BALANCES (DEFICIT)		2,198,078	(462,074)	-	839,754	1,736,004				327,821
TOTAL FUND BALANCES (DEFICIT)		2,198,078	(462,074)	4,276,035	839,754	6,851,793				626,948
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		\$ 18,207,304	\$ -	\$ 4,605,186	\$ 2,342,648	\$ 25,155,138				\$ 17,397,643

See accompanying notes to the financial statements.

VILLAGE OF SOMERS
Reconciliation of the Governmental Fund Balance Sheet
and the Statement of Net Position
As of December 31, 2016

Fund Balance - Total Governmental Funds	\$ 6,851,793
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,929,323
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.	(15,433,431)
The Village's proportional share of the Wisconsin Retirement System pension plan is not an available resource, therefore it is not reported in the fund financial statements.	505,629
Interest expense is not accrued in the governmental funds.	<u>(120,590)</u>
Net Position	<u>\$ 5,732,724</u>

See accompanying notes to the financial statements.

VILLAGE OF SOMERS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

							2015 audited
		Tax General	Incremental District #1	Tax Incremental District #2	Nonmajor Governmental Funds	Total Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 2,805,049	\$ -	\$ -	\$ 875,125	\$ 3,680,174	\$ 3,598,244	
Intergovernmental revenues	487,226	-	-	-	487,226	321,391	
Charges for services	458,026	63,584	106,595	-	628,205	437,185	
Licenses and permits	442,373	-	-	-	442,373	401,623	
Fines, forfeits & penalties	8,933	-	-	-	8,933	9,959	
Investment income	15,148	-	-	401	15,549	13,750	
Miscellaneous income	874,183	-	-	10,750	884,933	22,265	
Total Revenues	5,090,938	63,584	106,595	886,276	6,147,393	4,804,417	
EXPENDITURES							
Current							
General government	972,822	-	-	-	972,822	830,325	
Public safety	1,594,401	-	-	-	1,594,401	1,646,901	
Public works	413,795	-	-	22,576	436,371	538,026	
Solid waste collection	560,634	-	-	-	560,634	556,431	
Recreation and leisure	22,596	-	-	156	22,752	43,781	
Planning and development	38,462	2,843,735	1,951,092	-	4,833,289	172,072	
Capital outlay	1,070	-	-	477,035	478,105	31,200	
Debt Service:							
Principal retirement	-	-	-	625,419	625,419	573,909	
Interest charges	27,826	76,552	162,893	222,166	489,437	246,853	
Total Expenditures	3,631,606	2,920,287	2,113,985	1,347,352	10,013,230	4,639,498	
Excess (deficiency) of revenues over expenditures	1,459,332	(2,856,703)	(2,007,390)	(461,076)	(3,865,837)	164,919	
OTHER FINANCING SOURCES (USES)							
General obligation debt issued	-	2,511,336	6,244,959	1,063,705	9,820,000	-	
Premium on bond	-	15,003	38,466	10,171	63,640	-	
Transfers from other funds	-	-	-	83,160	83,160	438,344	
Transfers to other funds	-	-	-	(83,160)	(83,160)	(13,885)	
Total Other Financing Sources (Uses)	-	2,526,339	6,283,425	1,073,876	9,883,640	424,459	
Net change in fund balance	1,459,332	(330,364)	4,276,035	612,800	6,017,803	589,378	
FUND BALANCES - December 31, 2015 (deficit)	531,704	(131,710)	-	226,954	626,948	37,570	
Change due to reallocation of debt between funds	207,042	-	-	-	207,042	-	
FUND BALANCES - restated January 1, 2016 (deficit)	738,746	(131,710)	-	226,954	833,990	37,570	
FUND BALANCES - END OF YEAR (DEFICIT)	\$ 2,198,078	\$ (462,074)	\$ 4,276,035	\$ 839,754	\$ 6,851,793	\$ 626,948	

See accompanying notes to the financial statements.

VILLAGE 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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 6,017,803
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 (\$585,363) exceeded capital outlay (\$455,356) in the current period.	(130,007)
The net effect of adjusting the pension expense to the actuarially determined amount instead of the cash payments made to the fund.	(132,149)
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.	(9,166,357)
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.	<u>(46,313)</u>
Change in net position of governmental activities	<u>\$ (3,457,023)</u>

See accompanying notes to the financial statements.

VILLAGE OF SOMERS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2016

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,780,777	\$ 2,780,777	\$ 2,805,048	\$ 24,271
Intergovernmental revenues	322,920	322,920	487,227	164,307
Charges for services	371,500	372,514	458,026	85,512
Licenses and permits	226,865	226,865	442,373	215,508
Fines, forfeits & penalties	350	350	8,933	8,583
Investment income	7,300	7,300	15,148	7,848
Miscellaneous income	48,440	48,440	874,183	825,743
Total revenues	<u>3,758,152</u>	<u>3,759,166</u>	<u>5,090,938</u>	<u>1,331,772</u>
Expenditures				
General government	1,065,612	1,047,350	1,001,718	45,632
Public safety	1,501,370	1,594,401	1,594,401	-
Public works	474,700	474,700	413,795	60,905
Solid waste collection	573,360	573,360	560,634	12,726
Recreation and leisure	26,230	26,230	22,596	3,634
Planning and development	43,125	43,125	38,462	4,663
Contingency	73,755	-	-	-
Total expenditures	<u>3,758,152</u>	<u>3,759,166</u>	<u>3,631,606</u>	<u>127,560</u>
Net change in fund balance	-	-	1,459,332	1,459,332
Fund balance - December 31, 2015	531,704	531,704	531,704	531,704
Change due to reallocation of debt between funds	<u>207,042</u>	<u>207,042</u>	<u>207,042</u>	<u>207,042</u>
Fund balance - restated January 1, 2016	<u>738,746</u>	<u>738,746</u>	<u>738,746</u>	<u>738,746</u>
Fund Balances - end of year	\$ 738,746	\$ 738,746	\$ 2,198,078	\$ 2,198,078

See accompanying notes to the financial statements.

