

**VILLAGE OF SOMERS  
KENOSHA COUNTY, WISCONSIN**

**AUDIT REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2017**

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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, 2017, 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, 2017, 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 18 and the OPEB and pension schedules on pages 78 and 79 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 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 31, 2017. In our opinion, the summarized comparative information for the government funds presented herein as of and for the year ended December 31, 2016, 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 15, 2018

**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, 2017.

## **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 19.

### **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. 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. The Village entered into a contract with the Kenosha County Sheriff's Department for full-time service of 8 hours per day with the intent of expanding the level of service to 16 hours per day commencing July 1, 2018.
- Public Works includes the maintenance of all Village & Town roads, operation of municipal sewer & water utilities, related facilities and street lighting.
- Solid Waste Collection is a contracted service for garbage and recycling pickup.
- Leisure Activities includes a recreation program which offers softball, soccer, golf & basketball.
- Conservation and Development includes the Plan Commission, the Board of Appeals, the Park Committee and the two Tax Incremental Districts. In an effort to save costs, the Village contracts with Kenosha County Planning & Development for zoning oversight.
- Civic Committee includes the July 4<sup>th</sup> Parade & Santa's Open House.

### **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, a recently created & adopted Capital Projects Fund, Debt Service Fund and Tax Incremental Districts #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, Leisure Activities, and 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 2016. Net position may serve over time as a useful indicator of a government's financial position. In 2017, the Village's assets exceeded liabilities by \$25,775,490 as compared to having assets over liabilities of \$28,587,099 in 2016.

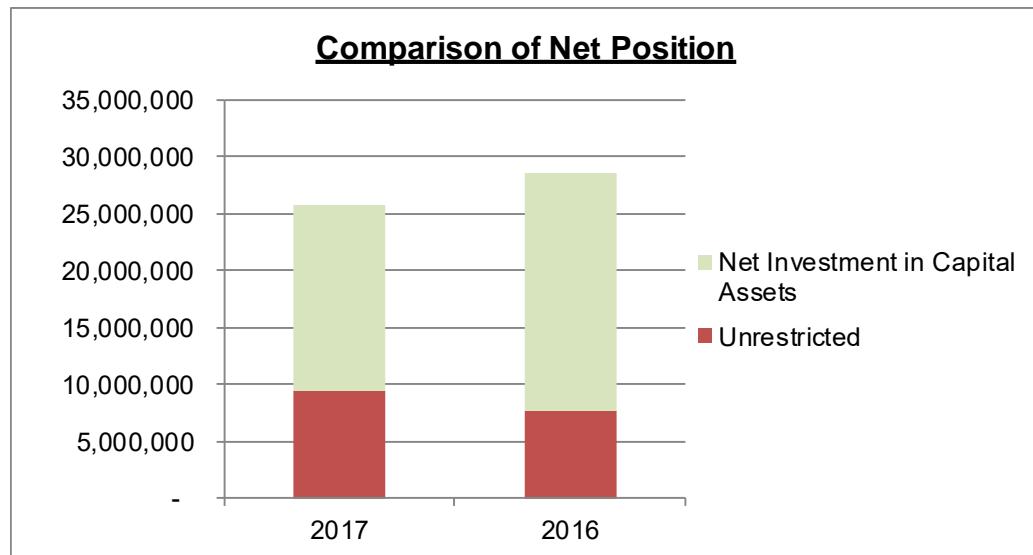
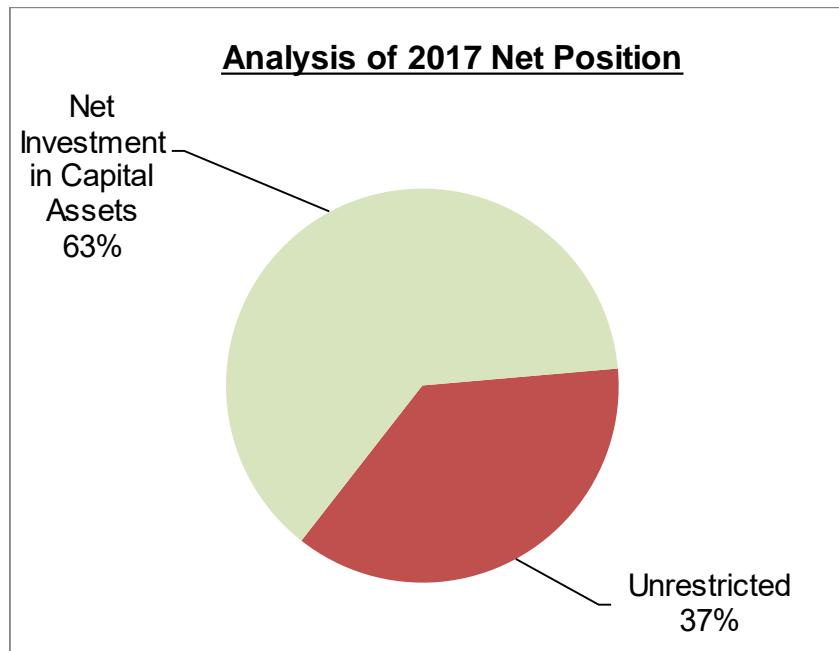
The largest portion of the Village's 2017 net position (63 percent) (2016 was 69%) reflects the Village's investment in capital assets less any outstanding related debt used to acquire those assets. The Village uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital

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

**The Village as a Whole (continued)**

Government-wide Financial Analysis (continued)

assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. 37 percent (31% for 2016) is in the category of unrestricted net assets which may be used to meet the Village's ongoing obligations to citizens and creditors.



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

**The Village as a Whole (continued)**

**Government-wide Financial Analysis (continued)**

**VILLAGE OF SOMERS**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	Governmental		Business-type		Total	
	Activities	2017	Activities	2016	2017	2016
Current and other assets	\$ 25,434,245	\$ 24,754,921	\$ 8,839,855	\$ 6,634,302	\$ 34,274,100	\$ 31,389,223
Capital assets	14,282,296	13,929,323	35,156,806	32,829,399	49,439,102	46,758,722
<b>Total Assets</b>	<b>39,716,541</b>	<b>38,684,244</b>	<b>43,996,661</b>	<b>39,463,701</b>	<b>83,713,202</b>	<b>78,147,945</b>
Deferred outflows of resources	923,691	1,063,552	89,116	120,050	1,012,807	1,183,602
Long-term liabilities outstanding	13,671,770	15,141,810	15,462,884	14,539,950	29,134,654	29,681,760
Other liabilities	21,200,156	13,939,528	1,984,790	1,843,114	23,184,946	15,782,642
<b>Total liabilities</b>	<b>34,871,926</b>	<b>29,081,338</b>	<b>17,447,674</b>	<b>16,383,064</b>	<b>52,319,600</b>	<b>45,464,402</b>
Deferred inflows of resources	6,274,605	4,933,734	356,314	346,312	6,630,919	5,280,046
Net position:						
Net investment in capital assets	(5,126,298)	3,603,464	21,374,080	17,242,351	16,247,782	20,845,815
Unrestricted	4,619,999	2,129,260	4,907,709	5,612,024	9,527,708	7,741,284
<b>Total Net Position</b>	<b>\$ (506,299)</b>	<b>\$ 5,732,724</b>	<b>\$ 26,281,789</b>	<b>\$ 22,854,375</b>	<b>\$ 25,775,490</b>	<b>\$ 28,587,099</b>

**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**  
**For the Year Ended December 31, 2017**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,003,705	\$ 1,093,737	\$ 3,538,875	\$ 3,156,063	\$ 4,542,580	\$ 4,249,800
Operating grants and contributions	324,855	192,082	-	-	324,855	192,082
Capital grants and contributions	-	-	-	3,001,162	-	3,001,162
General revenues:						
Property taxes	2,966,524	2,837,313	303,054	303,001	3,269,578	3,140,314
Other taxes	1,242,641	842,861	-	-	1,242,641	842,861
Grants and contributions not restricted to specific programs	158,713	152,877	-	-	158,713	152,877
Other	1,199,532	900,482	521,779	41,584	1,721,311	942,066
<b>Total revenues</b>	<b>6,895,970</b>	<b>6,019,352</b>	<b>4,363,708</b>	<b>6,501,810</b>	<b>11,259,678</b>	<b>12,521,162</b>
<b>Expenses:</b>						
General government	1,508,169	1,060,741	-	-	1,508,169	1,060,741
Public works	1,129,200	859,712	-	-	1,129,200	859,712
Public safety	2,159,969	1,708,205	-	-	2,159,969	1,708,205
Solid waste collection	571,244	561,252	-	-	571,244	561,252
Conservation and development	4,659,259	4,502,240	-	-	4,659,259	4,502,240
Leisure activities	37,822	22,481	-	-	37,822	22,481
Interest on long-term debt	800,472	429,226	-	-	800,472	429,226
Sewer	-	-	2,103,142	2,118,156	2,103,142	2,118,156
Water	-	-	1,102,010	923,322	1,102,010	923,322
<b>Total expenses</b>	<b>10,866,135</b>	<b>9,143,857</b>	<b>3,205,152</b>	<b>3,041,478</b>	<b>14,071,287</b>	<b>12,185,335</b>
<b>Increase in net position</b>	<b>(3,970,165)</b>	<b>(3,124,505)</b>	<b>1,158,556</b>	<b>3,460,332</b>	<b>(2,811,609)</b>	<b>335,827</b>
Transfers	(2,268,858)	(332,518)	2,268,858	332,518	-	-
<b>Increase (decrease) in net position</b>	<b>(6,239,023)</b>	<b>(3,457,023)</b>	<b>3,427,414</b>	<b>3,792,850</b>	<b>(2,811,609)</b>	<b>335,827</b>
<b>Net position - beginning of year</b>	<b>5,732,724</b>	<b>9,189,747</b>	<b>22,854,375</b>	<b>19,061,525</b>	<b>28,587,099</b>	<b>28,251,272</b>
<b>Net position - end of year</b>	<b>\$ (506,299)</b>	<b>\$ 5,732,724</b>	<b>\$ 26,281,789</b>	<b>\$ 22,854,375</b>	<b>\$ 25,775,490</b>	<b>\$ 28,587,099</b>

