

**TOWN OF SOMERS
KENOSHA COUNTY, WISCONSIN**

**AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2014**

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Town of Somers
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INDEPENDENT AUDITOR'S REPORT

To the Town Board
Town of Somers
Kenosha County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Somers, Kenosha County, Wisconsin as of and for the year ended December 31, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Basis for Qualified Opinion on Governmental and Business-type Activities and Proprietary Funds

Management has not calculated the Other Postemployment Benefits (OPEB) expense and liability as required by the Governmental Accounting Standards Board (GASB) Statement No. 43 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Accounting principles generally accepted in the United States of America require that those benefits be recorded as an expense and liability which would decrease the net position, and increase the expenses of the governmental activities and the business-type activities as well as the proprietary funds. The amount by which this departure would affect the assets, net position, and expenses of the governmental and business type activities and the proprietary funds has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities as well as the proprietary funds, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each governmental major fund, and the aggregate remaining governmental fund information of the Town of Somers, Wisconsin as of December 31, 2014 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Andrea & Orendorff LLP

Andrea & Orendorff LLP
Kenosha, Wisconsin
June 18, 2015

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

Our discussion and analysis of the Town of Somers' financial performance provides an overview of the Town's financial activities for the year ended December 31, 2014.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

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

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

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

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

Governmental Activities (continued)

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

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

Business-type activities:

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

Reporting the Town's Most Significant Funds

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

Governmental funds

Most of the Town's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual

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

Reporting the Town's Most Significant Funds (continued)

Governmental funds (continued)

accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides.

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

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

Proprietary Funds

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

The Town as a Whole

Government-wide Financial Analysis

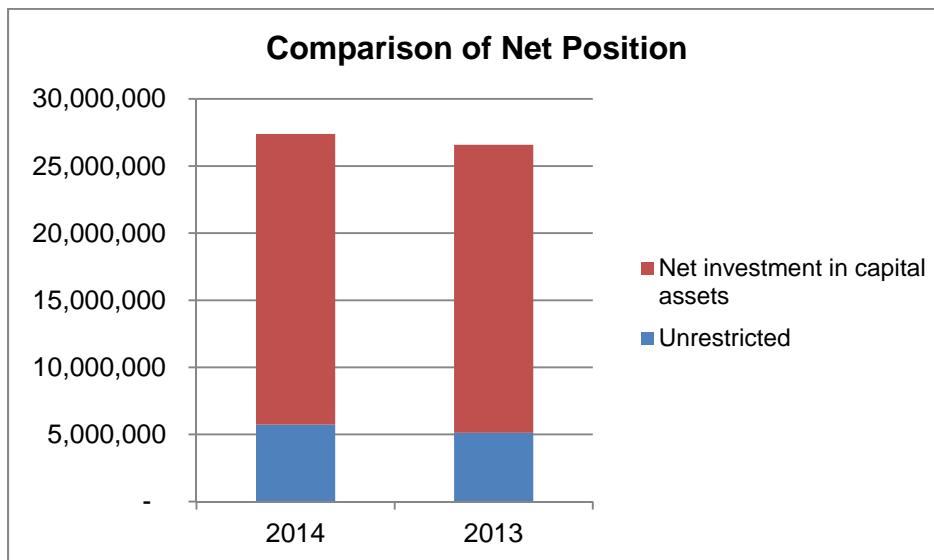
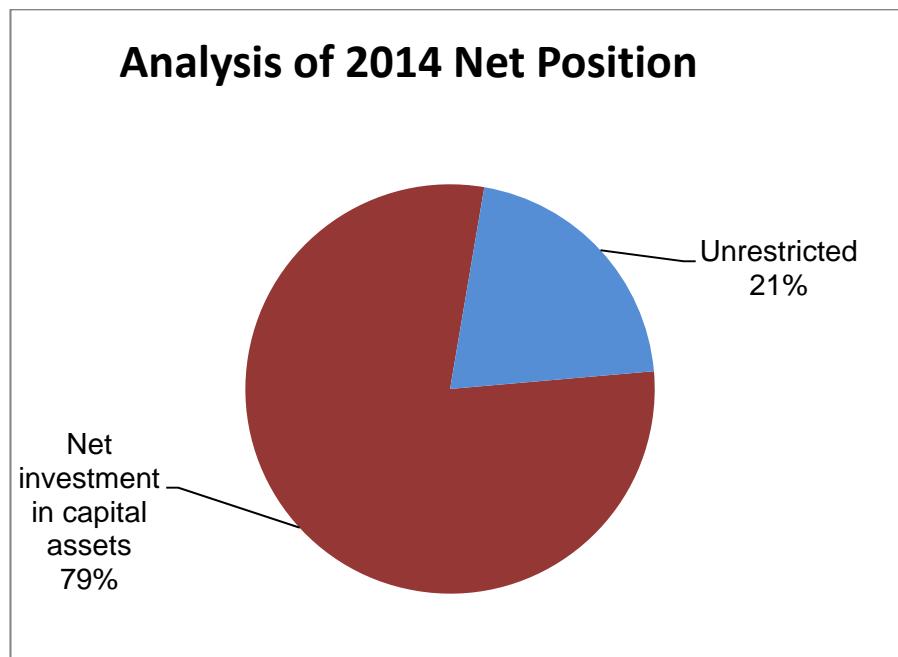
The condensed financial statements on page 7 and 8 present the net position of the Town and changes in net position. These statements are presented with comparisons to 2013. Net position may serve over time as a useful indicator of a government's financial position. In 2014, the Town's assets exceeded liabilities by \$27,392,050 as compared to \$26,578,696 in 2013.

The largest portion of the Town's 2014 net position (79 percent) (2013 was 81%) reflects the Town's investment in capital assets less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining 21 percent (19% for 2013) is the category of unrestricted net assets which may be used to meet the Town's ongoing obligations to citizens and creditors.

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

The Town as a Whole (continued)

Government-wide Financial Analysis (continued)



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

The Town as a Whole (continued)

Government-wide Financial Analysis (continued)

TOWN OF SOMERS
NET POSITION
As of December 31, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$16,993,728	\$18,616,542	\$ 6,702,688	\$ 6,282,228	\$23,696,416	\$24,898,770
Capital assets	14,626,757	15,129,445	26,130,693	26,649,890	40,757,450	41,779,335
Total Assets	31,620,485	33,745,987	32,833,381	32,932,118	64,453,866	66,678,105
Long-term liabilities outstanding	5,880,996	6,368,786	11,929,712	12,796,656	17,810,708	19,165,442
Other liabilities	14,115,948	15,944,599	1,268,632	1,179,061	15,384,580	17,123,660
Total liabilities	19,996,944	22,313,385	13,198,344	13,975,717	33,195,288	36,289,102
Deferred inflows of resources	3,563,527	3,506,298	303,001	304,009	3,866,528	3,810,307
Net position:						
Net investment in capital assets	8,307,183	8,401,911	13,350,774	13,051,873	21,657,957	21,453,784
Unrestricted	(247,169)	(475,607)	5,981,262	5,600,519	5,734,093	5,124,912
Total Net Position	<u>\$ 8,060,014</u>	<u>\$ 7,926,304</u>	<u>\$19,332,036</u>	<u>\$ 18,652,392</u>	<u>\$27,392,050</u>	<u>\$26,578,696</u>

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

The Town as a Whole (continued)

Government-wide Financial Analysis (continued)