VILLAGE OF SOMERS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
ASSETS				
Current assets				
Cash and investments	\$ 295,784	\$ 4,544,487	\$ -	\$ 4,840,271
Accounts receivable	37,033	408,270	228,604	673,907
Tax levy receivable	-	304,522	-	304,522
Delinquent receivable	19,081	146,145	61,941	227,167
Due from other funds - current	-	827,330	-	827,330
Inventories	-	-	30,563	30,563
Prepaid expenses	14	-	-	14
Restricted cash	-	117,751	28,715	146,466
Total current assets	<u>351,912</u>	<u>6,348,505</u>	<u>349,823</u>	<u>7,050,240</u>
Noncurrent assets				
Due from other funds - noncurrent	497,977	-	-	497,977
Utility plant in service	1,276,015	24,864,650	12,472,403	38,613,068
Machinery and equipment	-	731,467	192,985	924,452
Construction in progress	-	2,073,159	-	2,073,159
Intangible assets	-	17,660	4,000	21,660
Accumulated depreciation	(715,503)	(5,769,947)	(2,317,490)	(8,802,940)
Deferred special assessments, net of uncollectible	<u>30,984</u>	<u>147,927</u>	<u>232,481</u>	<u>411,392</u>
Total noncurrent assets	<u>1,089,473</u>	<u>22,064,916</u>	<u>10,584,379</u>	<u>33,738,768</u>
Total Assets	<u><u>\$ 1,441,385</u></u>	<u><u>\$ 28,413,421</u></u>	<u><u>\$ 10,934,202</u></u>	<u><u>\$ 40,789,008</u></u>
DEFERRED OUTFLOW OF RESOURCES				
Related to pension	<u>\$ 14,149</u>	<u>\$ 61,169</u>	<u>\$ 44,732</u>	<u>\$ 120,050</u>

See accompanying notes to the financial statements.

VILLAGE OF SOMERS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
LIABILITIES				
Current liabilities				
Accounts payable	\$ 32,492	\$ 215,429	\$ 86,544	\$ 334,465
Wages payable	928	4,802	3,786	9,516
Accrued interest	-	245,847	22,232	268,079
Due to other funds - current	-	-	827,330	827,330
Other liabilities	-	-	77,070	77,070
Current portion of long-term debt payable	534	795,535	357,915	1,153,984
Total current liabilities	<u>33,954</u>	<u>1,261,613</u>	<u>1,374,877</u>	<u>2,670,444</u>
Noncurrent liabilities				
Due to other funds - noncurrent	-	-	497,977	497,977
Net pension liability	2,488	10,434	7,633	20,555
General obligation debt payable	<u>3,405</u>	<u>10,551,215</u>	<u>3,964,775</u>	<u>14,519,395</u>
Total noncurrent liabilities	<u>5,893</u>	<u>10,561,649</u>	<u>4,470,385</u>	<u>15,037,927</u>
Total Liabilities	<u>39,847</u>	<u>11,823,262</u>	<u>5,845,262</u>	<u>17,708,371</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax levy	-	303,054	-	303,054
Related to pension	<u>5,235</u>	<u>21,959</u>	<u>16,064</u>	<u>43,258</u>
Total deferred inflows of resources	<u>5,235</u>	<u>325,013</u>	<u>16,064</u>	<u>346,312</u>
NET POSITION				
Net investment in capital assets	560,512	10,585,281	6,040,231	17,186,024
Restricted for pension benefits	6,426	28,866	21,035	56,327
Unrestricted	<u>843,514</u>	<u>5,712,168</u>	<u>(943,658)</u>	<u>5,612,024</u>
Total Net Position	<u>\$ 1,410,452</u>	<u>\$ 16,326,315</u>	<u>\$ 5,117,608</u>	<u>\$ 22,854,375</u>

See accompanying notes to the financial statements.

VILLAGE OF SOMERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
OPERATING REVENUES				
Charges for services	\$ 200,508	\$ 1,957,643	\$ 997,912	\$ 3,156,063
Total operating revenues	<u>200,508</u>	<u>1,957,643</u>	<u>997,912</u>	<u>3,156,063</u>
OPERATING EXPENSES				
Personnel	31,510	186,378	133,068	350,956
Materials and supplies	1,229	57,062	386,408	444,699
Contractual and other services	135,396	672,373	42,869	850,638
Depreciation	<u>25,520</u>	<u>546,659</u>	<u>229,381</u>	<u>801,560</u>
Total operating expense	<u>193,655</u>	<u>1,462,472</u>	<u>791,726</u>	<u>2,447,853</u>
Operating income (loss)	6,853	495,171	206,186	708,210
NON-OPERATING REVENUES (EXPENSES)				
Tax levy for debt service	-	303,001	-	303,001
Investment income	921	8,597	12,822	22,340
Amortization	-	5,470	3,608	9,078
Interest and fiscal charges	-	(467,498)	(135,204)	(602,702)
Miscellaneous	<u>20</u>	<u>7,991</u>	<u>11,232</u>	<u>19,243</u>
Total non-operating revenues (expenses)	<u>941</u>	<u>(142,439)</u>	<u>(107,542)</u>	<u>(249,040)</u>
Income (loss) before capital contributions	7,794	352,732	98,644	459,170
CAPITAL CONTRIBUTIONS and TRANSFERS				
Contributions	-	2,130,831	968,572	3,099,403
Connection fees	-	140,280	93,997	234,277
Total contributions	<u>-</u>	<u>2,271,111</u>	<u>1,062,569</u>	<u>3,333,680</u>
Change in net position	7,794	2,623,843	1,161,213	3,792,850
Net position - January 1, as originally stated	1,402,658	13,872,980	3,730,213	19,005,851
Change due to reallocation of debt between funds	<u>-</u>	<u>(170,508)</u>	<u>226,182</u>	<u>55,674</u>
Total net position at the beginning of year (restated)	<u>1,402,658</u>	<u>13,702,472</u>	<u>3,956,395</u>	<u>19,061,525</u>
Total net position at end of year	<u><u>\$ 1,410,452</u></u>	<u><u>\$ 16,326,315</u></u>	<u><u>\$ 5,117,608</u></u>	<u><u>\$ 22,854,375</u></u>

See accompanying notes to the financial statements.