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

**The Village as a Whole (continued)**

Government-Wide Financial Analysis (Continued)

Revenues:

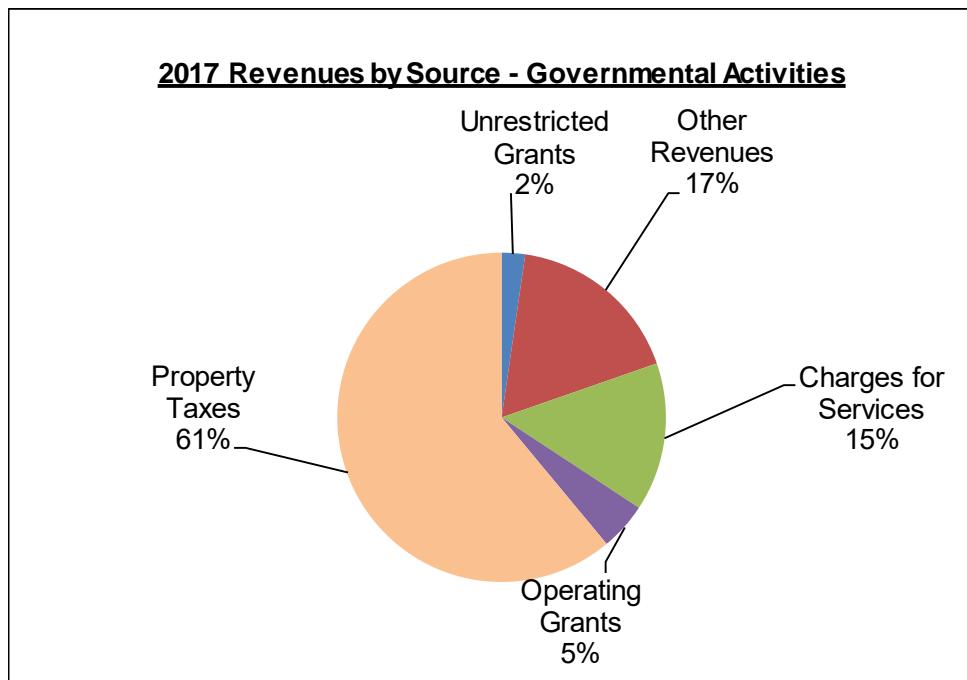
Total revenues for the Village decreased by \$1,261,484 due mainly to a prior year capital grant of \$3 million not being repeated in 2017. All other types of revenue increased in 2017.

Expenditures:

Expenditures increased by \$1,885,952 for the governmental funds. This is due to higher legal fees, start-up costs for a joint municipal court & two major TID projects.

**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**

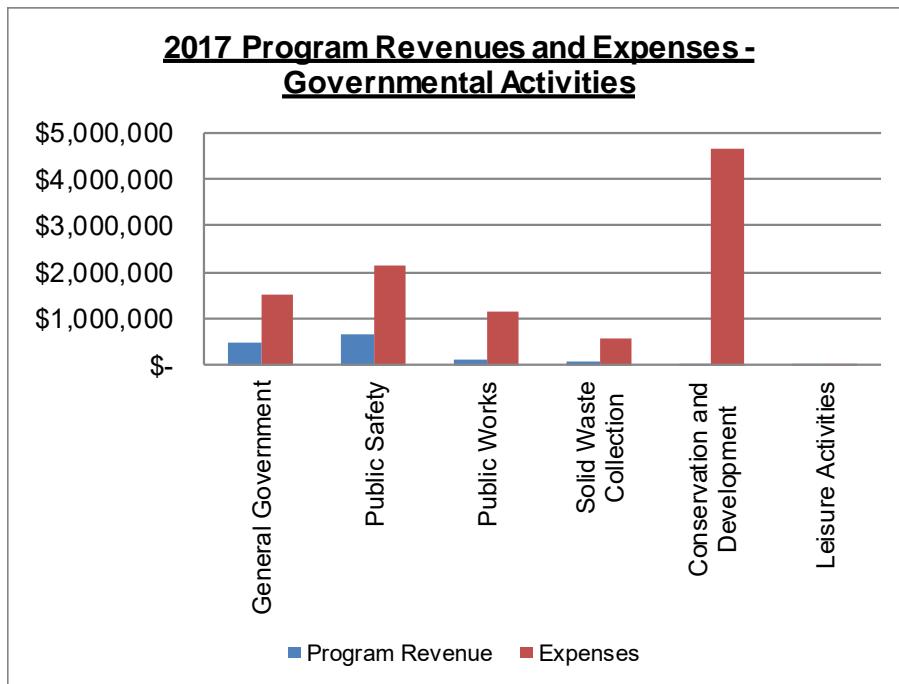
This chart illustrates the percent of revenue sources that fund the Village's governmental activities.



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

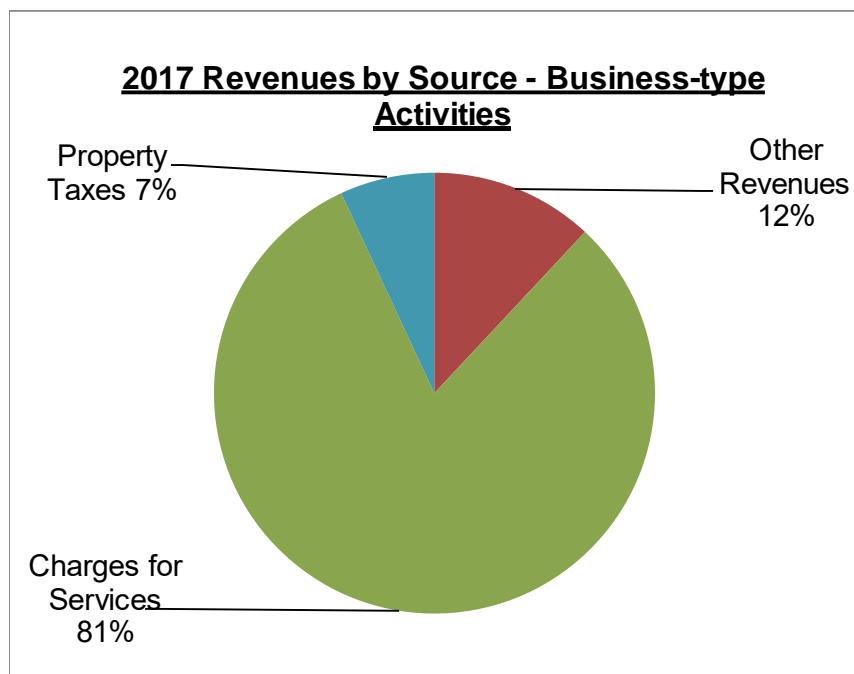
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES (continued)**

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



**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES**

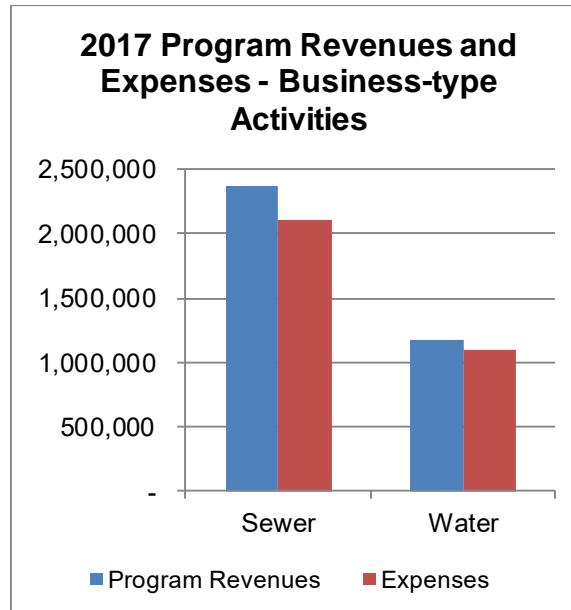
This chart illustrates the percent of revenue sources that fund the Village's business-type activities.



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

## **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.



## **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 2017, the Village Board adopted three policies that cover the areas of debt, fund balance and capitalization. The Village also finalized a 10-year Capital Improvement Plan, long-range Financial Management Plan and a Utility study.

### General Fund

The General Fund closed out in 2017 with a healthy increase of \$923,774. New construction in the Village resulted in increased permit fees. This, along with developer's voluntary donations and TID reimbursements, accounted for the increase. The Unrestricted General Fund balance of \$3.1 million is 68% of General Fund expenditures. The Village's fund balance policy requires at least a seventeen percent reserve.

The following chart shows total General fund balances for the past three years:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General fund</b>	<b><u>\$ 531,704</u></b>	<b><u>\$ 2,198,078</u></b>	<b><u>\$ 3,121,852</u></b>

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

**The Village's Funds (continued)**

**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 reviewed on an annual basis & approved by the Village Board. The Board established a 10-year 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 \$660,374 compared to \$551,574 in 2016.

**Tax Incremental District #1**

This District has a deficit fund balance of \$830,409. 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.

**Tax Incremental District #2**

The Village financed projects for TID #2. The fund balance is \$619,585, This is a planned surplus to be used for pending developer payments as developer responsible projects are completed.

**Enterprise Funds**

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

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

**The Village's Funds (continued)**

**Somers Water Utility Fund**

The Water Utility closed 2017 with an increase in net position of \$2,414,835. 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 municipal water.

**Sewer Utility District #1 Fund**

Overall, the Sewer Utility District #1 closed out the year with an increase in net position of \$1,008,877. Total net operating income for the Sewer Utility District #1 in 2017 was \$635,555. This fund has an unrestricted net position at year end 2017 of \$5.7 million.

Sewer system maintenance is critical for the health and safety of our residents. To insure seamless service to the sewer customer base, Sewer 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, Racine County to the north. 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 on K.R. In 2017, the Utility experienced an operating income of \$1,620.

The K.R. Sewer Utility has a multi-jurisdictional agreement to help Racine Sewer Utility 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 City of Racine Sewer Utility and who receives money.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Village General Fund has a fund balance of \$3,121,852 which is a \$923,774 improvement over 2016. This is a result of permit fees & developer's contributions.