TOWN OF SOMERS
CHANGES IN NET POSITION
Year Ended December 31, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 750,680	\$ 752,769	\$ 3,021,040	\$ 2,600,646	\$ 3,771,720	\$ 3,353,415
Operating grants and contributions	186,165	223,150	-	-	186,165	223,150
Capital grants and contributions	-	207,533	118,564	23,458	118,564	230,991
General revenues:						
Property taxes	2,768,059	2,415,227	304,009	588,505	3,072,068	3,003,732
Property taxes levied for debt	775,725	735,519	-	-	775,725	735,519
Grants and contributions not restricted to specific programs	133,224	133,186	-	-	133,224	133,186
Other	65,185	161,118	32,807	33,041	97,992	194,159
Total revenues	4,679,038	4,628,502	3,476,420	3,245,650	8,155,458	7,874,152
Expenses:						
General government	701,034	509,436	-	-	701,034	509,436
Public works	905,562	1,041,662	-	-	905,562	1,041,662
Public safety	1,866,625	1,968,817	-	-	1,866,625	1,968,817
Solid waste collection	694,115	673,389	-	-	694,115	673,389
Leisure activities	56,224	84,065	-	-	56,224	84,065
Conservation and development	52,324	52,677	-	-	52,324	52,677
Interest on long-term debt	269,444	282,853	-	-	269,444	282,853
Sewer	-	-	1,839,995	1,628,181	1,839,995	1,628,181
Water	-	-	956,781	982,156	956,781	982,156
Total expenses	4,545,328	4,612,899	2,796,776	2,610,337	7,342,104	7,223,236
Increase (decrease) in net position	133,710	15,603	679,644	635,313	813,354	650,916
Transfers	-	(12,500)	-	12,500	-	-
Increase (decrease) in net position	133,710	3,103	679,644	647,813	813,354	650,916
Net position beginning of year	7,926,304	7,923,201	18,652,392	18,004,579	26,578,696	25,927,780
Net position end of year	\$ 8,060,014	\$ 7,926,304	\$ 19,332,036	\$ 18,652,392	\$ 27,392,050	\$ 26,578,696

Revenues:

Rate increases in the utility funds as well as an increase in collections for ambulance and fire services resulted in a material increase of \$281,769 in total revenues for the Town.

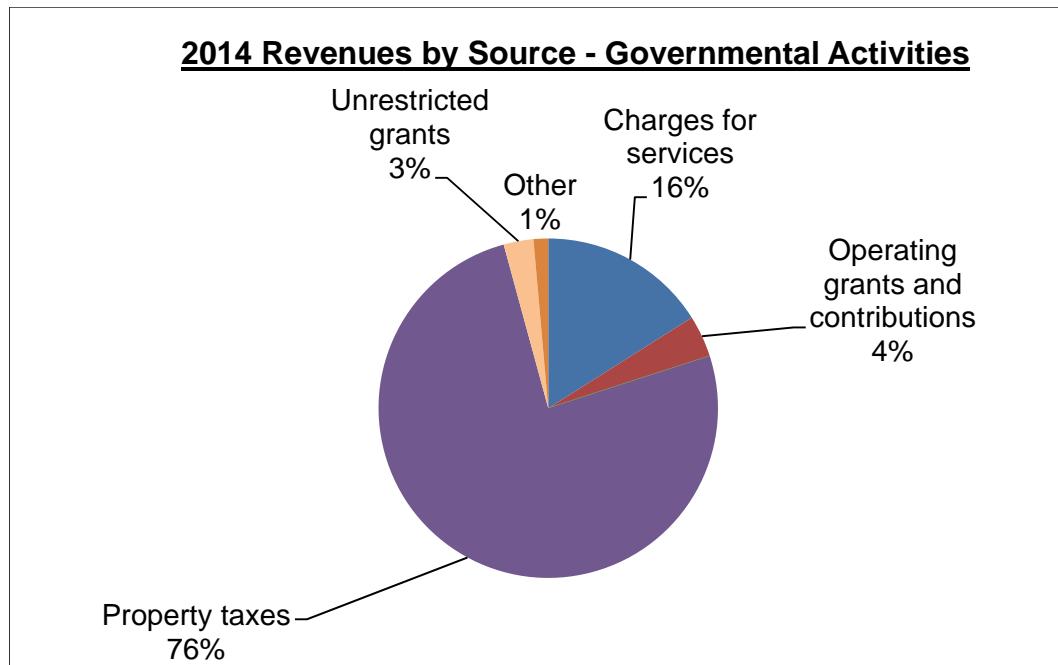
Expenditures

Retirements of some long term employees resulted in some savings in personnel related to vacancies and benefits in Public Safety and Public Works. The Town reclassified the cost of collections for ambulance and fire services from the Public Safety category in 2013 to the General Government category in 2014. The Town recorded one-time expenses related to incorporation in the General Government category.

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

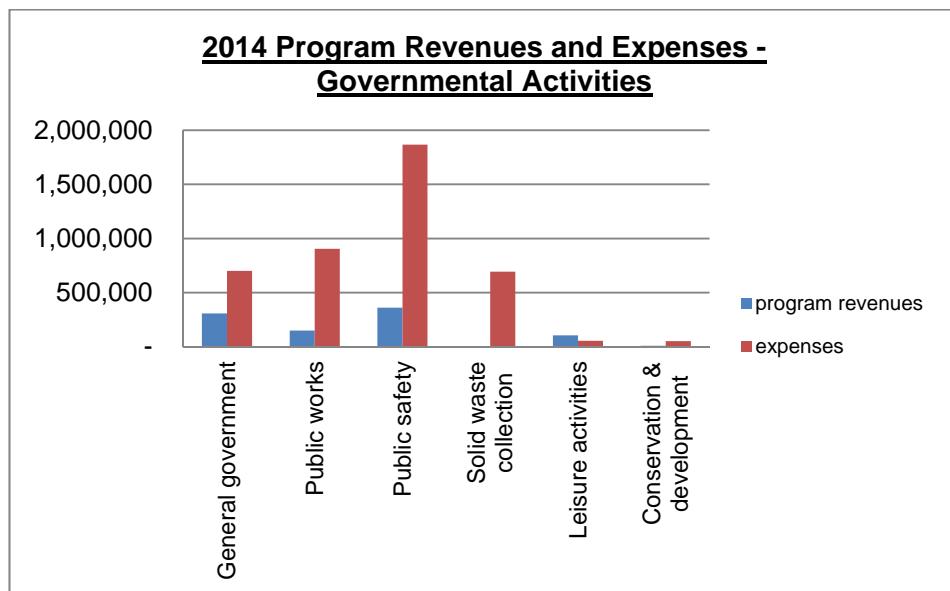
REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

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



PROGRAM REVENUES AND EXPENSES - GOVERNMENTAL ACTIVITIES

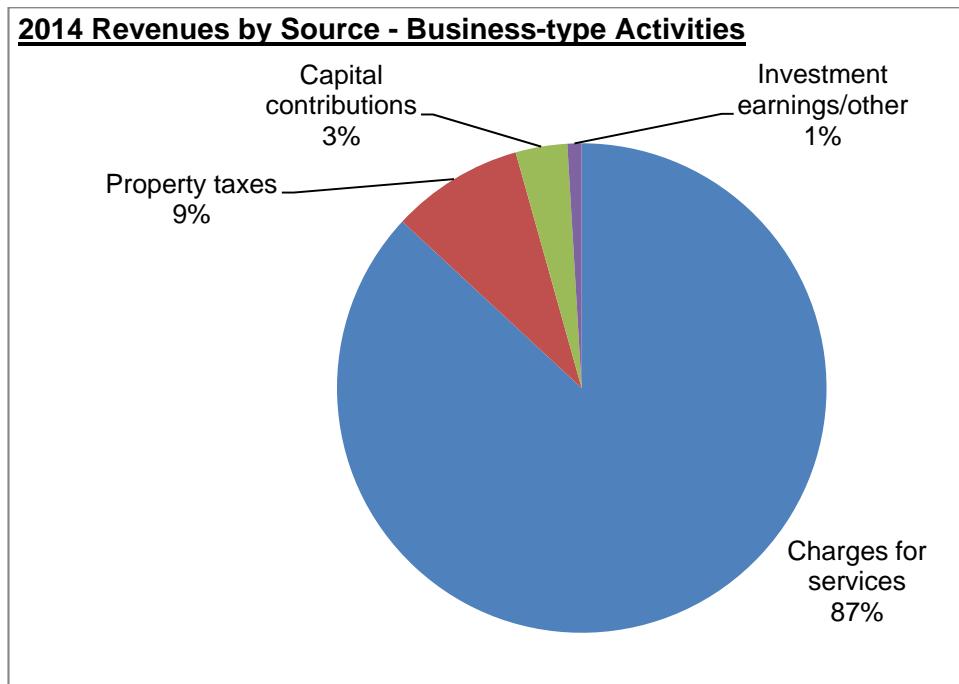
The following chart shows the portion of expenses by function that is covered by program revenues.