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VILLAGE OF SOMERS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 186,555	\$ 1,210,470	\$ 892,232	\$ 2,289,257
Paid to suppliers and employees for goods and services	(165,278)	(810,518)	284,814	(690,982)
Cash Flows from Operating Activities	<u>21,277</u>	<u>399,952</u>	<u>1,177,046</u>	<u>1,598,275</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tax levy	-	303,001	-	303,001
Miscellaneous income	20	7,992	221	8,233
Cash Flows from Noncapital Financing Activities	<u>20</u>	<u>310,993</u>	<u>221</u>	<u>311,234</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES				
Debt retired	-	(713,527)	(330,960)	(1,044,487)
Interest paid	-	(367,478)	(142,947)	(510,425)
Debt issued	-	1,635,000	420,000	2,055,000
Debt reallocation between funds	1,330,202	(1,388,681)	(58,479)	
Special assessments	-	-	22,637	22,637
Capital Contributions	-	140,280	93,997	234,277
Acquisition and construction of capital assets	-	(1,953,480)	(322,223)	(2,275,703)
Cash Flows from Capital and Financing Activities	<u>-</u>	<u>70,997</u>	<u>(1,648,177)</u>	<u>(1,577,180)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Deposits to restricted cash	-	(117,751)	(28,715)	(146,466)
Interfund loans payments received (paid)	28,847	-	(28,847)	-
Interest income	921	8,597	12,823	22,341
Cash Flows from Investing Activities	<u>29,768</u>	<u>(109,154)</u>	<u>(44,739)</u>	<u>(124,125)</u>
Net Change in Cash and Cash Equivalents	51,065	672,788	(515,649)	208,204
Cash and Cash Equivalents - Beginning of Year	244,719	3,871,699	515,649	4,632,067
Cash and Cash Equivalents - End of Year	<u>\$ 295,784</u>	<u>\$ 4,544,487</u>	<u>\$ -</u>	<u>\$ 4,840,271</u>

See accompanying notes to the financial statements.

VILLAGE OF SOMERS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	<u>Business-type Activities</u>			
	K.R. Utility District	Utility District #1	Somers Water	Totals
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 6,853	\$ 537,787	\$ 206,186	\$ 750,826
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation expense	25,520	546,659	229,381	801,560
Change in pension related assets, liabilities, and deferred outflows and deferred inflows	1,029	7,152	6,436	14,617
Changes in assets and liabilities:				
Accounts receivable	(13,082)	(67,187)	(105,680)	(185,949)
Due to other funds net	-	(679,965)	827,330	147,365
Prepaid items	-	117	115	232
Accounts payable	29	93,203	9,492	102,724
Wages payable	<u>928</u>	<u>4,802</u>	<u>3,786</u>	<u>9,516</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 21,277</u>	<u>\$ 442,568</u>	<u>\$ 1,177,046</u>	<u>\$ 1,640,891</u>

See accompanying notes to the financial statements.

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

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Village of Somers
Notes to the Financial Statements
December 31, 2016

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Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Town of Somers was formed in 1843. In January, 2015, the Wisconsin Department of Administration approved the Incorporation application for a portion of the Town to become a Village. The Incorporation Referendum was approved by the voters and Wisconsin issued the Incorporation Certificate on April 24, 2015. This marked the beginning of the Village of Somers which coexists with the Town of Somers. On January 1, 2016, the incorporated Village portion began operations. A remnant of the Town of Somers remains. Please see note *V. E. - Intergovernmental agreement between Town of Somers and Village of Somers* for more detail. The scope of this audit report specifically covers the Village of Somers. For purposes of clarity in the notes, when the report refers to prior years' information, the term "Village" will be used in place of "Town".

The Village Board is composed of seven Trustees which includes a President who is elected as provided by 61.20(1), Wisconsin Statutes. Each of the Board members are elected to a two-year staggered term. The Village provides the following services: public safety, public works, public health and welfare, culture, recreation, planning and development, sewerage treatment and waterworks.

A. REPORTING ENTITY

This report includes all of the funds of the Village. The reporting entity for the Village 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, and (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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Village 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*. Since then *GASB Statement No. 82 – Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73* has been enacted that modify the requirements of GASB 68 but the principals set forth in GASB 68 remain relatively unchanged. This statement improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

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 Village 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 Village has two types of inflows that qualify for reporting in this category, property taxes and pension liability. These amounts will be recognized as an inflow of resources in the subsequent year for which it was levied.

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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-Wide Financial Statements (continued)

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 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 Village 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 Village believes is particularly important to financial statement users may be reported as a major fund.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

The Village reports the following major governmental funds:

Major Governmental Funds

- General Fund – accounts for the Village's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- 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

Tax Incremental District #2 Capital Projects

The Village reports the following major enterprise funds:

Major Enterprise Funds

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

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

Non-Major Governmental Funds

- Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise debt.
- 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.
- 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

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

Non-Major Enterprise Funds

- The Village 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.

Fund Financial Statements

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.

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 Village 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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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 Village is entitled to the resources and the amounts are available. Amounts owed to the Village 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 Village 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.

The Village 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 Village 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 Village 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

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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 were 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 were 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 Village's proprietary funds 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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the Village 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 Village 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.

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, 2016, the fair value of the Village'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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Village 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 Village. The Village'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 Village for all real estate taxes due and payable by January 31st. The Village 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 Village receives these funds in August.

The Village 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 - 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
(1) Payment in full, or	
First installment due	January 31, 2017
Second installment due	July 31, 2017
(2) Personal property taxes in full	January 31, 2017
Tax settlement with Village:	
First settlement	January 15, 2017
Second settlement	February 20, 2017
Final settlement	August 15, 2017

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

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 Village 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.

4. Restricted Assets

The General Fund has restricted assets (cash) in the amount of \$21,420 on December 31, 2016. These funds are to be used for costs that arise after the land has been developed at Somers Market.

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 \$43,813 and the Impact Fund had a zero balance.

A third Special Revenue Fund was established called the Park Fund which also accumulated impact fees. They were established, by contract between the Village 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 \$32,244 which is reported in the Park Fund.

As a requirement of the 2016A Revenue Bonds, total restricted cash for bond reserve of \$166,172 was added and allocated to the Debt Service Fund for Tax Incremental District #1 and 2, amount in \$93,664 and \$72,507 respectively.

As a requirement of the 2016B Revenue Bonds, a Bond Reserve Account was established of \$140,500 which was allocated and recorded as restricted cash in Utility District Fund in the amount of \$111,785 and in the Water Fund in the amount of \$28,715.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Restricted Assets (continued)

In addition, as a requirement of 2016C Revenue Bonds, \$357,534 was established in the Debt Service Fund for Tax Incremental District #2, and recorded as restricted cash.