Management has calculated the net pension expense and liability as required by the Governmental Accounting Standards Board (GASB) Statement No. 68 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. Please see Note V A. on page 63 for further information on this calculation.

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 Pensions*. Please see Note V B. on page 69 for further information on this calculation.

The summary on the next page details major items that affected the General Fund's balance for 2017.

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

**GENERAL FUND BUDGETARY HIGHLIGHTS (continued)**

**Summary of 2017 Operations: Review of Major Elements Impacting the Unassigned Fund Balance in the General Fund**

**2017 General Fund Year-End Forecast (Unaudited)**

Unassigned Reserves Year End 2016	2,198,078
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**Items causing increase to the General Fund**

Taxes	46,696
Intergovernmental Revenue	168,328
Charges for services	143,544
Intergovernmental charges	113,775
Licenses and permits	26,135
Investment income	89,973
Miscellaneous income	34,230
Miscellaneous Income - Voluntary donations	896,287
Solid waste collection	5,768
Culture and recreation	10,274
Contingency reserve	41,791
<b>Total Increases to General Fund</b>	<b>1,576,801</b>

**Items causing decrease to the General Fund**

General government	(164,319)
Public safety	(297,306)
Public works	(101,944)
Planning and development	(42,783)
Fees and fines	(47,165)
<b>Total Decreases to General Fund</b>	<b>(653,517)</b>

2017 Year-End Unassigned General Fund balance	3,121,362
Less: Village Board minimum requirement of 17% of General Fund Expenditures	782,636
<b>Amount over 17% Minimum</b>	<b>2,338,726</b>

<b>2017 Year-End Unassigned General Fund balance</b>	<b>3,121,362</b>
<b>Unassigned Reserves as a Percentage of General Fund Expenses</b>	<b>68%</b>

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of December 2017, the Village had \$49,438,976 invested in capital assets including buildings, parks, vehicles, equipment and infrastructure. See Note IV C. on page 51 for more detail on capital assets. A summary report of capital assets is as follows:

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Intangible Assets	\$ 38,732	\$ -	\$ 60,393	\$ 21,660	\$ 99,125	\$ 21,660
Construction in Progress	63,862	-	2,079,870	2,073,159	2,143,732	2,073,159
Land	216,294	216,294	-	-	216,294	216,294
Land Improvements	4,526,089	4,350,524	-	-	4,526,089	4,350,524
Utility Plant in Service	-	-	40,084,459	38,613,068	40,084,459	38,613,068
Buildings	6,025,568	6,025,568	-	-	6,025,568	6,025,568
Machinery & Equipment	4,228,411	4,056,656	2,592,005	924,452	6,820,416	4,981,108
Infrastructure	12,776,403	12,585,547	-	-	12,776,403	12,585,547
Total Capital Assets	27,875,359	27,234,589	44,816,727	41,632,339	72,692,086	68,866,928
Less: Accumulated Depreciation	(13,593,063)	(13,305,266)	(9,659,921)	(8,802,940)	(23,252,984)	(22,108,206)
<b>Total Net Capital Assets</b>	<b>\$ 14,282,296</b>	<b>\$ 13,929,323</b>	<b>\$ 35,156,806</b>	<b>\$ 32,829,399</b>	<b>\$ 49,439,102</b>	<b>\$ 46,758,722</b>

**Debt**

At the end of the year, the Village's outstanding general obligation (GO) debt and Revenue Bonds totaled \$34,352,325. See Notes to the Financial Statements page 54 for more detail on debt.

Debt Outstanding 12/31/16	\$ 30,616,384
Debt Issued	9,655,000
Principal Retired	(5,919,059)
<b>Debt Outstanding 12/31/17</b>	<b>\$ 34,352,325</b>

**Breakdown of Outstanding Debt:**

Revenue Bonds	\$ 6,295,000
Note Anticipation Note	4,650,000
General Obligation Debt	23,407,325
<b>Debt Outstanding 12/31/17</b>	<b>\$ 34,352,325</b>

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

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

Village and Town of Somers

Combined Debt Limit

2017 Equalized Value

Town	\$ 93,166,500
Village	<u>770,605,900</u>
	<u><u>TOTAL \$ 863,772,400</u></u>
X 5% of Total Equalized Value	<u><u>\$ 43,188,620</u></u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

In 2017, the Village of Somers and its residents continued to experience an economic growth 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, commercial and industrial development.

As a result of the foregoing, 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 constructed a medical office/clinic in the Village of Somers on Lots 18 and 19 in the Somers Market Center. In 2017 they expanded to the third floor, which was not anticipated until 2020.

The Two Tax Incremental Financing Districts were created in 2015 in order to facilitate economic development and have proven to be highly successful. 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 was completed in 2017 with 90% occupancy.

Commercial Development expanded in TIF District #2 with the construction of a Firestone Service Center, Burger King Restaurant & Kwik Trip Fuel Station. The Village is working with developers from throughout the County on new development.

The Paris Intergovernmental Agreement was finalized in 2017. This historic agreement between the Village of Somers, City of Kenosha & Town of Paris opened 2,000 acres of land for development which is estimated at a potential improved value of \$2 billion.

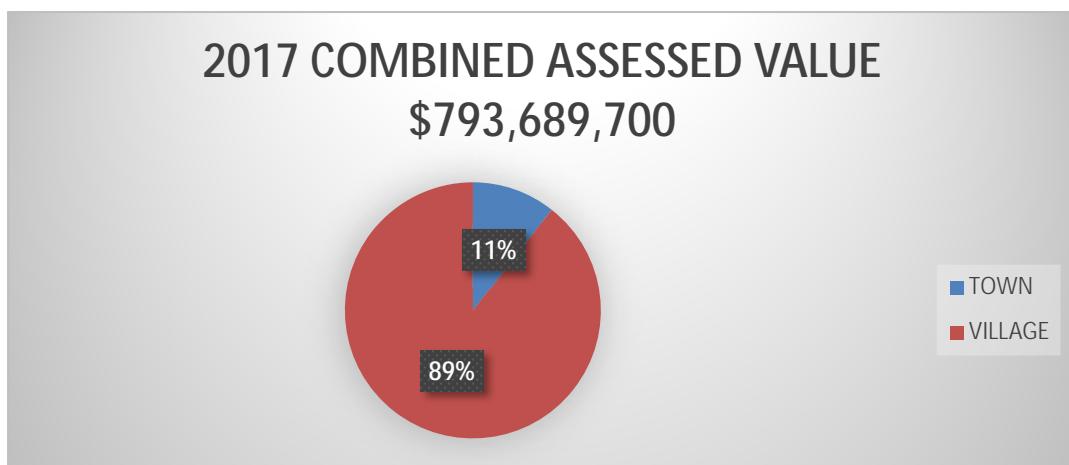
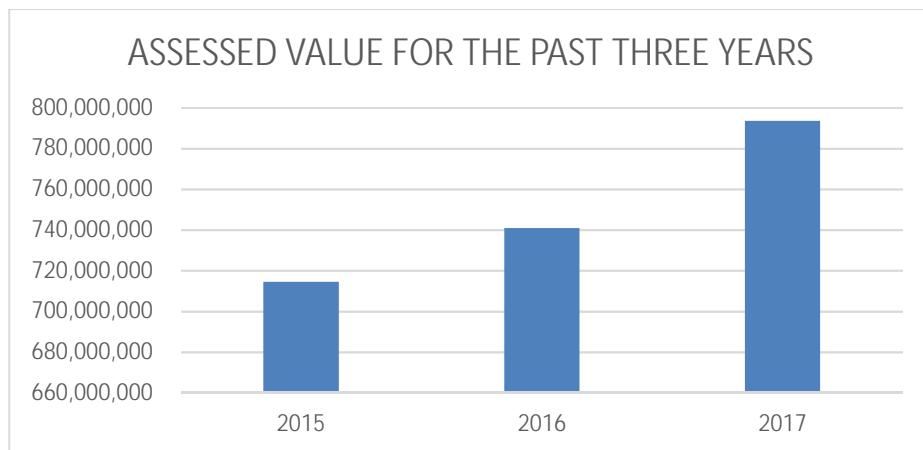
**VILLAGE OF SOMERS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)**

**RATING CHANGE**

In light of the positive financial events, Moody's Investors Service reviewed and revised the rating on outstanding general obligation debt of the Village of Somers, Wisconsin from a "Baa1" rating to an "A3" rating on June 7, 2017.

**ASSESSED VALUE TRENDS**



**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 12<sup>th</sup> Street, P.O. Box 197, Somers, WI.

William Morris  
Village Administrator  
Village of Somers, Wisconsin

**VILLAGE OF SOMERS**  
**Statement of Net Position**  
**December 31, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,530,254	\$ 6,235,131	\$ 17,765,385
Receivables	13,116,565	1,299,446	14,416,011
Prepaid Expenses	490	14	504
Restricted assets			
Cash and cash equivalents	496,476	225,284	721,760
Deferred special assessments - noncurrent	290,460	238,875	529,335
Capital Assets			
Land and Construction in Progress	280,156	2,079,870	2,360,026
Other capital assets, net of depreciation	14,002,140	33,076,936	47,079,076
Total Capital Assets	<u>14,282,296</u>	<u>35,156,806</u>	<u>49,439,102</u>
Total Assets	<u>39,716,541</u>	<u>43,155,556</u>	<u>82,872,097</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Related to pension	923,691	89,116	1,012,807
Total deferred outflows of resources	<u>923,691</u>	<u>89,116</u>	<u>1,012,807</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,230,906	549,463	2,780,369
Due to other governments	12,985,181	-	12,985,181
Deposits & trust accounts	26,585	-	26,585
Other current liabilities	120,590	266,573	387,163
Long-term liabilities			
Net Pension Liability	100,070	11,597	111,667
Debt due within one year	5,836,894	1,168,754	7,005,648
Debt due in more than one year	<u>13,571,700</u>	<u>14,610,182</u>	<u>28,181,882</u>
Total liabilities	<u>34,871,926</u>	<u>16,606,569</u>	<u>51,478,495</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax levy	5,814,972	303,050	6,118,022
Related to pension	459,633	53,264	512,897
Total deferred inflows of resources	<u>6,274,605</u>	<u>356,314</u>	<u>6,630,919</u>
<b>NET POSITION</b>			
Net Investment in capital assets	(5,126,298)	21,374,080	16,247,782
Unassigned	4,619,999	4,907,709	9,527,708
Total net position	<u>\$ (506,299)</u>	<u>\$ 26,281,789</u>	<u>\$ 25,775,490</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017