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

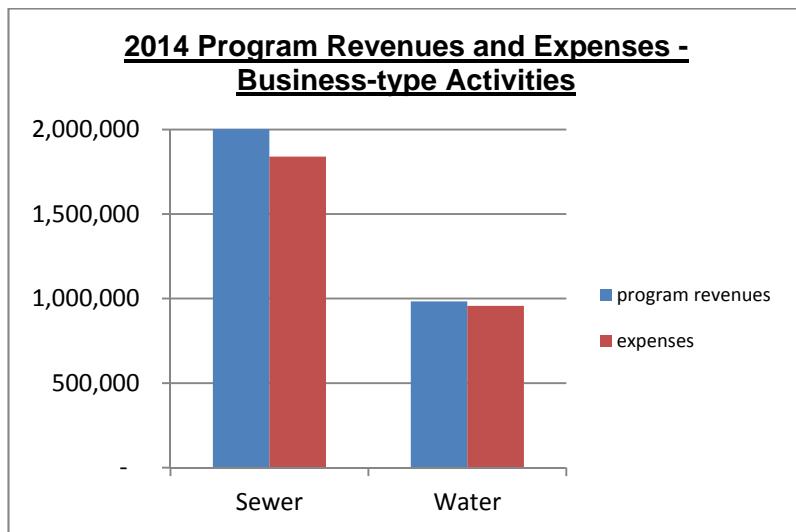
REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES

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



PROGRAM REVENUES AND EXPENSES – BUSINESS-TYPE ACTIVITIES

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



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

The Town's Funds

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

General Fund

The General Fund closed out in 2014 with a healthy increase of \$265,417. This increase can be attributed to savings in personnel costs as a result of retirements of long-time employees in 2013 and less need for overtime in the Fire Department. New construction in the town resulted in increased permit fees.

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 and recorded via a Certified Survey Map (CSM). Since being involved with the Root-Pike Water Shed Initiative, the Town of Somers has utilized drainage funds to promote educational programs to teach the public about the benefits of preserving our natural resources. The programs chosen for this educational initiative were carefully reviewed to insure they satisfy the requirements for the State of Wisconsin's Storm Water Management Discharge Permit.

The Park Committee continues to aggressively seek and evaluate options to expand and develop the Town of Somers' Parks System. In 2013, the Park Committee received a grant for \$65,000. These funds were used to employ consultants for evaluating a small portion of the Pike River with long term recommendations for water quality improvements which could be implemented through future grants. In 2014, another grant of \$22,541 was received to continue this project. The Park Committee's goal is to increase residents' involvement and enjoyment of their community through park land improvement. Impact fee funds of \$46,000 were used in 2014 to purchase and install new playground equipment at the Town Hall Park. A Veteran's Walkway was also installed. Memorial bricks can be purchased to honor veterans of the town.

Capital Projects Fund

The Capital Projects Fund is used to account for current and future capital assets. Projects need to be reviewed and approved by the Town Board before being established in the Capital Projects Budget. The purchase of three defibrulators was approved for purchase and delivered in 2014.

Debt Service Fund

The sole purpose is for servicing governmental debt. Currently the Town's debt service fund balance is \$21,341.

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

Enterprise Funds

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

Somers Water Fund

The Water fund closed 2014 with a \$53,003 increase in net position. New water rates were put into effect the first quarter of 2014. The water rate increase coupled with renewed attention to cost control has allowed the utility to attain a stronger financial position. Town Management, in concert with consulting engineers and Town Board oversight, continues to develop town-wide plans that address new development in areas to be serviced by water.

Utility District #1 Fund

Overall, the Utility District #1 closed out the year with an increase in net position of \$627,533. Total net operating income for the Utility District #1 in 2014 was \$566,270. The Town established a new flat fee schedule for utility customers which was adopted in 2014. It was implemented in the first quarter of 2014 with the objective of funding the capital improvement plan without having to borrow.

This fund has an unrestricted net position at yearend 2014 of over \$5 million. The plan projected capital outlay spending of \$2.0 million in 2014 for the County Highway E interceptor and \$1.8 million for a lift station replacement on the Sheridan Road corridor. Bids were awarded in late 2014 for the County Highway E sewer interceptor, with completion scheduled for June, 2015. This allowed the new connection moratorium to be lifted in April, 2015.

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

K.R. Sewer Utility Fund

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

For this service, the utility pays a set amount per quarter to the Village of Mount Pleasant for the treatment of sewer and an annual rental charge for the conveyance line K.R. In late 2013 Mount Pleasant notified the Town of Somers of an increase in their charge for providing the services. This increase went into effect in the first quarter of 2014. In 2014 the Utility experienced an operating loss of \$892.

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

Town's Funds (continued)

K.R. Sewer Utility Fund (continued)

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund has a deficit unassigned net position of \$276,306 which is a \$265,417 improvement over 2013. The Town has surplus funds of over \$5.0 million available in the Utility District #1 Fund that is not restricted. The Town Board has taken a fiscally conservative approach and has not yet transferred any of this surplus to the General Fund.

General Fund Unassigned Fund Balance 12/31/2014	\$ (276,306)
Utility District #1 surplus available to lapse	1,200,000
General Fund Unassigned Fund Balance if transfer completed = 25% of General Fund Expenditures	\$ 923,694

17% of General Fund expenditures	<u>\$ 614,554</u>
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Management has not calculated the Other Post-employment Benefits (OPEB) expense and liability as required by the Governmental Accounting Standards Board (GASB) Statement No. 43 – *Financial Reporting for Post employment Benefit Plans Other Than Pension Plans*. As of 2014, OPEB has not been calculated. In reviewing this with both town auditors and an independent source, the costs outweigh the benefits to the town

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2014, the Town had \$40,757,450 invested in capital assets including buildings, parks, vehicles, equipment and infrastructure. A summary report of capital assets is as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Intangible Asset	\$ -	\$ -	\$ 13,650	\$ -	\$ 13,650	\$ -
Construction in Progress	-	-	110,560	22,069	110,560	22,069
Land	216,294	216,294	-	-	216,294	216,294
Land Improvements	4,350,524	4,302,229	-	-	4,350,524	4,302,229
Utility Plant in Service	-	-	32,367,308	32,340,525	32,367,308	32,340,525
Buildings	6,025,568	6,025,568	-	-	6,025,568	6,025,568
Machinery & Equipment	4,004,046	3,958,183	924,452	885,127	4,928,498	4,843,310
Infrastructure	12,486,410	12,486,410	-	-	12,486,410	12,486,410
Total Capital Assets	27,082,842	26,988,684	33,415,970	33,247,721	60,498,812	60,236,405
Less: Accumulated Depreciation	(12,456,085)	(11,859,239)	(7,285,277)	(6,597,831)	(19,741,362)	(18,457,070)
Total Net Capital Assets	\$ 14,626,757	\$ 15,129,445	\$ 26,130,693	\$ 26,649,890	\$ 40,757,450	\$ 41,779,335

Debt

At the end of the year, the Town's outstanding general obligation (GO) debt totaled \$19,164,140.

Debt Outstanding 12/31/13	\$ 20,396,568
Debt Issued	102,308
Principal Retired	(1,334,736)
Debt Outstanding 12/31/14	\$ 19,164,140

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In 2014, the Town of Somers and its residents have started to experience an economic recovery as seen throughout much of the Country in the wake of the economic correction of 2008. Feeling empowered by successfully weathering the financial challenges of the past few years, the Town of Somers stands poised to welcome residential and commercial development.