In the Utility District #1, cash of \$5,966 is restricted for the DNR replacement 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 Village. 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

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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Village, 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, 2016 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.

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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (continued)***8. Long-Term Obligations/Conduit Debt (continued)***

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 Village 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. D. 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 Village'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 Village typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.
- c. Unrestricted net position – typically includes unrestricted liquid assets. The Village has the authority to revisit or alter this designation.

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Equity Classifications (continued)

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 purpose stipulated by constitution, external resource providers, or through enabling legislation.
- c. Committed – Amounts that can be used only for the specific purpose determined by a formal action or resolution of the Board of Trustees (the Village'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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

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 Village’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, 2015	\$ (5,748,830)
New proceeds	(9,820,000)
Debt reallocation (net effect)	(259,800)
Principal retirements	625,419
Unamortized debt discount and issue costs (net change)	40,102
Vacation/sick day accrual	(237,656)
Other post employment benefits (OPEB)	(32,666)
Combined adjustment for long term liabilities	<u>\$ (15,433,431)</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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

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

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 (continued)

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 \$9,166,357 difference are as follows:

New proceeds	\$ (9,820,000)
Vaction/sick day accrual	(12,771)
Amortization of bond costs	42,885
Debt reallocation (net effect)	(1,890)
Principal payments	<u>625,419</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (9,166,357)</u>

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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 Village controls expenditures at the appropriation unit level. The detail of those items can be found in the Village's year end budget to actual report. In 2016, the Village had no appropriations over budget.

Village of Somers
Notes to the Financial Statements
December 31, 2016

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, 2016.

<u>Fund</u>	<u>Deficit Balance</u>	<u>Reason</u>
TIF District #1	\$462,074	TIF District deficits are anticipated to be funded with future incremental taxes levied over the life of the district.

D. LIMITATIONS ON THE VILLAGE'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 2016 and 2017 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Village's January 1 equalized value as a result of net new construction. The actual limit for the Village is being determined with assistance of the State in this initial year of incorporation. 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 Village is in compliance with the limitation.

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

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	\$ 1,029	\$ -	\$ 1,029
Demand deposits			
Interest bearing	17,101,671	-	17,101,671
Non-interest bearing	21,646	664,205	685,851
Other cash	<u>219,563</u>	<u>103,443</u>	<u>323,006</u>
 Total cash and cash equivalents	 <u>\$ 17,343,909</u>	 <u>\$ 767,648</u>	 <u>\$ 18,111,557</u>
 Per statement of net position - cash and cash equivalents	 \$ 17,343,909		
Per statement of net position - restricted cash		767,648	
		<u>\$ 18,111,557</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, 2016, 95.50% was invested in various US Government investments which are backed by the federal government and not insured; and 4.50% was invested in various certificates of deposits and banker's 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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

The Village maintains cash deposits within the LGIP. The deposit and investment balances of the various fund types on December 31, 2016 were as follows:

Local Government Investment Pool		
General Fund	\$	207,798
Park Fund		32,244
Somers Market		21,420
Drainage		43,812
Utility District #1		5,966
Water Fund		11,766
	<hr/>	<hr/>
	\$	323,006

The Village 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 Village's deposits, the deposits may not be returned.

At December 31, 2016, the reported amount of the Village's deposits, including LGIP, was \$18,111,557 and the bank with LGIP balance was \$18,451,276. Of this balance, \$16,723,888 was not covered by federal depository insurance or by the Wisconsin insurance program. In addition, the Village maintained petty cash funds in the amount of \$1,029.

Investments

The Village has no investments.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES

Revenues of the Village are reported net of uncollectible amounts. Total uncollectible amounts related to receivables of the governmental funds for the current period are \$91,532.

In the Water Fund, the deferred special assessments are recorded net of the uncollectible amount of \$220,362.

C. CAPITAL ASSETS

The valuation of the Village'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 2016. The deletions column represents the assets that were discarded in 2016. Capital asset valuation for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not being depreciated:				
Land	\$ 216,294	\$ -	\$ -	\$ 216,294
Land Improvements	<u>4,129,471</u>	<u>-</u>	<u>-</u>	<u>4,129,471</u>
Total Capital Assets not being depreciated	<u>4,345,765</u>	<u>-</u>	<u>-</u>	<u>4,345,765</u>
Other Capital Assets:				
Land Improvements	221,053	-	-	221,053
Buildings	6,025,568	-	-	6,025,568
Machinery & Equipment	4,035,246	21,410	-	4,056,656
Infrastructure	<u>12,486,410</u>	<u>433,946</u>	<u>(334,809)</u>	<u>12,585,547</u>
Total Other Capital Assets at Historical Cost	<u>22,768,277</u>	<u>455,356</u>	<u>(334,809)</u>	<u>22,888,824</u>
Less: Accumulated Depreciation	<u>(13,054,712)</u>	<u>(585,363)</u>	<u>334,809</u>	<u>(13,305,266)</u>
Net Total Other Capital Assets	<u>9,713,565</u>	<u>(130,007)</u>	<u>-</u>	<u>9,583,558</u>
Net Total Government Activities Capital Assets	<u><u>\$ 14,059,330</u></u>	<u><u>\$ (130,007)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,929,323</u></u>

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities

General Government	\$ 48,675
Public Safety	137,428
Public Works	399,260
Total Governmental Activities - Depreciation Expense	<u>\$ 585,363</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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Business - Type Activities

Capital Assets not being depreciated:				
Intangible Asset - Easement	\$ 21,660	\$ -	\$ -	\$ 21,660
Construction in Progress	119,679	1,953,480	-	2,073,159
Total Capital Assets not being depreciated	<u>141,339</u>	<u>1,953,480</u>	<u>-</u>	<u>2,094,819</u>
Other Capital Assets:				
Utility Plant in Service	35,179,517	3,453,626	(20,075)	38,613,068
Machinery & Equipment	924,452	-	-	924,452
Total Other Capital Assets at Historical Cost	<u>36,103,969</u>	<u>3,453,626</u>	<u>(20,075)</u>	<u>39,537,520</u>
Less: Accumulated Depreciation	<u>(8,021,453)</u>	<u>(801,562)</u>	<u>20,075</u>	<u>(8,802,940)</u>
Net Total Other Capital Assets	<u>28,082,516</u>	<u>2,652,064</u>	<u>-</u>	<u>30,734,580</u>
Net Total Business - Type Activities Capital Assets	<u><u>\$ 28,223,855</u></u>	<u><u>\$ 4,605,544</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,829,399</u></u>