<b>Functions/Programs</b>	<b>Expenses</b>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	<b>Total</b>
<b>Primary government</b>							
Governmental Activities							
General government	\$ 1,508,169	462,088	\$ -	\$ -	\$ (1,046,081)	\$ -	\$ (1,046,081)
Public works	1,129,200	12,722	97,402	-	(1,019,076)	-	(1,019,076)
Public safety	2,159,969	487,422	168,722	-	(1,503,825)	-	(1,503,825)
Solid waste collection	571,244	450	58,731	-	(512,063)	-	(512,063)
Leisure activities	37,822	31,093	-	-	(6,729)	-	(6,729)
Conservation and development	4,659,259	9,930	-	-	(4,649,329)	-	(4,649,329)
Interest on long-term debt	800,472	-	-	-	(800,472)	-	(800,472)
Total governmental activities	10,866,135	1,003,705	324,855	-	(9,537,575)	-	(9,537,575)
Business-type activities							
Sewer	2,103,142	2,370,130	-	-	-	266,988	266,988
Water	1,102,010	1,168,745	-	-	-	66,735	66,735
Total business-type activities	3,205,152	3,538,875	-	-	-	333,723	333,723
Total primary government	<u>\$ 14,071,287</u>	<u>\$ 4,542,580</u>	<u>\$ 324,855</u>	<u>\$ -</u>	<u>\$ (9,537,575)</u>	<u>\$ 333,723</u>	<u>\$ (9,203,852)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					\$ 2,966,524	\$ 303,054	\$ 3,269,578
Property taxes, levied for debt service					1,242,641	-	1,242,641
Grants and contributions not restricted to specific programs					158,713	-	158,713
Unrestricted investment earnings					100,065	22,548	122,613
Miscellaneous					1,099,467	499,231	1,598,698
Transfers					(2,268,858)	2,268,858	-
Total general revenues					<u>3,298,552</u>	<u>3,093,691</u>	<u>6,392,243</u>
Change in net position					<u>(6,239,023)</u>	<u>3,427,414</u>	<u>(2,811,609)</u>
Net position - beginning					<u>5,732,724</u>	<u>22,854,375</u>	<u>28,587,099</u>
Net position - ending					<u>\$ (506,299)</u>	<u>\$ 26,281,789</u>	<u>\$ 25,775,490</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2017**

	General Fund	Tax Incremental District #1	Tax Incremental District #2	Nonmajor Governmental Funds	Total Governmental Funds	2016 Total Governmental Funds
<b>ASSETS</b>						
Cash and Investments	\$ 8,917,716	\$ 1,076,585	\$ 620,631	\$ 915,322	\$ 11,530,254	\$ 12,503,638
Receivables						
Property taxes	9,086,549	-	-	2,565,532	11,652,081	10,470,625
Receivable from other governments	-	-	-	111,130	111,130	-
Ambulance fees	339,184	-	-	-	339,184	308,976
Miscellaneous	1,013,484	-	686	-	1,014,170	818,005
Customers	-	-	-	-	-	32,496
Due from other funds	-	-	-	-	-	400,216
Prepaid expenses	490	-	-	-	490	-
Restricted Cash	17,980	-	-	478,496	496,476	621,182
Deferred Special Assessments	-	-	290,460	-	290,460	-
<b>TOTAL ASSETS</b>	<b>19,375,403</b>	<b>1,076,585</b>	<b>911,777</b>	<b>4,070,480</b>	<b>25,434,245</b>	<b>25,155,138</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	211,092	1,906,994	1,732	39,375	2,159,193	567,896
Accrued compensation	71,713	-	-	-	71,713	70,812
Due to other governments	12,985,181	-	-	-	12,985,181	12,418,434
Special Deposits & Trust Accounts	26,585	-	-	-	26,585	-
Due to other funds	-	-	-	-	-	400,216
Long-term special assessments	-	-	-	-	-	290,460
<b>TOTAL LIABILITIES</b>	<b>13,294,571</b>	<b>1,906,994</b>	<b>1,732</b>	<b>39,375</b>	<b>15,242,672</b>	<b>13,747,818</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Property Tax Levy	2,952,140	-	290,460	2,565,532	5,808,132	4,130,527
Special assessments	-	-	-	-	-	425,000
Other Deferred Revenue	6,840	-	-	-	6,840	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,958,980</b>	<b>-</b>	<b>290,460</b>	<b>2,565,532</b>	<b>5,814,972</b>	<b>4,555,527</b>
Fund Balances						
<b>Nonspendable</b>						
Prepaid Items	490	-	-	-	490	-
<b>Committed</b>						
Designated donations	-	-	-	-	-	10,350
<b>Restricted</b>						
Tax Incremental District #2	-	-	619,585	-	619,585	4,276,035
Drainage Fund	-	-	-	140,909	140,909	142,322
Park Fund	-	-	-	61,920	61,920	61,185
Debt Service	-	-	-	660,374	660,374	551,574
Capital Projects	-	-	-	602,370	602,370	74,323
<b>Unassigned</b>	<b>3,121,362</b>	<b>(830,409)</b>	<b>619,585</b>	<b>1,465,573</b>	<b>2,290,953</b>	<b>1,736,004</b>
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>3,121,852</b>	<b>(830,409)</b>	<b>619,585</b>	<b>1,465,573</b>	<b>4,376,601</b>	<b>6,851,793</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 19,375,403</b>	<b>\$ 1,076,585</b>	<b>\$ 911,777</b>	<b>\$ 4,070,480</b>	<b>\$ 25,434,245</b>	<b>\$ 25,155,138</b>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**As of December 31, 2017**

Fund Balance - Total Governmental Funds	\$ 4,376,601
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	14,282,296
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets	923,691
The Village's proportional share of the Wisconsin Retirement System pension plan is not a current liability, therefore it is not reported in the fund financial statements	(559,703)
Interest expense is not accrued in the governmental funds	(120,590)
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	<u>(19,408,594)</u>
Net Position	<u>\$ (506,299)</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, 2017**

	General Fund	Tax Incremental District #1	Tax Incremental District #2	Nonmajor Governmental Funds	Total Governmental Funds	2016 Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 2,966,523	\$ -	\$ -	\$ 1,242,642	\$ 4,209,165	\$ 3,680,174
Intergovernmental Revenues	483,569	-	-	111,130	594,699	487,226
Charges for services	692,569	-	-	-	692,569	628,205
Licenses and permits	288,200	-	-	-	288,200	442,373
Fees and fines	22,935	-	-	-	22,935	8,933
Investment income	94,273	2,060	-	3,732	100,065	15,549
Miscellaneous income	979,446	-	-	125,685	1,105,131	884,933
<b>Total Revenues</b>	<b>5,527,515</b>	<b>2,060</b>	<b>-</b>	<b>1,483,189</b>	<b>7,012,764</b>	<b>6,147,393</b>
<b>EXPENDITURES</b>						
Current:						
General government	1,342,850	-	-	-	1,342,850	972,822
Public safety	1,906,388	-	-	-	1,906,388	1,594,401
Public works	652,877	-	-	-	652,877	436,371
Solid waste collection	568,274	-	-	1,750	570,024	560,634
Leisure activities	26,291	-	-	313	26,604	22,752
Conservation and development	88,959	39,008	8,442	-	136,409	4,833,289
Capital Outlay	18,102	3,182,927	3,708,326	1,099,552	8,008,907	478,105
Debt Service:						
Principal retirement	-	-	-	159,959	159,959	625,419
Interest and other charges	-	108,755	-	671,715	780,470	489,437
<b>Total Expenditures</b>	<b>4,603,741</b>	<b>3,330,690</b>	<b>3,716,768</b>	<b>1,933,289</b>	<b>13,584,488</b>	<b>10,013,230</b>
Excess (deficiency) of revenues over expenditures	923,774	(3,328,630)	(3,716,768)	(450,100)	(6,571,724)	(3,865,837)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from long-term debt	-	2,949,146	-	4,579,857	7,529,003	9,820,000
Refunding debt retirement	-	-	-	(3,660,445)	(3,660,445)	-
Premium on issuance of debt	-	59,403	-	156,507	215,910	63,640
Transfers from other funds	-	-	60,318	-	60,318	83,160
Transfers to other funds	-	(48,254)	-	-	(48,254)	(83,160)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>2,960,295</b>	<b>60,318</b>	<b>1,075,919</b>	<b>4,096,532</b>	<b>9,883,640</b>
<b>Net change in fund balance</b>	<b>923,774</b>	<b>(368,335)</b>	<b>(3,656,450)</b>	<b>625,819</b>	<b>(2,475,192)</b>	<b>6,017,803</b>
FUND BALANCES - Beginning of Year (deficit)	2,198,078	(462,074)	4,276,035	839,754	6,851,793	833,990
<b>FUND BALANCES - END OF YEAR (DEFICIT)</b>	<b>\$ 3,121,852</b>	<b>\$ (830,409)</b>	<b>\$ 619,585</b>	<b>\$ 1,465,573</b>	<b>\$ 4,376,601</b>	<b>\$ 6,851,793</b>

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, 2017**

Net change in fund balances - total governmental funds	\$ (2,475,192)
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 (\$623,329) was exceeded by capital outlay (\$981,967) in the current period	358,638
The net effect of adjusting the pension expense to the actuarially determined amount instead of the cash payments made to the fund	(141,642)
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	(3,975,163)
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>(5,664)</u>
Change in net assets of governmental activities	<u>\$ (6,239,023)</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**  
**December 31, 2017**