We have substantial reason to be optimistic about our future. Somers is located ideally between Chicago and Milwaukee with the capacity and infrastructure to attract those interested in improving their quality of life. In late 2013 United Hospital Systems announced its plan to construct a medical office/clinic in the Town of Somers on Lots 18 and 19 in the Somers Market Center. Groundbreaking occurred in 2014 with completion scheduled in late 2015. Sunset Ridge Cemetery started construction on a mausoleum and office space, with completion also in 2015. In an effort to encourage development the Town Board formed an Economic Development Committee comprised of seven professionals/residents. Their final report presented to the Board supported the need for the Town to incorporate as a village. In 2013 the Town Board hired a professional consultant following an RFP process and personal interviews by staff and Town Board member representation. The goal was to submit to the Wisconsin Department of Administration for a referendum vote of the citizens some time in 2014. Final approval for referendum was granted by the Department of Administration in January, 2015. The result of the April 7, 2015 referendum was to incorporate a portion of the town into a village. A Certificate of Incorporation was issued effective April 24, 2015. The Town and Village are in the process of dividing assets and liabilities according to state statutes. Both a town and village budget will be done for 2016.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

William Morris
Town Administrator
Town of Somers, Wisconsin

TOWN OF SOMERS
STATEMENT OF NET POSITION
As of December 31, 2014

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 8,681,348	\$ 1,762,339	\$ 10,443,687
Receivables	8,324,427	1,587,815	9,912,242
Interfund balances	(188,178)	188,178	-
Inventory	-	30,563	30,563
Prepaid expenses	50,935	3,771	54,706
Restricted assets			
Cash and cash equivalents	125,196	3,130,022	3,255,218
Capital assets			
Land and construction in progress	4,345,765	124,210	4,469,975
Other capital assets, net of depreciation	10,280,992	26,006,483	36,287,475
Total Capital Assets	<u>14,626,757</u>	<u>26,130,693</u>	<u>40,757,450</u>
Total Assets	<u>31,620,485</u>	<u>32,833,381</u>	<u>64,453,866</u>
LIABILITIES			
Accounts payable and accrued expenses	200,107	210,114	410,221
Due to other governments	13,192,524	-	13,192,524
Other current liabilities	81,204	191,952	273,156
Long-term liabilities			
Due within one year	642,113	866,566	1,508,679
Due in more than one year	<u>5,880,996</u>	<u>11,929,712</u>	<u>17,810,708</u>
Total Liabilities	<u>19,996,944</u>	<u>13,198,344</u>	<u>33,195,288</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax levy	3,563,527	303,001	3,866,528
Total deferred inflows of resources	<u>3,563,527</u>	<u>303,001</u>	<u>3,866,528</u>
NET POSITION			
Net investment in capital assets	8,290,339	13,350,774	21,641,113
Unrestricted (deficit)	(230,325)	5,981,262	5,750,937
Total Net Position	<u>\$ 8,060,014</u>	<u>\$ 19,332,036</u>	<u>\$ 27,392,050</u>

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

Functions/Programs	Expenses	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	
								Totals
Governmental activities:								
General government	\$ 701,034	\$ 305,214	\$ 3,010	\$ -	\$ (392,810)	\$ -	\$ -	\$ (392,810)
Public works	905,562	9,258	141,690	-	(754,614)	-	-	(754,614)
Public safety	1,866,625	319,665	41,465	-	(1,505,495)	-	-	(1,505,495)
Solid waste collection	694,115	-	-	-	(694,115)	-	-	(694,115)
Leisure activities	56,224	106,068	-	-	49,844	-	-	49,844
Conservation and development	52,324	10,475	-	-	(41,849)	-	-	(41,849)
Interest on long-term debt	269,444	-	-	-	(269,444)	-	-	(269,444)
Total Governmental Activities	4,545,328	750,680	186,165	-	(3,608,483)	-	-	(3,608,483)
Business-type activities:								
Sewer	1,839,995	2,090,876	-	65,240	-	316,121	316,121	
Water	956,781	930,164	-	53,324	-	26,707	26,707	
Total Business-Type Activities	2,796,776	3,021,040	-	118,564	-	342,828	342,828	
Total Primary Government	<u>\$ 7,342,104</u>	<u>\$ 3,771,720</u>	<u>\$ 186,165</u>	<u>\$ 118,564</u>	<u>(3,608,483)</u>	<u>342,828</u>	<u>(3,265,655)</u>	
General Revenues:								
Taxes:								
Property taxes, levied for general purposes					2,768,059	304,009	3,072,068	
Property taxes, levied for debt service					775,725	-	775,725	
Grants and contributions not restricted to specific programs					133,224	-	133,224	
Unrestricted investment earnings					8,960	21,270	30,230	
Miscellaneous					56,225	11,537	67,762	
Total general revenues					<u>3,742,193</u>	<u>336,816</u>	<u>4,079,009</u>	
Change in net position					133,710	679,644	813,354	
Net position-beginning					7,926,304	18,652,392	26,578,696	
Net position-ending					<u>\$ 8,060,014</u>	<u>\$ 19,332,036</u>	<u>\$ 27,392,050</u>	

See accompanying notes to the financial statements.

TOWN OF SOMERS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	General	Debt Service	Nonmajor	Total
			Governmental Funds	Governmental Funds
ASSETS				
Cash and investments	\$ 8,516,470	\$ 22,741	\$ 142,137	\$ 8,681,348
Receivables				
Property taxes receivables	7,315,719	812,763	-	8,128,482
Ambulance fees	153,151	-	-	153,151
Miscellaneous	11,597	-	-	11,597
Customers	31,197	-	-	31,197
Due from other funds	25,733	-	55,342	81,075
Prepaid items	50,935	-	-	50,935
Restricted cash	-	-	125,196	125,196
TOTAL ASSETS	\$ 16,104,802	\$ 835,504	\$ 322,675	\$ 17,262,981

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

Liabilities				
Accounts payable	\$ 143,805	\$ 1,400	\$ -	\$ 145,205
Accrued compensation	54,902	-	-	54,902
Due to other governments	13,192,524	-	-	13,192,524
Due to other funds	188,178	-	81,075	269,253
TOTAL LIABILITIES	\$ 13,579,409	\$ 1,400	\$ 81,075	\$ 13,661,884

DEFERRED INFLOWS OF RESOURCES

Deferred property tax levy	2,750,764	812,763	-	3,563,527
TOTAL DEFERRED INFLOWS OF RESOURCES	2,750,764	812,763	-	3,563,527

Fund Balances

Nonspendable				
Prepaid items	50,935	-	-	50,935
Restricted				
Drainage Fund	-	-	144,213	144,213
Park Fund	-	-	87,940	87,940
Impact Fund	-	-	90,522	90,522
Debt Service	-	21,341	-	21,341
Unassigned	(276,306)	-	(81,075)	(357,381)
TOTAL FUND BALANCES (DEFICIT)	(225,371)	21,341	241,600	37,570

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES

\$ 16,104,802 \$ 835,504 \$ 322,675 \$ 17,262,981

See accompanying notes to the financial statements.

TOWN OF SOMERS
Reconciliation of the Governmental Fund Balance Sheet
and the Statement of Net Position
As of December 31, 2014

Fund Balance - Total Governmental Funds	\$ 37,570
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,626,757
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(6,523,109)
Interest expense is not accrued in the governmental funds.	<u>(81,204)</u>
Net Position	<u><u>\$ 8,060,014</u></u>

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,768,059	\$ 775,725	\$ -	\$ 3,543,784
Intergovernmental revenues	335,330	-	-	335,330
Charges for services	520,529	-	-	520,529
Licenses and permits	213,665	-	-	213,665
Fines, forfeits & penalties	545	-	-	545
Investment income	8,798	-	162	8,960
Miscellaneous income	21,269	-	34,957	56,226
Total Revenues	<u>3,868,195</u>	<u>775,725</u>	<u>35,119</u>	<u>4,679,039</u>
EXPENDITURES				
Current				
General government	662,740	-	-	662,740
Public safety	1,673,324	-	-	1,673,324
Public works	516,752	-	-	516,752
Solid waste collection	693,981	-	-	693,981
Recreation and leisure	16,124	-	-	16,124
Planning and development	52,104	-	-	52,104
Capital outlay	-	-	164,190	164,190
Debt service	-	762,190	16	762,206
Total Expenditures	<u>3,615,025</u>	<u>762,190</u>	<u>164,206</u>	<u>4,541,421</u>
Excess (deficiency) of revenues over expenditures	<u>253,170</u>	<u>13,535</u>	<u>(129,087)</u>	<u>137,618</u>
OTHER FINANCING SOURCES (USES)				
General obligation debt issued	12,247	-	81,898	94,145
Refunding debt retirement	-	-	-	-
Reallocation of debt	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>12,247</u>	<u>-</u>	<u>81,898</u>	<u>94,145</u>
Net change in fund balance	265,417	13,535	(47,189)	231,763
FUND BALANCES - Beginning of year	<u>(490,788)</u>	<u>7,806</u>	<u>288,789</u>	<u>(194,193)</u>
FUND BALANCES - END OF YEAR (DEFICIT)	\$ (225,371)	\$ 21,341	\$ 241,600	\$ 37,570

See accompanying notes to the financial statements.