Depreciation expense was charged to functions as follows:

Business - Type Activities

Utility District #1	\$ 546,661
Somers Water Utility	229,381
K.R. Utility District	25,520
Total Business - Type Activities Depreciation Expense	<u>\$ 801,562</u>

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

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>
Utility District #1		827,330
	Water Fund	(827,330)
TIF District #2		400,216
	TIF District #1	(400,216)

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 a long term loan formalized between the funds due to major projects completed in prior years not funded by external debt. The Water Fund owes \$497,977 to the KR Utility District with an interest rate of 0.17% over 20 years with a maturity date of 2033.

For Year Ending December 31,	<u>Principal</u>	<u>Interest</u>
2017	28,896	847
2018	28,946	797
2019	28,995	748
2020	29,044	699
2021	29,093	650
2022-2026	146,211	2,504
2027-2031	147,458	1,257
2032-2033	59,334	152
	<u>\$ 497,977</u>	<u>\$ 7,654</u>

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 Village had the following transfers for 2016:

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

Transfer To	Transfer From	In	Out	Reason
Debt Service		31,091		Used for Museum Bond
	Impact Funds		31,091	
Capital Projects		52,069		47th Ave Reconstruction
	Impact Funds		38,196	Project Payment
	Debt Service		13,873	

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Adjustment	Ending Balance	Amounts Due Within One Year
Governmental Activities						
Bonds and Notes Payable:						
General Obligation Bond	\$ 5,675,000	-	\$ 574,760	\$ 259,800	\$ 5,360,040	\$ 586,171
General Obligation Corporate Purpose Bonds	-	5,170,000	-	-	5,170,000	\$ 75,000
Promissory Note	14,767	-	7,275	-	7,492	7,492
Promissory Note	11,395	-	11,395	-	-	-
Promissory Note	41,853	-	27,694	-	14,159	14,159
Capital Leases	5,816	-	4,296	-	1,520	1,520
Taxable Note Anticipation Notes	-	4,650,000	-	-	4,650,000	-
Add/(Subtract) Deferred Amounts For:						
(Discounts)/Premiums	(2,023)	(43,578)	(693)	4,806	(40,102)	-
Total Bonds and Notes Payable	5,746,808	9,776,422	624,727	264,606	15,163,109	684,342
Other Liabilities						
Post Retirement Benefits	15,348	23,505	6,187	-	32,666	-
Vested Vacation and Sick Days	242,203	237,656	242,203	-	237,656	77,454
Total Other Liabilities	257,551	261,161	248,390	-	270,322	77,454
Total Governmental Activities-						
Long-Term Liabilities	\$ 6,004,359	\$ 10,037,583	\$ 873,117	\$ 264,606	\$ 15,433,431	\$ 761,796

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

	Beginning Balance	Increases	Decreases	Adjustment	Ending Balance	Amounts Due Within One Year
Business-Type Activities						
Bonds and Notes Payable:						
General Obligation Bond	\$ 11,965,000	\$ -	\$ 890,241	\$ (259,800)	\$ 10,814,959	\$ 953,830
Capital Leases	165,463	-	23,533	-	141,930	22,444
Promissory Note	32,013	-	27,335	-	4,678	4,678
State Trust Fund Loan	2,500,000	-	103,396	-	2,396,604	88,780
Revenue Bonds	-	2,055,000	-	-	2,055,000	80,000
Add/(Subtract) Deferred Amounts For:						
Premium (Discounts)	206,822	37,265	9,077	(4,806)	230,204	-
Total Bonds and Notes Payable	<u>14,869,298</u>	<u>2,092,265</u>	<u>1,053,582</u>	<u>(264,606)</u>	<u>15,643,375</u>	<u>1,149,732</u>
Other Liabilities						
Post Retirement Benefits	2,708	4,148	1,092	-	5,764	-
Vested Vacation and Sick Days	20,808	24,240	20,808	-	24,240	4,252
Total Other Liabilities	<u>23,516</u>	<u>28,388</u>	<u>21,900</u>	<u>-</u>	<u>30,004</u>	<u>4,252</u>
Total Business-Type Activities-						
Long-Term Liabilities	<u>\$ 14,892,814</u>	<u>\$ 2,120,653</u>	<u>\$ 1,075,482</u>	<u>\$ (264,606)</u>	<u>\$ 15,673,379</u>	<u>\$ 1,153,984</u>

GENERAL OBLIGATION DEBT

All general obligation notes and bonds payable are backed by the full faith and credit of the Village. 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 Village may not exceed five percent of the equalized value of taxable property within the Village's jurisdiction. The debt limit as of December 31, 2016, was \$32,965,425. Total general obligation debt outstanding at year end was \$23,911,383.

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

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:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2016</u>
<u>Governmental Activities - General Obligation Debt</u>					
General Obligation Promissory Note	2006	2018	3.75 - 4.00%	\$ 161,439	\$ 19,977
General Obligation Promissory Note	2007	2018	3.75 - 4.10%	125,503	15,199
General Obligation Promissory Note	2007	2017	3.5 - 3.85%	35,501	6,514
General Obligation Promissory Note	2008	2023	3.50 - 4.40%	5,150,000	3,550,000
General Obligation Refunding Bond	2011	2026	2.00 - 4.00%	2,465,000	1,570,000
Promissory Note	2012	2017	2.95%	35,342	7,492
Promissory Note	2014	2017	2.95%	81,898	14,159
Capital Lease	2014	2017	0.77%	12,246	1,520
General Obligation Refunding Bond	2015	2026	2.00 - 3.50%	199,220	198,351
General Obligation Corporate Purpose Bonds	2016	2025	2.00 - 3.00%	5,170,000	5,170,000
Taxable Note Anticipation Notes	2016	2018	4.00%	4,650,000	<u>4,650,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 15,203,212</u>