Description	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	
<b>Revenues</b>				
Taxes	\$ 2,919,827	\$ 2,965,827	\$ 2,966,523	\$ 696
Intergovernmental revenues	315,241	483,241	483,569	328
Charges for services	421,250	564,250	564,794	544
Intergovernmental charges	14,000	127,000	127,775	775
Licenses and permits	262,065	288,065	288,200	135
Fees and fines	70,100	22,100	22,935	835
Investment income	4,300	93,300	94,273	973
Miscellaneous income	48,440	979,440	979,446	6
<b>Total revenues</b>	<b>4,055,223</b>	<b>5,523,223</b>	<b>5,527,515</b>	<b>4,292</b>
<b>Expenditures</b>				
Current:				
General government	1,181,922	1,346,922	1,346,241	(681)
Public safety	1,622,917	1,920,917	1,920,223	(694)
Public works	551,809	653,809	653,753	(56)
Solid waste collection	574,043	574,043	568,274	(5,769)
Leisure activities	36,565	36,565	26,291	(10,274)
Conservation and development	46,176	89,176	88,959	(217)
Contingency reserve	41,791	-	-	-
<b>Total expenditures</b>	<b>4,055,223</b>	<b>4,621,432</b>	<b>4,603,741</b>	<b>(17,691)</b>
Excess (deficiency) of revenues over expenditures	-	901,791	923,774	21,983
<b>Net change in fund balance</b>	-	901,791	923,774	21,983
Fund balance - beginning of year	<u>2,198,078</u>	<u>2,198,078</u>	<u>2,198,078</u>	-
<b>Fund balance - end of year</b>	<b>\$ 2,198,078</b>	<b>\$ 3,099,869</b>	<b>\$ 3,121,852</b>	<b>\$ 21,983</b>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

	Business-Type Activities			
	K.R Utility District	Utility District #1	Somers Water	Total
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 375,366	\$ 5,859,765	\$ -	\$ 6,235,131
Accounts receivable	22,879	424,974	218,517	666,370
Tax levy receivable	-	303,050	-	303,050
Other receivables	14,319	138,987	176,720	330,026
Due from other funds	-	372,025	-	372,025
Prepaid expenses	14	-	-	14
Restricted cash	-	138,598	86,686	225,284
Total current assets	<u>412,578</u>	<u>7,237,399</u>	<u>481,923</u>	<u>8,131,900</u>
Noncurrent assets				
Due from other funds - noncurrent	469,080		-	469,080
Utility plant in service	1,276,015	25,686,505	13,121,939	40,084,459
Machinery and equipment	-	2,155,958	436,047	2,592,005
Construction in progress	-	27,369	2,052,501	2,079,870
Intangible assets	-	37,026	23,367	60,393
Accumulated depreciation	(741,023)	(6,364,192)	(2,554,706)	(9,659,921)
Non-Capital Assets:				
Deferred special assessments	30,984	110,768	97,123	238,875
Total noncurrent assets	<u>1,035,056</u>	<u>21,653,434</u>	<u>13,176,271</u>	<u>35,864,761</u>
Total Assets	<u>1,447,634</u>	<u>28,890,833</u>	<u>13,658,194</u>	<u>43,996,661</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred outflows - contribution	411	1,472	1,130	3,013
Deferred outflows - pension	11,743	51,759	22,601	86,103
Related to pension	12,154	53,231	23,731	89,116

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

Business-Type Activities				
	K.R Utility District	Utility District #1	Somers Water	Total
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,459,788</b>	<b>28,944,064</b>	<b>13,681,925</b>	<b>44,085,777</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	32,505	117,164	312,423	462,092
Wages payable	954	5,478	3,869	10,301
Accrued interest	-	242,300	24,273	266,573
Other liabilities	-	-	77,070	77,070
Current portion of long-term debt payable	572	786,584	381,598	1,168,754
Total current liabilities	<u>34,031</u>	<u>1,151,526</u>	<u>799,233</u>	<u>1,984,790</u>
Noncurrent liabilities				
Due to other funds - noncurrent	-	-	841,105	841,105
Net pension liability	1,340	5,869	4,388	11,597
Capital lease obligation	-	119,501	-	119,501
General obligation debt payable	4,108	10,001,969	4,484,604	14,490,681
Total noncurrent liabilities	<u>5,448</u>	<u>10,127,339</u>	<u>5,330,097</u>	<u>15,462,884</u>
Total Liabilities	<u>39,479</u>	<u>11,278,865</u>	<u>6,129,330</u>	<u>17,447,674</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred tax levy	-	303,050	-	303,050
Deferred inflows - pension	6,155	26,957	20,152	53,264
Total deferred inflows of resources	<u>6,155</u>	<u>330,007</u>	<u>20,152</u>	<u>356,314</u>
Total liabilities and deferred inflows of resources	<u>45,634</u>	<u>11,608,872</u>	<u>6,149,482</u>	<u>17,803,988</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	1,030,948	11,651,465	8,691,667	21,374,080
Unrestricted	383,206	5,683,727	(1,159,224)	4,907,709
Total Net Position	<u>\$ 1,414,154</u>	<u>\$ 17,335,192</u>	<u>\$ 7,532,443</u>	<u>\$ 26,281,789</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, 2017**

Business-Type Activities				
	K.R Utility District	Utility District #1	Somers Water	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 200,369	\$ 2,134,024	\$ 1,152,241	\$ 3,486,634
Miscellaneous operating revenue	-	35,737	16,504	52,241
Total operating revenues	<u>200,369</u>	<u>2,169,761</u>	<u>1,168,745</u>	<u>3,538,875</u>
<b>OPERATING EXPENSES</b>				
Personnel	34,364	199,741	157,780	391,885
Materials and supplies	1,162	31,118	413,541	445,821
Contractual and other services	137,703	709,102	116,289	963,094
Depreciation	25,520	594,245	243,926	863,691
Total operating expense	<u>198,749</u>	<u>1,534,206</u>	<u>931,536</u>	<u>2,664,491</u>
Operating income (loss)	1,620	635,555	237,209	874,384
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Tax levy for debt service	-	303,054	-	303,054
Investment income	2,082	7,318	13,148	22,548
Interest and fiscal charges	-	(359,704)	(129,611)	(489,315)
Miscellaneous revenue	-	13,362	14,093	27,455
Miscellaneous expenses	-	(10,483)	(40,862)	(51,345)
Total non-operating revenue (expenses)	<u>2,082</u>	<u>(46,453)</u>	<u>(143,232)</u>	<u>(187,603)</u>
Income (loss) before capital contributions and transfers	3,702	589,102	93,977	686,781
<b>CAPITAL CONTRIBUTIONS and TRANSFERS</b>				
Contributions	-	-	2,280,922	2,280,922
Connection fees	-	419,775	52,000	471,775
Transfers to other funds	-	-	(12,064)	(12,064)
Total contributions and transfers	<u>-</u>	<u>419,775</u>	<u>2,320,858</u>	<u>2,740,633</u>
Change in net position	3,702	1,008,877	2,414,835	3,427,414
Total net position at the beginning of year	<u>1,410,452</u>	<u>16,326,315</u>	<u>5,117,608</u>	<u>22,854,375</u>
Total net position at end of year	<u><u>\$ 1,414,154</u></u>	<u><u>\$ 17,335,192</u></u>	<u><u>\$ 7,532,443</u></u>	<u><u>\$ 26,281,789</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, 2017**

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from customers	\$ 219,285	\$ 2,160,215	\$ 1,064,053	\$ 3,443,553
Paid to suppliers and employees for goods and services	(171,423)	(1,039,573)	(450,101)	(1,661,097)
Cash Flows from Operating Activities	<u>47,862</u>	<u>1,120,642</u>	<u>613,952</u>	<u>1,782,456</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Tax levy	-	303,054	-	303,054
Transfers out	-	-	(12,064)	(12,064)
Miscellaneous income	-	13,362	14,093	27,455
Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>316,416</u>	<u>2,029</u>	<u>318,445</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>				
Debt retired	-	(1,369,673)	(899,818)	(2,269,491)
Interest paid	-	(363,251)	(127,570)	(490,821)
Debt issued	741	930,883	1,436,618	2,368,242
Special assessments	-	37,159	135,358	172,517
Capital contributions	-	419,775	2,332,922	2,752,697
Acquisition and construction of capital assets	-	(218,449)	(2,964,466)	(3,182,915)
Cash Flows from Capital and Financing Activities	<u>741</u>	<u>(563,556)</u>	<u>(86,956)</u>	<u>(649,771)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Deposits (Withdrawals) - restricted cash	-	(20,847)	(57,971)	(78,818)
Interfund loans payments received (paid)	28,897	455,305	(484,202)	-
Interest income	2,082	7,318	13,148	22,548
Cash Flows from Investing Activities	<u>30,979</u>	<u>441,776</u>	<u>(529,025)</u>	<u>(56,270)</u>
Net Change in Cash and Cash Equivalents	79,582	1,315,278	-	1,394,860
Cash and Cash Equivalents - Beginning of Year	295,784	4,544,487	-	4,840,271
Cash and Cash Equivalents - End of Year	<u>\$ 375,366</u>	<u>\$ 5,859,765</u>	<u>\$ -</u>	<u>\$ 6,235,131</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
Operating Income (Loss)	\$ 1,620	\$ 635,555	\$ 237,209	\$ 874,384
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation expense	25,520	594,245	243,926	863,691
Miscellaneous expense	-	(10,483)	(40,862)	(51,345)
Change in pension related assets, liabilities, and deferred outflows and deferred inflows	1,767	8,461	21,844	32,072
Changes in assets and liabilities:				
Accounts receivable	18,916	(9,546)	(104,692)	(95,322)
Inventory	-	-	30,563	30,563
Accounts payable	39	(97,590)	225,964	128,413
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 47,862</u></u>	<u><u>\$ 1,120,642</u></u>	<u><u>\$ 613,952</u></u>	<u><u>\$ 1,782,456</u></u>

See accompanying notes to the financial statements.

Village of Somers  
 Notes to the Financial Statements  
 December 31, 2017

INDEX TO NOTES TO FINANCIAL STATEMENTS

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Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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## **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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***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, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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***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, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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***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.
- Tax Incremental District #1 – accounts for all activity related to the First Park LLC development.
- Tax Incremental District #2 – accounts for all activity related to Somers Market area development.