TOWN OF SOMERS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 231,763
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 (\$596,846) exceeded capital outlay (\$94,157) in the current period.	(502,688)
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.	399,538
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.	<hr/> 5,097
Change in net position of governmental activities	<hr/> <u>\$ 133,710</u>

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2014

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,762,087	\$ 2,762,087	\$ 2,768,059	\$ 5,972
Intergovernmental revenues	332,038	332,038	335,330	3,292
Charges for services	509,950	517,163	520,529	3,366
Licenses and permits	174,340	174,340	213,665	39,325
Fines, forfeits & penalties	1,150	1,150	545	(605)
Investment income	7,100	7,100	8,798	1,698
Miscellaneous income	38,100	40,600	21,269	(19,331)
Total revenues	<u>3,824,765</u>	<u>3,834,478</u>	<u>3,868,195</u>	<u>33,717</u>
Expenditures				
General government	795,690	803,403	662,740	140,663
Public safety	1,687,673	1,688,173	1,673,324	14,849
Public works	572,925	560,225	516,752	43,473
Solid waste collection	681,335	694,035	693,981	54
Recreation and leisure	19,110	19,110	16,124	2,986
Planning and development	55,775	55,775	52,104	3,671
Contingency	12,257	13,757	-	13,757
Total expenditures	<u>3,824,765</u>	<u>3,834,478</u>	<u>3,615,025</u>	<u>219,453</u>
Excess (deficiency) of revenues over expenditures	-	-	253,170	253,170
Other Financing Sources (Uses)				
General obligation debt issued	-	-	12,247	(12,247)
Total Other Financing Sources (Uses)	-	-	12,247	12,247
Net change in fund balance	-	-	265,417	265,417
Fund balances - beginning	<u>(490,788)</u>	<u>(490,788)</u>	<u>(490,788)</u>	<u>-</u>
Fund balances - ending	<u>\$ (490,788)</u>	<u>\$ (490,788)</u>	<u>\$ (225,371)</u>	<u>\$ 265,417</u>

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014

	<u>Business-type Activities</u>					
	K.R. Utility District	Utility District #1	Somers Water	Totals		
ASSETS						
Current assets						
Cash and investments	\$ 182,484	\$ 1,219,483	\$ 360,372	\$ 1,762,339		
Accounts receivable	27,150	311,997	157,195	496,342		
Tax levy receivable	-	304,469	-	304,469		
Delinquent receivable	16,349	162,838	74,435	253,622		
Due from other funds - current	28,798	39,396	8,924	77,118		
Inventories	-	-	30,563	30,563		
Prepaid expenses	14	1,878	1,879	3,771		
Restricted cash	-	3,130,022	-	3,130,022		
Total current assets	<u>254,795</u>	<u>5,170,083</u>	<u>633,368</u>	<u>6,058,246</u>		
Noncurrent assets						
Due from other funds - noncurrent	526,824	426,062	163,254	1,116,140		
Utility plant in service	1,276,015	19,946,566	11,144,727	32,367,308		
Machinery and equipment	-	731,469	192,983	924,452		
Construction in progress	-	124,210	-	124,210		
Accumulated depreciation	(664,462)	(4,719,245)	(1,901,570)	(7,285,277)		
Deferred special assessments, net of uncollectible	30,984	187,944	308,856	527,784		
Total noncurrent assets	<u>1,169,361</u>	<u>16,697,006</u>	<u>9,908,250</u>	<u>27,774,617</u>		
Total Assets	<u>\$ 1,424,156</u>	<u>\$ 21,867,089</u>	<u>\$ 10,541,618</u>	<u>\$ 33,832,863</u>		
LIABILITIES						
Current liabilities						
Accounts payable	\$ 32,463	\$ 117,587	\$ 46,812	\$ 196,862		
Wages payable	1,092	3,746	2,816	7,654		
Accrued interest	-	55,515	37,347	92,862		
Due to other funds - current	-	-	52,094	52,094		
Other liabilities	-	-	99,090	99,090		
Current portion of long-term debt payable	290	751,824	114,452	866,566		
Total current liabilities	<u>33,845</u>	<u>928,672</u>	<u>352,611</u>	<u>1,315,128</u>		
Noncurrent liabilities						
Due to other funds - noncurrent	-	-	952,986	952,986		
General obligation debt payable	1,404	6,605,207	5,323,101	11,929,712		
Total noncurrent liabilities	<u>1,404</u>	<u>6,605,207</u>	<u>6,276,087</u>	<u>12,882,698</u>		
Total Liabilities	<u>35,249</u>	<u>7,533,879</u>	<u>6,628,698</u>	<u>14,197,826</u>		
DEFERRED INFLOWS OF RESOURCES						
Deferred property tax levy	-	303,001	-	303,001		
Total deferred inflows of resources	<u>-</u>	<u>303,001</u>	<u>-</u>	<u>303,001</u>		
NET POSITION						
Net investment in capital assets	611,553	8,735,689	4,003,532	13,350,774		
Unrestricted	<u>777,354</u>	<u>5,294,520</u>	<u>(90,612)</u>	<u>5,981,262</u>		
Total Net Position	<u>\$ 1,388,907</u>	<u>\$ 14,030,209</u>	<u>\$ 3,912,920</u>	<u>\$ 19,332,036</u>		

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
OPERATING REVENUES				
Charges for services	\$ 205,250	\$ 1,885,626	\$ 930,164	\$ 3,021,040
Total operating revenues	<u>205,250</u>	<u>1,885,626</u>	<u>930,164</u>	<u>3,021,040</u>
OPERATING EXPENSES				
Personnel	43,260	177,761	116,830	337,851
Materials and supplies	1,269	48,948	349,209	399,426
Contractual and other services	137,224	646,902	46,661	830,787
Depreciation	<u>25,520</u>	<u>445,745</u>	<u>217,603</u>	<u>688,868</u>
Total operating expense	<u>207,273</u>	<u>1,319,356</u>	<u>730,303</u>	<u>2,256,932</u>
Operating income (loss)	(2,023)	566,270	199,861	764,108
NON-OPERATING REVENUES (EXPENSES)				
Tax levy for debt service	-	304,009	-	304,009
Investment income	1,121	5,360	14,789	21,270
Amortization	-	(2,518)	(2,757)	(5,275)
Interest and fiscal charges	-	(310,848)	(223,721)	(534,569)
Miscellaneous	<u>10</u>	<u>20</u>	<u>11,507</u>	<u>11,537</u>
Total non-operating revenues (expenses)	<u>1,131</u>	<u>(3,977)</u>	<u>(200,182)</u>	<u>(203,028)</u>
Income (loss) before capital contributions	(892)	562,293	(321)	561,080
CAPITAL CONTRIBUTIONS				
Developer fees	-	-	41,324	41,324
Connection fees	-	<u>65,240</u>	<u>12,000</u>	<u>77,240</u>
Total contributions	<u>-</u>	<u>65,240</u>	<u>53,324</u>	<u>118,564</u>
Change in net position	(892)	627,533	53,003	679,644
Total net position at the beginning of year	<u>1,389,799</u>	<u>13,402,676</u>	<u>3,859,917</u>	<u>18,652,392</u>
Total net position at end of year	<u>\$ 1,388,907</u>	<u>\$ 14,030,209</u>	<u>\$ 3,912,920</u>	<u>\$ 19,332,036</u>

See accompanying notes to the financial statements.