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

Business type activities debt service requirements to maturity are as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2016</u>
<u>Business Type Activities - General Obligation Debt</u>					
General Obligation Promissory Note	2006	2018	3.75 - 4.00%	\$ 7,273,562	\$ 900,024
General Obligation Promissory Note	2007	2018	3.75 - 4.10%	5,654,497	684,801
General Obligation Promissory Note	2007	2017	3.5 - 3.85%	1,599,499	293,486
General Obligation Refunding Bond	2015	2027	2.00 - 3.50%	9,175,000	8,936,649
State Trust Fund Loan	2015	2035	3.75%	2,500,000	2,396,604
Revenue Bonds	2016	2036	2.00 - 3.00%	2,055,000	2,055,000
Promissory Note	2012	2017	2.95%	22,070	4,678
Capital Lease	2012	2022	3.63%	219,986	140,933
Capital Lease	2014	2017	0.77%	8,164	<u>997</u>
Total Business Type Activities - General Obligation Debt					<u>\$ 15,413,172</u>
Total General Obligation Debt					<u>\$ 30,616,384</u>

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

Years	Governmental Activities		Business-Type Activities		Total	
	General Obligation Debt	Principal	General Obligation Debt	Principal	Interest	Principal
2017	\$ 684,342	\$ 558,647	\$ 1,149,732	\$ 487,537	\$ 1,834,074	\$ 1,046,184
2018	5,546,713	503,004	1,172,611	445,328	6,719,324	948,332
2019	947,365	286,995	1,206,226	393,578	2,153,591	680,573
2020	957,365	255,974	1,220,434	357,441	2,177,799	613,415
2021	997,799	223,044	1,244,801	320,318	2,242,600	543,362
2022-2026	3,433,772	629,541	6,426,805	1,027,194	9,860,577	1,656,735
2027-2031	1,260,856	304,690	1,720,314	345,353	2,981,170	650,043
2032-2036	1,375,000	103,125	1,272,249	109,596	2,647,249	212,721
	<u>\$ 15,203,212</u>	<u>\$ 2,865,020</u>	<u>\$15,413,172</u>	<u>\$ 3,486,345</u>	<u>\$ 30,616,384</u>	<u>\$ 6,351,365</u>

Capital Leases

Refer to Note IV G. The Village 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 Village believes it is in compliance with all significant limitations and restrictions.

New Debt Related to the Tax Incremental District

In 2016, the Village issued \$4,650,000 in note anticipation notes for purposes of TID #2 projects with an interest rate of 4.00% maturing in 2018. Also in 2016, the Village issued \$5,170,000 of general obligation corporate purpose bonds with interest of 2.00% to 3.00% maturing in 2025. Of this amount, \$540,000 was for construction of street projects and \$4,630,000 was related to TID #1 and #2. These issuances and payments are included in the schedules above.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

Revenue Bonds Issued for Utility Funds

In 2016, the Village issued revenue bonds of \$420,000 for the Water and \$1,635,000 for the UD#1 Sewer systems for a total of \$2,055,000 with interest rates of 2.00% to 3.00% maturing in 2036. These bonds are payable out of revenues of these utility districts. This issuance and the related payments are included in the schedules above.

F. RESTRICTED ASSETS

The Restricted Assets at December 31, 2016 consisted of cash and cash equivalents as follows:

General Fund	\$ 21,420
Debt Service	
Tax Incremental District #1	93,664
Tax Incremental District #2	<u>430,041</u>
Total Debt Service	523,705
Special Revenue Funds	
Drainage	43,813
Park	<u>32,244</u>
Total Special Revenue Funds	76,057
Utility District #1	
Debt Service	111,785
Utility District Replacement Account	<u>5,966</u>
Total Utility District #1	117,751
Somers Water	
Debt Service	<u>28,715</u>
Total Somers Water	28,715
Total Restricted Net Assets	<u>\$ 767,648</u>

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. LEASE DISCLOSURES

Lessor – Operating Leases

The Village 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 Village 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.

	Utility District #1
Asset	
Machinery and Equipment	\$ 319,986
Less: Accumulated depreciation	<u>106,662</u>
Net Machinery and Equipment	<u>\$ 213,324</u>

Future Lease Payments

	<u>Principal</u>	<u>Interest</u>
2017	21,431	4,917
2018	22,215	4,133
2019	23,027	3,320
2020	23,870	2,478
2021	24,743	1,064
2022	<u>25,647</u>	<u>699</u>
	<u>\$ 140,933</u>	<u>\$ 16,611</u>

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. LEASE DISCLOSURES (continued)

The Village 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	(2,551)	(1,226)	(7,348)	(11,125)
Net Machinery and Equipment	<u>\$ 2,552</u>	<u>\$ 1,835</u>	<u>\$ 4,898</u>	<u>\$ 9,285</u>

Future payments on the server lease are shown below.

	Utility District #1		Water		General Fund		Totals	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	634	12	363	7	1,520	29	2,517	48
	<u>\$ 634</u>	<u>\$ 12</u>	<u>\$ 363</u>	<u>\$ 7</u>	<u>\$ 1,521</u>	<u>\$ 29</u>	<u>\$ 2,517</u>	<u>\$ 48</u>

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at December 31, 2016 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	9,583,558
Unspent bond money	4,331,620
Less: capital related long term debt outstanding	<u>(15,163,109)</u>
Total Invested in Capital Assets	<u>3,097,834</u>
Restricted for Pension benefits	<u>505,630</u>
Unrestricted	<u>2,129,260</u>
Total Governmental Activities Net Position	<u>\$ 5,732,724</u>

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

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, 2016 include the following:

Committed

Non-Major Fund

Capital Projects Fund - Designated Donations	\$ 10,350
Total Unspendable	<u>\$ 10,350</u>

Restricted

Major Fund

Tax Incremental District #2 - District #2 purposes only	\$ 4,276,035
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Non-Majors Funds

Drainage Fund - used for drainage purposes only	142,322
Park Fund - park purposes only	61,185
Debt Service - debt service purposes only	551,574
Capital Projects Fund - capital project purposes only	<u>74,323</u>
Total Restricted	<u>\$ 5,105,439</u>

Unassigned

Major Fund

General Fund - undesignated funds	\$ 2,198,078
Tax Incremental District #1 - deficit	<u>(462,074)</u>
Total Unassigned	<u>\$ 1,736,004</u>

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

I. RESTATEMENT OF NET POSITION

The General Fund, the proprietary funds and the governmental type funds beginning net positions needed to be restated because of the Board requested a reallocation of general obligation debt between funds and clearing of the related interfund debt. The Board passed a resolution that paid off the interfund debt by reallocating the general obligation debt in each fund. Restating the beginning net positions is part of the change in estimate of the amount of general obligation debt recorded in the governmental funds, government type funds and the business type funds.