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

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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**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, 2017

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**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 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.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

---

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

***Fund Financial Statements*** (continued)

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 TID #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, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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***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, 2017, 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, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**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 1<sup>st</sup>.

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 31<sup>st</sup>. 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 31<sup>st</sup>. The second and final payment must be made not later than July 31<sup>st</sup>. Taxes unpaid by July 31<sup>st</sup> become delinquent and are turned over to the county for collection. Personal property taxes are due on or before January 31<sup>st</sup>.

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 31<sup>st</sup>. 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 31<sup>st</sup> 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 - 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
(1) Payment in full, or	
First installment due	January 31, 2018
Second installment due	July 31, 2018
(2) Personal property taxes in full	January 31, 2018
Tax settlement with Village:	
First settlement	January 15, 2018
Second settlement	February 20, 2018
Final settlement	August 15, 2018

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**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 in the amount of \$17,980 on December 31, 2017. 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 \$44,150 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 \$32,492 which is reported in the Park Fund.

As a requirement of the Village’s Bonds, total restricted cash for bond reserves of \$621,126 was allocated out of the General Fund for debt service. Of this amount, \$215,854 is allocated to debt service for Tax Incremental District #1, \$186,000 is allocated to debt service for Tax Incremental District #2, \$132,586 is allocated to the Utility District #1, and \$86,686 is allocated to the Somers Water Fund.

In the Utility District #1, cash of \$6,012 is restricted for the DNR replacement fund.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**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, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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**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, 2017 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.

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.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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***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, 2017

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

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**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, 2016	\$ (15,203,211)
New proceeds	(7,529,003)
Unamortized debt discount and issue costs (net change)	(195,810)
Vacation/sick day accrual	(247,538)
Other postemployment benefits (OPEB)	(53,436)
Principal retirements	3,820,404
Combined adjustment for long-term liabilities	<u><u>\$ (19,408,594)</u></u>

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

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

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

Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$3,975,163 difference are as follows:

New proceeds	\$ (7,529,003)
Vacation/Sick day accrual	(9,882)
Change in OPEB	(20,770)
Amortization of bond costs	(235,912)
Principal repayments – General Obligation debt	<u><u>3,820,404</u></u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (3,975,163)</u></u>

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**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 2017, the Village had no appropriations over budget.

**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, 2017:

Fund	Deficit Balance	Reason
TIF District #1	\$ 830,409	TIF District deficits are anticipated to be funded with future incremental taxes levied over the life of the district.

Village of Somers  
 Notes to the Financial Statements  
 December 31, 2017

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

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**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 2017 and 2018 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.

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**NOTE IV – DETAILED NOTES ON ALL FUNDS**

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**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	\$ 1,164	\$ -	\$ 1,164
Demand deposits			
Interest bearing	9,173,418	621,127	9,794,545
Non-interest bearing	2,334	-	2,334
Other cash	<u>8,588,469</u>	<u>100,633</u>	<u>8,689,101</u>
Total cash and cash equivalents	<u><u>\$ 17,765,385</u></u>	<u><u>\$ 721,760</u></u>	<u><u>\$ 18,487,145</u></u>
Per statement of net position - cash and cash equivalents			\$ 17,765,385
Per statement of net position - restricted cash			<u>721,760</u>
			<u><u>\$ 18,487,145</u></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.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**A. DEPOSITS AND INVESTMENTS (continued)**

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, 2017, 89.97% was invested in various US Government investments which are backed by the federal government and not insured; and 10.03% 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.

The Village maintains cash deposits within the LGIP. The deposit and investment balances of the various fund types on December 31, 2017 were as follows:

Local Government Investment Pool	
General Fund	\$ 8,594,590
Park Fund	32,492
Drainage	44,150
Utility District #1	6,012
Water Fund	11,856
	<hr/> <u>\$ 8,689,101</u>

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, 2017, the reported amount of the Village's deposits, including LGIP, was \$18,485,981 and the bank with LGIP balance was \$19,303,786. Of this balance, \$16,701,388 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 \$1,164.

**Investments**

The Village has no investments.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**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 \$226,122.

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 2017. The deletions column represents the assets that were discarded in 2017. Capital asset valuation for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 216,294	\$ -	\$ -	\$ 216,294
Construction in Progress	-	63,862	-	63,862
Land Improvements	4,129,471	55,565	-	4,185,036
Total Capital Assets not being depreciated	<u>4,345,765</u>	<u>119,427</u>	<u>-</u>	<u>4,465,192</u>
Other Capital Assets:				
Land Improvements	221,053	120,000	-	341,053
Buildings	6,025,568	-	-	6,025,568
Machinery & Equipment	4,056,656	270,321	(98,566)	4,228,411
Intangible Assets	-	38,732	-	38,732
Infrastructure	12,585,547	433,486	(242,630)	12,776,403
Total Other Capital Assets at Historical Cost	<u>22,888,824</u>	<u>862,539</u>	<u>(341,196)</u>	<u>23,410,167</u>
Less: Accumulated Depreciation	<u>(13,305,266)</u>	<u>(623,329)</u>	<u>335,532</u>	<u>(13,593,063)</u>
Net Total Other Capital Assets	<u>9,583,558</u>	<u>239,210</u>	<u>(5,664)</u>	<u>9,817,104</u>
Net Total Government Activities Capital Assets	<u><u>\$ 13,929,323</u></u>	<u><u>\$ 358,637</u></u>	<u><u>\$ (5,664)</u></u>	<u><u>\$ 14,282,296</u></u>

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**C. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General Government	\$ 47,511
Public Safety	158,655
Public Works	404,373
Leisure Activities	11,629
Planning & Development	1,161
Total Governmental Activities - Depreciation Expense	<u>\$ 623,329</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business - Type Activities</b>				
Capital Assets not being depreciated:				
Intangible Asset - Easement	\$ 21,660	\$ -	\$ -	\$ 21,660
Construction in Progress	2,073,159	2,200,729	(2,194,018)	2,079,870
Total Capital Assets not being depreciated	<u>2,094,819</u>	<u>2,200,729</u>	<u>(2,194,018)</u>	<u>2,101,530</u>
Other Capital Assets:				
Utility Plant in Service	38,613,068	3,105,133	(1,633,742)	40,084,459
Machinery & Equipment	924,452	1,667,553	-	2,592,005
Intangible Asset - Software	-	38,733	-	38,733
Total Other Capital Assets at Historical Cost	<u>39,537,520</u>	<u>4,811,419</u>	<u>(1,633,742)</u>	<u>42,715,197</u>
Less: Accumulated Depreciation	(8,802,940)	(863,691)	6,710	(9,659,921)
Net Total Other Capital Assets	<u>30,734,580</u>	<u>3,947,728</u>	<u>(1,627,032)</u>	<u>33,055,276</u>
Net Total Business - Type Activities Capital Assets	<u><u>\$ 32,829,399</u></u>	<u><u>\$ 6,148,457</u></u>	<u><u>\$ (3,821,050)</u></u>	<u><u>\$ 35,156,806</u></u>

Depreciation expense was charged to functions as follows:

<b>Business - Type Activities</b>	
Utility District #1	\$ 594,245
Somers Water Utility	243,926
K.R. Utility District	25,520
Total Business - Type Activities Depreciation Expense	<u>\$ 863,691</u>

Village of Somers  
 Notes to the Financial Statements  
 December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

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 \$469,080 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>
2018	\$ 28,946	\$ 797
2019	28,995	748
2020	29,044	699
2021	29,093	650
2022	29,143	600
2023-2027	146,459	2,256
2028-2032	147,708	1,007
2033	29,692	50
	<u>\$ 469,080</u>	<u>\$ 6,807</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 2017:

Transfer To	Transfer From	In	Out	Reason
Tax Incremental District #2		60,318		Debt service transfer
	Tax Incremental District #1		48,254	
	Somers Water Utility		12,064	
Somers Water Utility		2,280,922		Water main paid for by TID projects
	Tax Incremental District #2		2,280,922	

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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***E. LONG-TERM OBLIGATIONS***

Long-term obligations activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable:					
General Obligation Bond	\$ 5,360,040	\$ 4,364,003	\$ 3,722,233	\$ 6,001,810	\$ 730,342
General Obligation Corporate Purpose Bonds	5,170,000	-	75,000	5,095,000	250,000
Revenue Bonds	-	3,165,000	-	3,165,000	120,000
Promissory Note	7,492	-	7,492	-	-
Promissory Note	14,159	-	14,159	-	-
Capital Leases	1,520	-	1,520	-	-
Taxable Note Anticipation Notes	4,650,000	-	-	4,650,000	4,650,000
Add/(Subtract) Deferred Amounts For:					
(Discounts)/Premiums	(40,102)	215,910	(20,002)	195,810	-
<b>Total Bonds and Notes Payable</b>	<b>15,163,109</b>	<b>7,744,913</b>	<b>3,800,402</b>	<b>19,107,620</b>	<b>5,750,342</b>
Other Liabilities					
Post Retirement Benefits	32,666	28,335	7,565	53,436	-
Vested Vacation and Sick Days	237,656	247,538	237,656	247,538	86,552
<b>Total Other Liabilities</b>	<b>270,322</b>	<b>275,873</b>	<b>245,221</b>	<b>300,974</b>	<b>86,552</b>
<b>Total Governmental Activities- Long-Term Liabilities</b>	<b>\$ 15,433,431</b>	<b>\$ 8,020,786</b>	<b>\$ 4,045,623</b>	<b>\$ 19,408,594</b>	<b>\$ 5,836,894</b>

Village of Somers  
Notes to the Financial Statements  
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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**E. LONG-TERM OBLIGATIONS (continued)**

	Ending Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Bonds and Notes Payable:					
General Obligation Bond	\$ 10,814,959	\$ 970,998	\$ 1,902,767	\$ 9,883,190	\$ 924,658
Capital Leases	141,930	-	22,429	119,501	22,215
Promissory Note	4,678	-	4,678	-	-
State Trust Fund Loan	2,396,604	-	88,780	2,307,824	92,109
Revenue Bonds	2,055,000	1,155,000	80,000	3,130,000	125,000
Add/(Subtract) Deferred Amounts For:					
Premium (Discounts)	230,204	85,940	14,351	301,793	-
Total Bonds and Notes Payable	<u>15,643,375</u>	<u>2,211,938</u>	<u>2,113,005</u>	<u>15,742,308</u>	<u>1,163,982</u>
Other Liabilities					
Post Retirement Benefits	5,764	5,000	1,335	9,428	-
Vested Vacation and Sick Days	24,240	27,200	24,240	27,200	4,772
Total Other Liabilities	<u>30,004</u>	<u>32,200</u>	<u>25,575</u>	<u>36,628</u>	<u>4,772</u>
<b>Total Business-Type Activities</b>					
<b>Long-Term Liabilities</b>	<b><u>\$ 15,673,379</u></b>	<b><u>\$ 2,244,138</u></b>	<b><u>\$ 2,138,580</u></b>	<b><u>\$ 15,778,936</u></b>	<b><u>\$ 1,168,754</u></b>

**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, 2017, was \$43,188,620. Total general obligation debt outstanding at year end was \$23,407,325.