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TOWN OF SOMERS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 209,056	\$ 1,856,240	\$ 1,001,762	\$ 3,067,058
Paid to suppliers and employees for goods and services	(180,238)	(793,680)	(523,995)	(1,497,913)
Cash Flows from Operating Activities	<u>28,818</u>	<u>1,062,560</u>	<u>477,767</u>	<u>1,569,145</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Tax levy	-	302,541	-	302,541
Miscellaneous income	10	20	497	527
Cash Flows from Noncapital Financing Activities	<u>10</u>	<u>302,561</u>	<u>497</u>	<u>303,068</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES				
Debt retired	(1,406)	(722,965)	(115,015)	(839,386)
Interest paid	-	(310,515)	(224,579)	(535,094)
Debt issued	-	-	-	-
Special assessments	-	-	39,169	39,169
Capital Contributions	-	65,240	38,566	103,806
Acquisition and construction of capital assets	-	(140,923)	(19,267)	(160,190)
Cash Flows from Capital and Financing Activities	<u>(1,406)</u>	<u>(1,109,163)</u>	<u>(281,126)</u>	<u>(1,391,695)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Deposits to restricted cash	-	(3,124,093)	-	(3,124,093)
Interfund loans	28,750	39,255	(43,098)	24,907
Interest income	1,121	5,360	14,789	21,270
Cash Flows from Investing Activities	<u>29,871</u>	<u>(3,079,478)</u>	<u>(28,309)</u>	<u>(3,077,916)</u>
Net Change in Cash and Cash Equivalents	<u>57,293</u>	<u>(2,823,520)</u>	<u>168,829</u>	<u>(2,597,398)</u>
Cash and Cash Equivalents - Beginning of Year	<u>125,191</u>	<u>4,043,003</u>	<u>191,543</u>	<u>4,359,737</u>
Cash and Cash Equivalents - End of Year	<u>\$ 182,484</u>	<u>\$ 1,219,483</u>	<u>\$ 360,372</u>	<u>\$ 1,762,339</u>

See accompanying notes to the financial statements.

TOWN OF SOMERS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	(2,023)	566,270	199,861	\$ 764,108
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation expense	25,520	445,745	217,603	688,868
Changes in assets and liabilities:				
Accounts receivable	3,806	(29,386)	71,598	46,018
Due from other funds	-	-	-	-
Due to other funds	-	-	-	-
Prepaid items	1	1,511	688	2,200
Accounts payable	1,297	78,298	(12,155)	67,440
Wages payable	<u>217</u>	<u>122</u>	<u>172</u>	<u>511</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u><u>\$ 28,818</u></u>	<u><u>\$ 1,062,560</u></u>	<u><u>\$ 477,767</u></u>	<u><u>\$ 1,569,145</u></u>

Town of Somers
 Notes to the Financial Statements
 December 31, 2014

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Town of Somers
Notes to the Financial Statements
December 31, 2014

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Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Town implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2014. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently does not have any items that qualify for reporting in this category.

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function 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.

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

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

The Town reports the following major governmental funds:

Major Governmental Funds

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

The Town reports the following major enterprise funds:

Major Enterprise Funds

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

Non-Major Governmental Funds

- Capital Projects Fund - accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds accounts for resources legally restricted to supporting expenditures for capital projects.
- Special Revenue Funds – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds are:

Park Improvement	Drainage	Impact Fees
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Non-Major Enterprise Funds

- The Town has no non-major enterprise funds.

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

Government-Wide Financial Statements

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

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

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

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

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

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

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

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

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

The proprietary funds have elected to follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary funds 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.

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

Wisconsin Statutes restrict the investments of the Town to:

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

No significant violations of these restrictions occurred during the year.

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, 2014, the fair value of the Town's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables

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

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

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

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

Property tax calendar - 2014 tax roll:

Lien date and levy date	December 2014
Tax bills mailed	December 2014
(1) Payment in full, or	
First installment due	January 31, 2014
Second installment due	July 31, 2015
(2) Personal property taxes in full	January 31, 2015
Tax settlement with Town:	
First settlement	January 15, 2015
Second settlement	February 20, 2015
Final settlement	August 15, 2015

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

To fund the highway E interceptor project, the Board voted to restrict funds in Utility District #1. The balance at December 31, 2014 was \$3,130,022.

Special Revenue Funds were established to account for impact fees, as required by state statutes, in order to provide funds which may be necessary to pay for capital costs that are required to accommodate land development. At year end, the restricted cash amount in the Drainage Fund was \$43,573 and in the Impact Fund that amount was \$28,252.

A third Special Revenue Fund was established called the Park Fund which also accumulated impact fees. They were established, by contract between the Town and the developer, to provide funds necessary to pay for the engineering, construction and legal fees during land development. At year end, this amount was \$53,371 which is reported in the Park Fund.

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Town. Donated fixed assets are recorded at their estimated fair value at the date of donation.

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

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

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

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.

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Other Assets

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

7. Compensated Absences

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

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

Accumulated liabilities at December 31, 2014 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.

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.

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The Town does not engage in conduit debt transactions.

9. Claims and Judgments

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

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

10. Equity Classifications

Government-Wide Financial Statements

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

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

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Town's highest level of decision-making authority).
- d. Assigned – Amounts that are intended to be used for a particular purpose expressed by the Board or other authorized committee or individual.
- e. Unassigned – All amounts not included in other spendable classifications.

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

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

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

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

Bonds and notes payable December 31, 2013	\$ (6,922,647)
New leases in 2014	(94,144)
Unamortized debt discount and issue costs (net change)	(1,094)
Vacation/sick day accrual	(8,422)
Principal retirements	<u>503,198</u>
Combined adjustment for long-term liabilities	<u>\$ (6,523,109)</u>

Town of Somers
Notes to the Financial Statements
December 31, 2014

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

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

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 \$416,681 difference are as follows:

New leases in 2014	(94,144)
Vacation/Sick day accrual	(8,422)
Amortization of bond costs	(1,094)
Principal repayments – General Obligation debt	<u>503,198</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 399,538</u>

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

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

A. BUDGETARY INFORMATION (continued)

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

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

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

Appropriations lapse at year-end unless specifically carried over.

B. GOVERNMENTAL FUNDS - EXCESS EXPENDITURES OVER APPROPRIATIONS

The Town controls expenditures at the appropriation unit level. The detail of those items can be found in the Town's year end budget to actual report. In 2014, there were no appropriation units with excess expenditures.

Town of Somers
Notes to the Financial Statements
December 31, 2014

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

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. The following funds have deficit fund balances as of December 31, 2014.

<u>Fund</u>	<u>Deficit Balance</u>	<u>Reason</u>
General Fund	\$ 225,371	A composite of several appropriations over budget and shortfalls in budgeted revenues in prior years.
Capital Projects Fund	81,075	Necessary items purchased that were not budgeted for in prior years.

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

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2014 and 2015 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2014 budget was 0.479%. The actual limit for the Town for the 2015 budget was 0.126%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations. The Town is in compliance with the limitation.

Town of Somers
 Notes to the Financial Statements
 December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash	\$ 1,703	\$ -	\$ 1,703
Demand deposits			
Interest bearing	10,051,938	3,130,022	13,181,960
Non-interest bearing	21,160	-	21,160
Other cash	<u>368,886</u>	<u>125,196</u>	<u>494,082</u>
 Total cash and cash equivalents	 <u>\$ 10,443,687</u>	 <u>\$ 3,255,218</u>	 <u>\$ 13,698,905</u>
 Per statement of net position - cash and cash equivalents	 <u>\$ 10,443,687</u>		
Per statement of net position - restricted cash		<u>3,255,218</u>	
		<u>\$ 13,698,905</u>	

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

Deposits in the local government investment pool (LGIP) are pooled along with the deposits of all of the LGIP participants. The balance in the LGIP represents a pro-rated share of the total investments in the LGIP portfolio, meaning that the LGIP balance is insured to the same extent that the entire LGIP portfolio is insured. As of December 31, 2014, 99.03% was invested in various US Government investments which are backed by the federal government and not insured; and 0.97% was invested in various certificates of deposits and bankers acceptance notes. The certificates of deposit are backed by the FDIC and state deposit guarantee fund up to their insurance limitations.

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

The Town maintains cash deposits within the LGIP. The deposit and investment balances of the various fund types on December 31, 2014 were as follows:

Local Government Investment Pool		
General Fund	\$	351,250
Park Fund		32,068
Somers Market		21,303
Drainage		43,573
Impact Fund		28,252
Utility District #1		5,934
Water Fund		11,702
	<hr/>	<hr/>
	\$	494,082

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

Deposits – Custodial Credit Risk

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

At December 31, 2014, the reported amount of the Town's deposits, including LGIP, was \$13,698,904 and the bank and LGIP balance was \$12,745,812. Of this balance, \$11,027,806 was not covered by federal depository insurance or by the Wisconsin insurance program. In addition, the Town maintained petty cash funds in the amount of \$1,703.