For the General Fund statements:

General Fund

FUND BALANCES - December 31, 2015	\$ 531,704
Change due to reallocation of debt between funds	207,042
FUND BALANCES - restated January 1, 2016 (deficit)	<u>738,746</u>
FUND BALANCES - END OF YEAR (DEFICIT)	<u>\$ 2,198,078</u>

For the Proprietary Statements:

	Utility District #1	Somers Water
FUND BALANCES - December 31, 2015	\$ 13,872,980	\$ 3,730,213
Change due to reallocation of debt between funds	(170,508)	226,182
FUND BALANCES - restated January 1, 2016 (deficit)	<u>13,702,472</u>	<u>3,956,395</u>
FUND BALANCES - END OF YEAR (DEFICIT)	<u>\$ 14,238,101</u>	<u>\$ 5,117,608</u>

For the Government –Wide statements:

	Governmental Activities	Business- type	Total <u>Totals</u>
Net position - December 31, 2015, as originally stated	\$ 9,245,421	\$ 19,005,851	\$ 28,251,272
Change due to reallocation of debt between funds	(55,674)	55,674	-
Total net position at the beginning of year (restated)	<u>\$ 9,189,747</u>	<u>\$ 19,061,525</u>	<u>\$ 28,251,272</u>

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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.

Accounting Changes. The WRS adopted GASB Statement No. 82, Pension Issues, an amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement no. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions.

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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

A. *EMPLOYEES' RETIREMENT SYSTEM* (continued)

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.

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 is 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:

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Year	Core Fund Adjustment	Variable Fund Adjustment
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
2015	2.9	2

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, 2016 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, 2016 the Village reported a liability (asset) of \$200,270 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net pension liability (asset) was based on the Village's share of contributions to the pension plan relative to the contributions of all participating

Village of Somers
Notes to the Financial Statements
December 31, 2016

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)

employers. At December 31, 2015, the Village's proportion was 0.01232447%, which was a decrease of 0.00071553% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016 the Village recognized pension expense of \$249,833.

At December 31, 2016, the Village 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	\$ 33,880	\$ 421,465
Changes in assumptions	140,118	-
Net differences between projected and actual earnings on pension plan investments	819,964	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	31,937	-
Employer contributions subsequent to the measurement date	157,703	
Total	\$ 1,183,602	\$ 421,465

\$157,703 reported as deferred outflows related to pension resulting from the WRS Employer'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. 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
2016	\$ 265,450	\$ 101,995
2017	265,450	101,995
2018	265,450	101,995
2019	221,434	101,995
2020	5,115	13,485

Village of Somers
Notes to the Financial Statements
December 31, 2016

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)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension (Liability)Asset:	December 31, 2015
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 Seniority/Merit	3.2% 0.2% - 5.6%
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, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

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:

Village of Somers
 Notes to the Financial Statements
 December 31, 2016

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)

Retirement Funds								
Asset Allocation Targets and Expected Returns								
As of December 31, 2015								
Core Fund Asset Class	Current Asset Allocation %		Destination Target Asset Allocation %		Long-Term Expected Nominal Rate of Return %		Long-Term Expected Real Rate of Return %	
U.S. Equities	27	%	23	%	7.6	%	4.7	%
International Equities	24.5		22		8.5		5.6	
Fixed Income	27.5		37		4.4		1.6	
Inflation Sensitive Assets	10		20		4.2		1.4	
Real Estate	7		7		6.5		3.6	
Private Equity/Debt	7		7		9.4		6.5	
Multi-Asset	4		4		6.7		3.8	
Total Core Fund	107	%	120	%	7.4	%	4.5	%
Variable Fund Asset Class								
U.S. Equities	70	%	70	%	7.6	%	4.7	%
International Equities	30		30		8.5		5.6	
Total Variable Fund	100	%	100	%	7.9	%	5.0	%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
 Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

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 Village's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Village's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Village'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 Village's proportionate share of the net pension liability (asset)	\$ 1,404,699	\$ 200,270	\$ 740,410

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://etf.wi.gov/publications/cafr.htm>

B. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Descriptions and Contribution Information

As a special benefit to certain retirees and certain non-represented employees of the Village, identified by name in the employee manual, the Village 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 Village for a period of not less than five (5) years prior to retirement and who have retired from such employment with the Village in good standing. No benefit is available for any retiree who was not a full-time, non-represented employee of the Village on or before January 1, 2011. The plan is administered by the Village and does not issue a standalone financial report.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

B. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Funding Policy

The Village 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 Village Board.

Annual OPEB Cost and Net OPEB Obligation

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

	<u>12/31/2016</u>
Annual Required Contribution	\$ 27,653
Annual OPEB Cost (expense)	\$ 27,653
Contributions made	<u>(7,278)</u>
Change in net OPEB Obligation	\$ 20,375
OPEB Obligation - Beginning of Year	18,056
OPEB Obligation - End of Year	<u>\$ 38,431</u>

The increase in the net OPEB obligation of \$38,431 was allocated to the Village's functions as follows:

General Government	\$ 16,745
Public Works	2,745
Public Safety	10,980
Planning & Development	2,196
K.R. Utility District	824
Utility District #1	2,745
Somers Water Utility	<u>2,196</u>
	<u>\$ 38,431</u>

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

B. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Annual OPEB Cost Contributed	% of ARC Contributed	Net OPEB Obligation
12/31/2015	27,111	27,111	9,055	33.40%	18,056
12/31/2016	27,653	27,653	7,278	26.32%	38,431

The funded status of the plan as of December 31, 2016, 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%
12/31/2015*	-	323,459	323,459	0.0%	307,739	105.1%

*No valuation done in 2016. Assumed increase of 2%.

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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

B. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

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 Village 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 Village 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 Village 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. For 2016, no valuation was done. Assumed a 2% increase.

The Village 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 Village'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 Village. 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 Village 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 Village 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 Village 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 Village's Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Village's financial position or results of operations.