Village of Somers  
 Notes to the Financial Statements  
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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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***E. LONG TERM OBLIGATIONS*** (continued)

***GENERAL OBLIGATION DEBT*** (continued)

Debt service requirements for governmental activities to maturity are as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
<b><u>Governmental Activities</u></b>					
General Obligation Refunding Bond	2011	2026	2.00 - 4.00%	2,465,000	\$ 1,440,000
General Obligation Refunding Bond	2015	2026	2.00 - 3.50%	199,220	197,808
General Obligation Corporate Purpose Bonds	2016	2025	2.00 - 3.00%	5,170,000	5,095,000
Taxable Note Anticipation Notes	2016	2018	4.00%	4,650,000	4,650,000
Revenue Bond	2017	2037	3.08%	3,165,000	3,165,000
General Obligation Refunding Bond	2017	2027	2.02%	4,364,002	<u>4,364,002</u>
Total Governmental Activities - General Obligation Debt					<u>18,911,810</u>

Village of Somers  
 Notes to the Financial Statements  
 December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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***E. LONG-TERM OBLIGATIONS*** (continued)

***GENERAL OBLIGATION DEBT*** (continued)

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

<u>Business Type Activities</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/17</u>
Capital Lease	2012	2022	3.63%	219,986	\$ 119,501
General Obligation Refunding Bond	2015	2027	2.00 - 3.50%	8,975,780	8,912,192
State Trust Fund Loan	2015	2035	3.75%	2,500,000	2,307,824
Revenue Bonds	2016	2036	2.00 - 3.00%	2,055,000	1,975,000
Revenue Bonds	2017	2037	2.00 - 4.00%	1,420,150	1,155,000
General Obligation Refunding Bond	2017	2018	3.00 - 3.50%	886,900	886,900
General Obligation Refunding Bond	2017	2027	2.02%	84,098	<u>84,098</u>
Total Business Type Activities - General Obligation Debt					<u>15,440,515</u>
Total General Obligation Debt					<u>\$ 34,352,325</u>

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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**E. LONG TERM OBLIGATIONS (continued)**

**GENERAL OBLIGATION DEBT (continued)**

Years	Governmental Activities		Business-Type Activities		Total	
	Debt	Principal	Debt	Principal	Principal	Interest
2018	\$ 5,750,342	\$ 628,360	\$ 1,163,982	\$ 469,734	\$ 6,914,324	\$ 1,098,094
2019	1,193,955	373,754	1,254,636	427,337	2,448,591	801,091
2020	1,203,955	340,783	1,273,844	390,150	2,477,799	730,933
2021	1,239,389	306,505	1,298,210	352,126	2,537,599	658,631
2022	1,269,824	269,152	1,327,538	313,255	2,597,362	582,407
2023	1,300,040	230,096	1,320,675	273,654	2,620,715	503,750
2024-2028	3,104,305	802,415	5,154,427	789,476	8,258,732	1,591,891
2029-2033	2,225,000	422,044	1,634,036	322,109	3,859,036	744,153
2034-2037	1,625,000	89,778	1,013,167	55,623	2,638,167	145,401
	<b>\$ 18,911,810</b>	<b>\$ 3,462,887</b>	<b>\$ 15,440,515</b>	<b>\$ 3,393,463</b>	<b>\$ 34,352,325</b>	<b>\$ 6,856,350</b>

**Current Refunding**

On July 11, 2017, the Village issued \$5,335,000 in general obligation bonds with an average interest rate of 3.0% including \$1,395,000 for capital projects and the remainder to current refund three prior issues, \$920,000 of outstanding bonds with an average interest rate of 3.90%, \$700,000 with an average interest rate of 3.90%, and \$3,550,000 with an average interest rate of 3.70%. The net proceeds of \$21,524,456 (after payment of \$82,110 in insurance and other issuance costs plus an underwriting premium of \$156,041) plus an additional \$1,190,982 of prior issue debt service funds were used to prepay the outstanding debt service requirements on the old bonds.

The cash flow requirements on the refunded bonds prior to the current refunding was \$4,618,583. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$287,889.

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.

**Capital Leases**

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

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued).**

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**E. LONG TERM OBLIGATIONS (continued)**

***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.

**F. RESTRICTED ASSETS**

The Restricted Assets at December 31, 2017 consisted of cash and cash equivalents as follows:

General Fund	\$ 17,980
<hr/>	
Debt Service	
Tax Incremental District #1	215,854
Tax Incremental District #2	186,000
Total Debt Service	<u>401,854</u>
<hr/>	
Special Revenue Funds	
Drainage	44,150
Park	32,492
Total Special Revenue Funds	<u>76,642</u>
<hr/>	
Utility District #1	
Debt Service	132,586
Utility District Replacement Account	6,012
Total Utility District #1	<u>138,598</u>
<hr/>	
Somers Water	
Debt Service	86,686
Total Somers Water	<u>86,686</u>
<hr/>	
Total Restricted Net Assets	<u><u>\$ 721,760</u></u>

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued).**

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**G. LEASE DISCLOSURES**

***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.

Asset	Utility District #1
Machinery and Equipment	\$ 319,986
Less: Accumulated depreciation	<u>133,328</u>
<b>Net Machinery and Equipment</b>	<b><u>\$ 186,658</u></b>

<u>Future Lease Payments</u>		
	<u>Principal</u>	<u>Interest</u>
2018	\$ 22,215	\$ 4,133
2019	23,027	3,320
2020	23,870	2,478
2021	24,743	1,064
2022	<u>25,646</u>	<u>699</u>
	<u><b>\$119,501</b></u>	<u><b>\$11,694</b></u>

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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***H. GOVERNMENTAL ACTIVITIES NET POSITION***

Governmental activities net position reported on the government-wide statement of net position at December 31, 2017 includes the following:

**GOVERNMENTAL ACTIVITIES**

Net Investment in Capital Assets	
Land and construction in progress	\$ 4,465,192
Other capital assets, net of accumulated depreciation	9,817,104
Less: related long-term debt outstanding (net of unspent proceeds of debt and vacation accrual)	<u>(19,408,594)</u>
Total Investment in Capital Assets	<u>(5,126,298)</u>
 Unrestricted (deficit)	 <u>4,619,999</u>
 Total Governmental Activities Net Position	 <u>\$ (506,299)</u>

Village of Somers  
 Notes to the Financial Statements  
 December 31, 2017

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**NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)**

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***H. GOVERNMENTAL ACTIVITIES NET POSITION*** (continued)

Governmental fund balances reported on the fund financial statements at December 31, 2017 include the following:

**Nonspendable**

Major Funds

General Fund - prepaid expenses	\$ 490
Total Nonspendable	<u><u>\$ 490</u></u>

**Restricted**

Major Funds

Tax Incremental District #2 - District #2 purposes only	\$ 619,585
Non-Major Funds	
Drainage Fund - used for drainage purposes only	140,909
Park Fund - park purposes only	61,920
Debt Service - debt service purposes only	660,374
Capital Projects Fund - capital project purposes only	602,370
Total Restricted	<u><u>\$ 2,085,158</u></u>

**Unassigned**

Major Funds

General Fund - undesignated funds	\$ 3,121,362
Tax Incremental District #1 - deficit	(830,409)
Total Unassigned	<u><u>\$ 2,290,953</u></u>

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## NOTE V – OTHER INFORMATION

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### 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.

#### **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>.

**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.

Village of Somers  
 Notes to the Financial Statements  
 December 31, 2017

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**NOTE V – OTHER INFORMATION** (continued)

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**A. EMPLOYEES' RETIREMENT SYSTEM** (continued)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.00%	10%
2008	6.60	0.00
2009	(2.10)	(42.00)
2010	(1.30)	22.00
2011	(1.20)	11.00
2012	(7.00)	(7.00)
2013	(9.60)	9.00
2014	4.70	25.00
2015	2.90	2.00
2016	0.50	(5.00)

**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 \$120,967 in contributions from the employer.

Contribution rates as of December 31, 2017 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials )	6.60%	6.60%
Protective with Social Security	6.60%	9.40%
Protective without Social Security	6.60%	13.20%

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE V – OTHER INFORMATION** (continued)

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**A. EMPLOYEES' RETIREMENT SYSTEM** (continued)

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

At December 31, 2017 the Village reported a liability (asset) of \$111,667 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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 employers. At December 31, 2016, the Village's proportion was 0.01354784%, which was an increase of 0.00122337% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017 the Village recognized pension expense of \$286,749.