Investments

The Town has no investments.

B. RECEIVABLES

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

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS

The valuation of the Town's fixed assets of the governmental funds is based on historical costs and an inventory done by the staff. The additions column represents the new assets in 2014. The deletions column represents the assets that were discarded in 2014. Capital asset valuation for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Governmental Activities			
Capital Assets not being depreciated:			
Land	\$ 216,294	\$ -	\$ 216,294
Land Improvements	4,129,471	-	4,129,471
Total Capital Assets not being depreciated	4,345,765	-	4,345,765
Other Capital Assets:			
Land Improvements	172,758	48,295	221,053
Buildings	6,025,568	-	6,025,568
Machinery & Equipment	3,958,183	45,863	4,004,046
Infrastructure	12,486,410	-	12,486,410
Total Other Capital Assets at Historical Cost	22,642,919	94,158	22,737,077
Less: Accumulated Depreciation	(11,859,239)	(596,846)	(12,456,085)
Net Total Other Capital Assets	10,783,680	(502,688)	10,280,992
Net Total Government Activities Capital Assets	<u>\$ 15,129,445</u>	<u>\$ (502,688)</u>	<u>\$ 14,626,757</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 45,555
Public Safety	152,250
Public Works	393,090
Leisure Activities	5,951
Total Governmental Activities - Depreciation Expense	<u>\$ 596,846</u>

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

C. CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business - Type Activities				
Capital Assets not being depreciated:				
Intangible Asset - Easement	\$ -	\$ 13,650	\$ -	\$ 13,650
Construction in Progress	<u>22,069</u>	<u>88,491</u>	<u>-</u>	<u>110,560</u>
Total Capital Assets not being depreciated	22,069	102,141	-	124,210
Other Capital Assets:				
Utility Plant in Service	32,340,525	28,205	(1,422)	32,367,308
Machinery & Equipment	<u>885,127</u>	<u>39,325</u>	<u>-</u>	<u>924,452</u>
Total Other Capital Assets at Historical Cost	33,225,652	67,530	(1,422)	33,291,760
Less: Accumulated Depreciation	<u>(6,597,831)</u>	<u>(688,868)</u>	<u>1,422</u>	<u>(7,285,277)</u>
Net Total Other Capital Assets	26,627,821	(621,338)	-	26,006,483
Net Total Business - Type Activities Capital Assets	<u><u>\$ 26,649,890</u></u>	<u><u>\$ (519,197)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,130,693</u></u>

Depreciation expense was charged to functions as follows:

Business - Type Activities

Utility District #1	\$ 445,745
Somers Water Utility	217,603
K.R. Utility District	25,520
Total Business - Type Activities Depreciation Expense	<u><u>\$ 688,868</u></u>

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables:

Receivable Fund	Payable Fund	Amount
General Fund		\$ 25,732
	Capital Projects	(25,732)

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

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

Receivable Fund	Payable Fund	Amount	Annual Payment	Terms	Year of Maturity
Water Fund	General Fund	\$ 172,178	\$ 9,217	20 years at .17%	2033
Utility District #1	Water Fund	\$ 449,458	\$ 24,060	20 years at .17%	2033
Utility District #1	General Fund	\$ 16,000	\$ 16,000	2 years at 1.0%	2015
K.R. Utility District	Water Fund	\$ 555,622	\$ 29,743	20 years at .17%	2033
Impact Fund	Capital Projects	\$ 55,342	\$ 13,836	5 years at .09%	2018

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

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Town had no transfers for 2014.

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable:					
General Obligation Bond	\$ 6,670,000	\$ -	\$ 470,000	\$ 6,200,000	\$ 525,000
Promissory Note	28,686	-	6,856	21,830	7,063
Promissory Note	33,059	-	10,671	22,388	10,992
Promissory Note	-	81,898	13,158	68,740	26,886
Capital Leases	-	12,246	2,513	9,733	3,919
Add/(Subtract) Deferred Amounts For:					
(Discounts)/Premiums	(4,211)	-	(1,094)	(3,117)	(1,094)
Total Bonds and Notes Payable	<u>6,727,534</u>	<u>94,144</u>	<u>502,104</u>	<u>6,319,574</u>	<u>572,766</u>
Other Liabilities					
Vested Vacation and Sick Days	195,113	12,701	4,279	203,535	67,160
Total Other Liabilities	<u>195,113</u>	<u>12,701</u>	<u>4,279</u>	<u>203,535</u>	<u>67,160</u>
Total Governmental Activities-					
 Long-Term Liabilities	<u>\$ 6,922,647</u>	<u>\$ 106,845</u>	<u>\$ 506,383</u>	<u>\$ 6,523,109</u>	<u>\$ 639,926</u>
 Business-Type Activities					
Bonds and Notes Payable:					
General Obligation Bond	\$ 13,380,000	\$ -	\$ 785,000	\$ 12,595,000	\$ 820,000
Capital Leases	200,793	8,164	20,916	188,041	22,557
Promissory Note	84,030	-	25,622	58,408	26,395
Add/(Subtract) Deferred Amounts For:					
(Discounts)	(66,806)	-	(5,275)	(61,531)	(5,275)
Total Bonds and Notes Payable	<u>13,598,017</u>	<u>8,164</u>	<u>826,263</u>	<u>12,779,918</u>	<u>863,677</u>
Other Liabilities					
Vested Vacation and Sick Days	28,175	-	11,815	16,360	2,889
Total Other Liabilities	<u>28,175</u>	<u>-</u>	<u>11,815</u>	<u>16,360</u>	<u>2,889</u>
Total Business-Type Activities-					
 Long-Term Liabilities	<u>\$ 13,626,192</u>	<u>\$ 8,164</u>	<u>\$ 838,078</u>	<u>\$ 12,796,278</u>	<u>\$ 866,566</u>

GENERAL OBLIGATION DEBT

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG-TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Town may not exceed five percent of the equalized value of taxable property within the Town's jurisdiction. The debt limit as of December 31, 2014, was \$37,050,335. Total general obligation debt outstanding at year end was \$19,164,140.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2014</u>
<u>Governmental Activities - General Obligation Debt</u>					
General Obligation Promissory Note	2008	2023	3.50 - 4.40%	\$ 5,150,000	\$ 4,335,000
General Obligation Refunding Bond	2011	2018	2.00 - 4.00%	2,465,000	1,865,000
Promissory Note	2011	2016	2.95%	53,398	22,388
Promissory Note	2012	2017	2.95%	35,342	21,830
Promissory Note	2014	2017	2.95%	81,898	68,740
Capital Lease	2014	2017	0.77%	12,246	9,733
Total Governmental Activities - General Obligation Debt					<u>\$ 6,322,691</u>
<u>Business Type Activities - General Obligation Debt</u>					
General Obligation Promissory Note	2006	2026	3.75 - 4.00%	\$ 9,145,000	\$ 6,265,000
General Obligation Promissory Note	2007	2027	3.75 - 4.10%	6,094,726	5,430,000
General Obligation Promissory Note	2007	2017	3.5 - 3.85%	2,186,471	900,000
Promissory Note	2011	2016	2.95%	106,795	44,775
Promissory Note	2012	2017	2.95%	22,070	13,633
Capital Lease	2012	2022	3.63%	219,986	181,552
Capital Lease	2014	2017	0.77%	8,164	6,489
Total Business Type Activities - General Obligation Debt					<u>\$ 12,841,449</u>

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. LONG TERM OBLIGATIONS (continued)

GENERAL OBLIGATION DEBT (continued)

Debt service requirements to maturity are as follows:

Years	Governmental Activities		Business-Type Activities	
	General Obligation Debt	Principal	General Obligation Debt	Principal
2015	573,860	236,694	868,952	503,022
2016	605,660	217,795	920,872	470,496
2017	588,171	197,446	977,123	436,101
2018	625,000	175,520	992,215	399,268
2019	675,000	151,670	1,013,027	360,830
2020-2024	2,985,000	360,866	5,319,260	1,195,141
2025-2027	270,000	10,800	2,750,000	197,250
	<u>\$ 6,322,691</u>	<u>\$ 1,350,791</u>	<u>\$ 12,841,449</u>	<u>\$ 3,562,108</u>