Funding for the operating budget of the Village 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 Village. Those aid and grant programs are dependent on continued approval

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

D. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 Village.

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" was 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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

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

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).

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 continued in force and effect for the duration of their term. The contract with the private vendor was 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.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

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

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 was determined by the Kenosha County Division of Land Information using the best information available as determined by the Division of Land Information.

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 held by the Town in 2015 and 2016 were 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") was 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 (TID out) 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

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

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

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.

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 irrepealable 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

The Town's revenues are recorded within the Village's accounts so therefore this note is considered paid to the Village and not an outstanding receivable.

F. INCORPORATION AND CLASSIFICATION OF TOWN RELATED REVENUE AND EXPENDITURES INTO THIS REPORT

According to the IGA, the Village provides all services required by the Town and the Town reimburses these services based on their assessed valuation. In this initial year, the budget and the levy had not been split between the two municipalities. Therefore, for accounting and management purposes, the Village recorded all of the revenues and expenditures of the Town in the Village's general ledger. For purposes of this audit report, Town revenues from the State or external sources have been reported in the same classification in the Village books as the Village revenue. The expenditures of the Town are also reported in this audit report in the same functional categories as the Village expenditures.

Village of Somers
Notes to the Financial Statements
December 31, 2016

NOTE V – OTHER INFORMATION (continued)

G. SUBSEQUENT EVENTS

Management evaluated subsequent events through May 31, 2017 the date the financial statements were available to be issued.

During 2016, in order to coordinate development across municipal boundaries, the Village of Somers, the Town of Paris, and the City of Kenosha began working on a comprehensive settlement agreement related to a variety of boundary, utility, and financial issues. This intergovernmental agreement must be approved by each of the governing bodies as well as the Wisconsin Department of Administration. It is anticipated that this agreement will be finalized by the Fall of 2017.

VILLAGE OF SOMERS

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SOMERS
KENOSHA COUNTY, WISCONSIN

OTHER POSTEMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDED STATUS

For the year ended December 31, 2016

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%
12/31/2015*	-	323,459	323,459	0.0%	307,739	105.1%

*No valuation done in 2016. Assumed increase of 2%.

VILLAGE OF SOMERS
KENOSHA COUNTY, WISCONSIN

For the Year Ended December 31, 2016

Schedule of Proportionate Share of the Net Pension Liability (Asset)

Wisconsin Retirement System

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.01304000%	320,298	1,376,535	-23.27%	102.74%
12/31/16	0.01232447%	58,610	1,430,073	14.00%	98.2%

Schedule of Employer Contributions

Wisconsin Retirement System

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
12/31/15	115,376	115,376	-	1,376,535	8.32%
12/31/16	115,160	115,160	-	1,430,073	8.05%

See Notes to Required Supplementary Information.

VILLAGE OF SOMERS

Notes to Required Supplementary Information December 31, 2016

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

The Village implemented GASB Statement Nos. 68 and 71 for the year ended December 31, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

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.

**VILLAGE OF SOMERS
KENOSHA COUNTY, WISCONSIN**

SUPPLEMENTARY INFORMATION

VILLAGE OF SOMERS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Drainage Fund	Park Fund	Impact Fees Fund	Total Special Revenue Funds			
ASSETS							
Cash and investments	\$ 98,509	\$ 28,941	\$ -	\$ 127,450	\$ 27,869	\$ 344,926	\$ 500,245
Property taxes receivable	-	-	-	-	1,242,641	-	1,242,641
Miscellaneous receivable	-	-	-	-	-	-	-
Restricted Cash	43,813	32,244	-	76,057	523,705	-	599,762
TOTAL ASSETS	142,322	61,185	-	203,507	1,794,215	344,926	2,342,648
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	-	-	-	-	-	260,253	260,253
TOTAL LIABILITIES	-	-	-	-	-	260,253	260,253
DEFERRED INFLOWS OF RESOURCES							
Deferred property tax levy	-	-	-	-	1,242,641	-	1,242,641
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	1,242,641	-	1,242,641
FUND BALANCES							
<i>Committed</i>	-	-	-	-	-	10,350	10,350
<i>Restricted</i>	142,322	61,185	-	203,507	551,574	74,323	829,404
Total Fund Balances	142,322	61,185	-	203,507	551,574	84,673	839,754
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 142,322	\$ 61,185	\$ -	\$ 203,507	\$ 1,794,215	\$ 344,926	\$ 2,342,648

VILLAGE OF SOMERS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

Special Revenue Funds							
REVENUES	Drainage Fund	Park Fund	Impact Fees Fund	Total Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	\$	\$	\$	\$	\$	\$	\$
Taxes	-	-	-	-	842,861	32,264	875,125
Investment income	182	134	85	401	-	-	401
Miscellaneous revenue	-	400	-	400	-	10,350	10,750
Total Revenues	182	534	85	801	842,861	42,614	886,276
 EXPENDITURES							
Public works	1,130	-	21,408	22,538	-	38	22,576
Leisure activities	-	156	-	156	-	-	156
Capital outlay	-	-	-	-	-	477,035	477,035
Debt Service:							
Principal retirement	-	-	-	-	625,419	-	625,419
Interest charges	-	-	-	-	206,297	15,869	222,166
Total Expenditures	1,130	156	21,408	22,694	831,716	492,942	1,347,352
 Excess (deficiency) of revenues over expenditures	(948)	378	(21,323)	(21,893)	11,145	(450,328)	(461,076)
 OTHER FINANCING SOURCES (USES)							
Proceeds from General Obligation Debt	-	-	-	-	523,705	540,000	1,063,705
Premium on bond	-	-	-	-	-	10,171	10,171
Transfers In	-	-	-	-	31,091	52,069	83,160
Transfers Out	-	-	(69,287)	(69,287)	(13,873)	-	(83,160)
	-	-	(69,287)	(69,287)	540,923	602,240	1,073,876
 Net change in fund balance	(948)	378	(90,610)	(91,180)	552,068	151,912	612,800
 FUND BALANCES							
Beginning of year (deficit)	143,270	60,807	90,610	294,687	(494)	(67,239)	226,954
 FUND BALANCES - END OF YEAR	\$ 142,322	\$ 61,185	\$ -	\$ 203,507	\$ 551,574	\$ 84,673	\$ 839,754