At December 31, 2017, 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	\$ 42,578	\$(351,183)
Net differences between projected and actual earnings on pension plan investments	665,941	(110,101)
Changes in assumptions	116,751	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	38,886	(51,614)
Employer contributions subsequent to the measurement date	148,650	
<b>Total</b>	<b>\$ 1,012,806</b>	<b>\$(512,898)</b>

\$148,650 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Village of Somers  
 Notes to the Financial Statements  
 December 31, 2017

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**NOTE V – OTHER INFORMATION (continued)**

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**A. EMPLOYEES' RETIREMENT SYSTEM (continued)**

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

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2017	\$ 299,886	\$ (152,397)
2018	299,888	(152,395)
2019	250,624	(152,395)
2020	13,381	(55,098)
Thereafter	377	(613)

**Actuarial assumptions.** The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.20%
Discount Rate:	7.20%
Salary Increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments:*	2.10%

\* 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 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

Village of Somers  
 Notes to the Financial Statements  
 December 31, 2017

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**NOTE V – OTHER INFORMATION (continued)**

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**A. EMPLOYEES' RETIREMENT SYSTEM (continued)**

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

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

	Asset Allocation %	Destination Target Asset Allocation %		Long-Term Expected Nominal Rate of Return %	Long-Term Real Expected Rate of Return %	
		Asset Allocation %	Target Asset Allocation %		Long-Term Expected Nominal Rate of Return %	Long-Term Real Expected Rate of Return %
<b>Core Fund Asset Class</b>						
Global Equities	50 %	45 %	8.3 %	5.4 %		
Fixed Income	24.5 %	37 %	4.2 %	1.4 %		
Inflation Sensitive Assets	15.5 %	20 %	4.3 %	1.5 %		
Real Estate	8 %	7 %	6.5 %	3.6 %		
Private Equity/Debt	8 %	7 %	9.4 %	6.5 %		
Multi-Asset	4 %	4 %	6.6 %	3.7 %		
Total Core Fund	110 %	120 %	7.4 %	4.5 %		
<b>Variable Fund Asset Class</b>						
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 %		

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.

Village of Somers  
Notes to the Financial Statements  
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**NOTE V – OTHER INFORMATION (continued)**

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**A. EMPLOYEES' RETIREMENT SYSTEM (continued)**

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

**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.

***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 Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
Village's proportionate share of the net pension liability (asset)	\$ 1,469,045	\$ 111,667	\$ (933,576)

***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>

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE V – OTHER INFORMATION (continued)**

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***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.

***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:

	12/31/17
Annual Required Contribution	\$ 33,846
Interest on net OPEB	961
Adjustment to Annual Required Contribution	(1,472)
Annual OPEB Cost (expense)	\$ 33,335
Contributions made	(8,901)
Change in net OPEB Obligation	\$ 24,434
OPEB Obligation - Beginning of Year	38,431
OPEB Obligation - End of Year	<u>\$ 62,865</u>

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE V – OTHER INFORMATION (continued)**

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***B. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)***

The net OPEB obligation of \$62,865 was allocated to the Village's functions as follows:

General Government	\$ 27,391
Public Works	4,490
Public Safety	17,962
Planning & Developmer	3,592
Somers Water Utility	3,592
K.R. Utility District	1,347
Utility District #1	4,491
	<u>\$ 62,865</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 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
12/31/2017	33,335	33,846	8,901	26.30%	62,865

The funded status of the plan as of December 31, 2017, 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%
12/31/2016	-	\$323,459	\$323,459	0.0%	\$307,739	105.1%
12/31/2017	-	\$387,001	\$387,001	0.0%	\$308,360	125.5%

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE V – OTHER INFORMATION (continued)**

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***B. OTHER POSTEMPLOYMENT BENEFITS (OPEB)*** (continued)

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

***Actuarial Methods and Assumptions***

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

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The Village generated an OPEB financial report with a valuation date of December 31, 2017 through GASB help website, a service of the actuarial firm, Milliman, Inc. In this valuation, the entry age actuarial cost method was used. The Village adopted the current employee manual providing these other post-employment benefits with an effective date of January 1, 2011.

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 2017. 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, 2017 was used in the development of the ARC consisted of four (4) active employees and three (3) retirees with the average age of 63 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.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE V – OTHER INFORMATION (continued)**

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**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 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" shall be Midnight of December 31, 2015.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE V – OTHER INFORMATION (continued)**

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

**Apportionments of Assets and Liabilities:**

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

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

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

**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 be transferred to the Village on the effective date of this intergovernmental agreement.

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

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE V – OTHER INFORMATION (continued)**

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

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

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

**Payment of Expenses Related to Shared Services:**

Unless otherwise agreed by the Parties, the Town and Village shall be jointly responsible for the cost of all shared services in the nature of public works, public safety, refuse and recycling, parks, administrative staff, and costs resulting from the provision of similar services, as referenced above.

The Town and Village shall each pay the proportion of total expenses equal to their respective share of the total assessed value of all real and personal property located in the Town and Village in the prior year. This value shall be based upon legally taxable value as determined by the Village assessor.

**Apportionment of Levy:**

The apportionment of the levy shall be based upon the property originally approved by the State Department of Administration to become a Village, plus any subsequent properties annexed to the Village by ordinance adopted by the Village Board. In this case, to the degree practicable, the mill rate of the Village shall equal the mill rate of the Town. For the 2017 budget and subsequent budgets, the apportionment ratio shall be as determined by the Kenosha County Division of Land Information using the best information available as determined by the Division of Land Information. For 2017, the levy was assessed in compliance with these terms.

**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 through 2017 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.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE V – OTHER INFORMATION** (continued)

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

**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.

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

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

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.

Payment Date	Principal	Interest	Total
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.

Village of Somers  
Notes to the Financial Statements  
December 31, 2017

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**NOTE V – OTHER INFORMATION (continued)**

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***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.

***G. SUBSEQUENT EVENTS***

Management evaluated subsequent events through May 15, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**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, 2017

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%
12/31/2016	-	\$323,459	\$323,459	0.0%	\$307,739	105.1%
12/31/2017	-	\$387,001	\$387,001	0.0%	\$308,360	125.5%

**VILLAGE OF SOMERS**  
**KENOSHA COUNTY, WISCONSIN**

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

**Wisconsin Retirement System - Last 10 Fiscal Years\***

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll (Plan Year)	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%	98.20%
12/31/17	0.01354784%	111,667	1,553,092	6.04%	99.12%

**Schedule of Employer Contributions**

**Wisconsin Retirement System - Last 10 Fiscal Years\***

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll (Fiscal Year)	Contributions as a Percentage of Covered Employee Payroll
12/31/15	115,376	115,376	-	1,376,525	8.32%
12/31/16	115,160	115,376	-	1,430,073	8.05%
12/31/17	148,649	148,649	-	1,709,958	8.69%

See Notes to Required Supplementary Information.

## **VILLAGE OF SOMERS**

### **Notes to Required Supplementary Information December 31, 2017**

#### **NOTE A – 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, 2017**

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Drainage Fund	Park Fund	Total Special Revenue Funds				
<b>ASSETS</b>							
Cash and investments	\$ 96,759	\$ 29,428	\$ 126,187		\$ 258,520	\$ 530,615	\$ 915,322
Property taxes receivable	-	-	-		2,565,532	-	2,565,532
Receivable from other governments	-	-	-		-	111,130	111,130
Restricted Cash	44,150	32,492	76,642		401,854	-	478,496
<b>TOTAL ASSETS</b>	<b>140,909</b>	<b>61,920</b>	<b>202,829</b>		<b>3,225,906</b>	<b>641,745</b>	<b>4,070,480</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	-	-	-		-	39,375	39,375
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>39,375</b>	<b>39,375</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred property tax levy	-	-	-		2,565,532	-	2,565,532
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>2,565,532</b>	<b>-</b>	<b>2,565,532</b>
<b>FUND BALANCES</b>							
<i>Restricted</i>	140,909	61,920	202,829		660,374	602,370	1,465,573
Total Fund Balances	<b>140,909</b>	<b>61,920</b>	<b>202,829</b>		<b>660,374</b>	<b>602,370</b>	<b>1,465,573</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 140,909</b>	<b>\$ 61,920</b>	<b>\$ 202,829</b>		<b>\$ 3,225,906</b>	<b>\$ 641,745</b>	<b>\$ 4,070,480</b>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2017**

<b>Special Revenue Funds</b>						
	<b>Drainage Fund</b>	<b>Park Fund</b>	<b>Total Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 1,242,642	\$ -	\$ 1,242,642
Intergovernmental	- -	- -	- -	- -	111,130	111,130
Investment income	337	248	585	- -	3,147	3,732
Miscellaneous revenue	- -	800	800	- -	124,885	125,685
<b>Total Revenues</b>	<b>337</b>	<b>1,048</b>	<b>1,385</b>	<b>1,242,642</b>	<b>239,162</b>	<b>1,483,189</b>
<b>EXPENDITURES</b>						
Solid waste collection	1,750	- -	1,750	- -	- -	1,750
Leisure activities	- -	313	313	- -	- -	313
Capital outlay	- -	- -	- -	- -	1,099,552	1,099,552
Debt service:						
Principal	- -	- -	- -	159,959	- -	159,959
Interest charges	- -	- -	- -	642,643	29,072	671,715
<b>Total Expenditures</b>	<b>1,750</b>	<b>313</b>	<b>2,063</b>	<b>802,602</b>	<b>1,128,624</b>	<b>1,933,289</b>
Excess (deficiency) of revenues over expenditures	<b>(1,413)</b>	<b>735</b>	<b>(678)</b>	<b>440,040</b>	<b>(889,462)</b>	<b>(450,100)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from general obligation debt	- -	- -	- -	3,184,857	1,395,000	4,579,857
Refunding debt retirement	- -	- -	- -	(3,660,445)	- -	(3,660,445)
Premium on bonds	- -	- -	- -	144,348	12,159	156,507
<b>Total other financing sources and uses</b>	<b>- -</b>	<b>- -</b>	<b>- -</b>	<b>(331,240)</b>	<b>1,407,159</b>	<b>1,075,919</b>
Net change in fund balance	<b>(1,413)</b>	<b>735</b>	<b>(678)</b>	<b>108,800</b>	<b>517,697</b>	<b>625,819</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>142,322</b>	<b>61,185</b>	<b>203,507</b>	<b>551,574</b>	<b>84,673</b>	<b>839,754</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 140,909</b>	<b>\$ 61,920</b>	<b>\$ 202,829</b>	<b>\$ 660,374</b>	<b>\$ 602,370</b>	<b>\$ 1,465,573</b>

See accompanying notes to the financial statements.