CAPITAL LEASES

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

OTHER DEBT INFORMATION

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

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. RESTRICTED ASSETS

The Restricted Assets at December 31, 2014 consisted of cash and cash equivalents as follows:

Special Revenue Funds

Drainage	\$ 43,573
Park	53,371
Impact	<u>28,252</u>
Total Special Revenue Funds	<u>\$ 125,196</u>

Proprietary Funds

Utility District #1 Fund	<u>\$ 3,130,022</u>
Total Proprietary Funds	<u>\$ 3,130,022</u>

Total Restricted Assets	<u>\$ 3,255,218</u>
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G. LEASE DISCLOSURES

Lessor – Operating Leases

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

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. LEASE DISCLOSURES (continued)

Capital Leases – Lessee/Lessor

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

Utility District #1	
Asset	
Machinery and Equipment	\$ 319,986
Less: Accumulated depreciation	<u>53,331</u>
Net Machinery and Equipment	<u><u>\$ 266,655</u></u>

<u>Future Lease Payments</u>		
	Principal	Interest
2015	19,945	6,402
2016	20,674	5,673
2017	21,431	4,917
2018	22,215	4,133
2019	23,027	3,320
2020-2022	<u>74,260</u>	<u>4,782</u>
	<u><u>\$ 181,552</u></u>	<u><u>\$ 29,227</u></u>

The Town entered into a lease-purchase agreement on May 14, 2014 for a computer server for use by all departments in the amount of \$20,410.95 with a security deposit of \$645.87. The monthly lease payments have an interest rate of 0.77% maturing on May 5, 2017.

	Utility District #1	Water	General Fund	Total
Asset				
Machinery and Equipment	\$ 5,103	\$ 3,061	\$ 12,246	\$ 20,410
Less: Accumulated depreciation	(510)	(409)	(2,449)	(3,368)
Net Machinery and Equipment	<u>\$ 4,593</u>	<u>\$ 2,652</u>	<u>\$ 9,797</u>	<u>\$ 17,042</u>

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

G. LEASE DISCLOSURES (continued)

Capital Leases – Lessee/Lessor (continued)

Future payments on the server lease are shown below.

	Utility District #1	Water	General Fund	Totals
2015	Principal \$ 1,633	Interest \$ 305	Principal \$ 980	Interest \$ 183
2016	1,789	148	1,073	89
2017	634	12	380	7
	<u>\$ 4,056</u>	<u>\$ 465</u>	<u>\$ 2,433</u>	<u>\$ 279</u>
			<u>\$ 9,734</u>	<u>\$ 1,117</u>
			<u>\$ 16,223</u>	<u>\$ 1,861</u>

H. GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide statement of net position at December 31, 2014 includes the following:

GOVERNMENTAL ACTIVITIES

Net Investment in Capital Assets	
Land and construction in progress	\$ 4,345,765
Other capital assets, net of accumulated depreciation	10,280,992
Less: related long-term debt outstanding (net of unspent proceeds of debt and vacation accrual)	<u>(6,319,574)</u>
Total Investment in Capital Assets	8,307,183
Unrestricted (deficit)	<u>(247,169)</u>
Total Governmental Activities Net Position	<u>\$ 8,060,014</u>

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

Nonspendable

Major Fund	
General Fund, prepaid expenses	\$ 50,935
Total Nonspendable	<u>\$ 50,935</u>

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. GOVERNMENTAL ACTIVITIES NET POSITION (continued)

Restricted

Major Funds

Debt Service – used only for debt service purposes	<u>\$ 21,341</u>
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Nonmajor Funds

Special Revenue Funds

Drainage Fund – used only for drainage purposes	\$ 144,213
Park Fund – used only for park purposes	87,940
Impact Fund – used only for impact related purposes	<u>90,522</u>
Total Special Revenue	<u>\$ 322,675</u>

Total Restricted	<u>\$ 344,016</u>
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Unassigned

Major Fund

General Fund, undesignated funds	\$ (276,306)
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Non-major Funds

Capital Service – used only for capital projects	<u>\$ (81,075)</u>
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Total Unassigned	<u>\$ (357,381)</u>
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NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible Town employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General category, including Teachers, Executives, and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE V – OTHER INFORMATION (continued)

A. EMPLOYEES' RETIREMENT SYSTEM (continued)

may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2014 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	7.00%	7.00%
Executives & Elected Officials	7.75%	7.75%
Protective with Social Security	7.00%	10.10%
Protective without Social Security	7.00%	13.70%

The payroll for the Town employees covered by the WRS for the year ended December 31, 2014 was \$1,351,203; the employer's total payroll was \$1,353,171. The total required contribution for the year ended December 31, 2014 was \$209,485, which consisted of \$148,098 or 10.96% of payroll from the employer and \$61,387 or 4.54% from employees. Total contributions for the years ending December 31, 2013 and 2012 were \$220,664 and \$203,035 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employees three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

Town of Somers
Notes to the Financial Statements
December 31, 2014

NOTE V – OTHER INFORMATION (continued)

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

From time to time, the Town is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Town's Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Town's financial position or results of operations.

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

D. SUBSEQUENT EVENTS

Management evaluated subsequent events through June 18, 2015 the date the financial statements were available to be issued. The Wisconsin Department of Administration approved Somers' Incorporation application in January, 2015. This allowed the question to be presented to the voters in the proposed Village area. The Incorporation Referendum was approved by the voters on April 7, 2015. The Wisconsin Secretary of State issued the Incorporation Certificate on April 24, 2015. This marked the beginning of the Village of Somers which will coexist with the Town of Somers.

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**TOWN OF SOMERS
KENOSHA COUNTY, WISCONSIN**

SUPPLEMENTARY INFORMATION

TOWN OF SOMERS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Drainage Fund	Park Fund	Impact Fees Fund	Total Special Revenue Funds			
ASSETS							
Cash and investments	\$ 100,640	\$ 34,569	\$ 6,928	\$ 142,137	\$ -	\$ -	\$ 142,137
Due from other funds	-	-	55,342	55,342	-	-	55,342
Restricted Cash	43,573	53,371	28,252	125,196	-	-	125,196
TOTAL ASSETS	\$ 144,213	\$ 87,940	\$ 90,522	\$ 322,675	\$ -	\$ -	\$ 322,675
LIABILITIES AND FUND BALANCES							
Liabilities							
Due to other funds	-	-	-	-	81,075	81,075	81,075
Total Liabilities	-	-	-	-	81,075	81,075	81,075
FUND BALANCES							
<i>Restricted</i>	144,213	87,940	90,522	322,675	-	-	322,675
<i>Unassigned</i>	-	-	-	-	(81,075)	(81,075)	(81,075)
Total Fund Balances (deficit)	144,213	87,940	90,522	322,675	(81,075)	(81,075)	241,600
TOTAL LIABILITIES AND FUND BALANCES	\$ 144,213	\$ 87,940	\$ 90,522	\$ 322,675	\$ -	\$ -	\$ 322,675

TOWN OF SOMERS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Drainage Fund	Park Fund	Impact Fees Fund	Total Special Revenue Funds		
REVENUES						
Investment income	\$ 38	\$ 46	\$ 78	\$ 162	\$ -	\$ 162
Miscellaneous revenue	-	25,041	-	25,041	9,916	34,957
Total Revenues	38	25,087	78	25,203	9,916	35,119
EXPENDITURES						
Capital outlay	-	82,292	-	82,292	81,898	164,190
Debt Service:						
Interest charges	-	-	-	-	16	16
Total Expenditures	-	82,292	-	82,292	81,914	164,206
Excess (deficiency) of revenues over expenditures	38	(57,205)	78	(57,089)	(71,998)	(129,087)
OTHER FINANCING SOURCES (USES)						
Proceeds from General Obligation Debt	-	-	-	-	81,898	81,898
	-	-	-	-	81,898	81,898
Net change in fund balance	38	(57,205)	78	(57,089)	9,900	(47,189)
FUND BALANCES						
Beginning of year	144,175	145,145	90,444	379,764	(90,975)	288,789
FUND BALANCES - END OF YEAR (DEFICIT)	\$ 144,213	\$ 87,940	\$ 90,522	\$ 322,675	\$ (81,075)	\$ 241,600