

**VILLAGE OF SOMERS  
KENOSHA COUNTY, WISCONSIN**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2018**

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# VILLAGE OF SOMERS

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## VILLAGE OF SOMERS

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## INDEPENDENT AUDITOR'S REPORT

To the Village Board  
Village of Somers  
Kenosha County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Somers, Wisconsin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Somers, Wisconsin, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in note V G. to the financial statements, in 2018 the Village adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 18 and the OPEB and pension schedules on pages 91 through 95 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

### ***Report on Summarized Comparative Information***

We have previously audited the Village of Somers 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 15, 2018. In our opinion, the summarized comparative information for the government funds presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Andrea & Orendorff LLP*

Andrea & Orendorff LLP  
Kenosha, Wisconsin  
August 21, 2019

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

Our discussion and analysis of the Village of Somers' financial performance provides an overview of the Village's financial activities for the year ended December 31, 2018.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Activities and the Fund financial statements provide information about the long-term finances and the activities of the Village as a whole. Governmental activities reflect how services were financed in the short-term and what balance remains for future spending. The Village's fund financial statements report the Village's operations in more detail than government-wide statements. The Statement of Net Position and Statement of Activities provide information about the Village's most significant funds. Our analysis of the Village as a whole begins on page 19.

**Reporting the Village as a Whole**

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

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

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

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

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

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

**Reporting the Village as a Whole (continued)**

Governmental Activities: (continued)

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

- General Government includes the Village Board, Municipal Court, Village office, Clerk-Treasurer, Elections, Board of Review, Village Assessor, audit fees, legal fees, engineering, Village Hall, membership dues, advertising and publications, property and liability insurance, and Debt Service payments.
- Public Safety includes the Somers Fire and Rescue department and the Village's Building Inspection department. The Village entered into a contract to expand services with the Kenosha County Sheriff's Department to 16 hours per day which began July 1, 2018.
- Public Works includes the maintenance of all Village & Town roads, operation of municipal sewer & water utilities, related facilities and street lighting.
- Solid Waste Collection is a contracted service for garbage and recycling pickup.
- Leisure Activities includes a recreation program which offers softball, soccer, golf & basketball.
- Conservation and Development includes the Plan Commission, the Board of Appeals, the Park Committee and the eleven Tax Incremental Districts. In an effort to save costs, the Village contracts with Kenosha County Planning & Development for zoning oversight.
- Civic Committee includes the July 4<sup>th</sup> Parade & Santa's Open House.

Business-type activities:

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

**Reporting the Village's Most Significant Funds**

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



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

**Reporting the Village's Most Significant Funds (continued)**

Governmental Funds

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

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

The Governmental Funds include the General Fund, a 10-year Capital Projects Fund, Debt Service Fund and Tax Incremental Districts #1-11. All other governmental activities including park improvement, and drainage are included in the non-major Special Revenue funds. The General Fund includes General Government, Public Safety, Public Works, Solid Waste Collection, Leisure Activities, and Conservation and Development. The Capital Projects Fund is used to account for infrastructure projects, developers incentive payments & on-going TIF project expenses. The Debt Service Fund serves as a clearing account for present and future debt payments.

Proprietary Funds

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

**The Village as a Whole**

Government-wide Financial Analysis

The condensed financial statements on page 7 and 8 present the net position of the Village and changes in net position. These statements are presented with comparisons to 2017. Net position may serve over time as a useful indicator of a government's financial position. In 2018, the Village's assets exceeded liabilities by \$25,963,520 as compared to having assets over liabilities of \$25,775,490 in 2017.

The largest portion of the Village's 2018 net position (62 percent) (2017 was 63%) reflects the Village's investment in capital assets less any outstanding related debt used to acquire those assets. The Village uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital

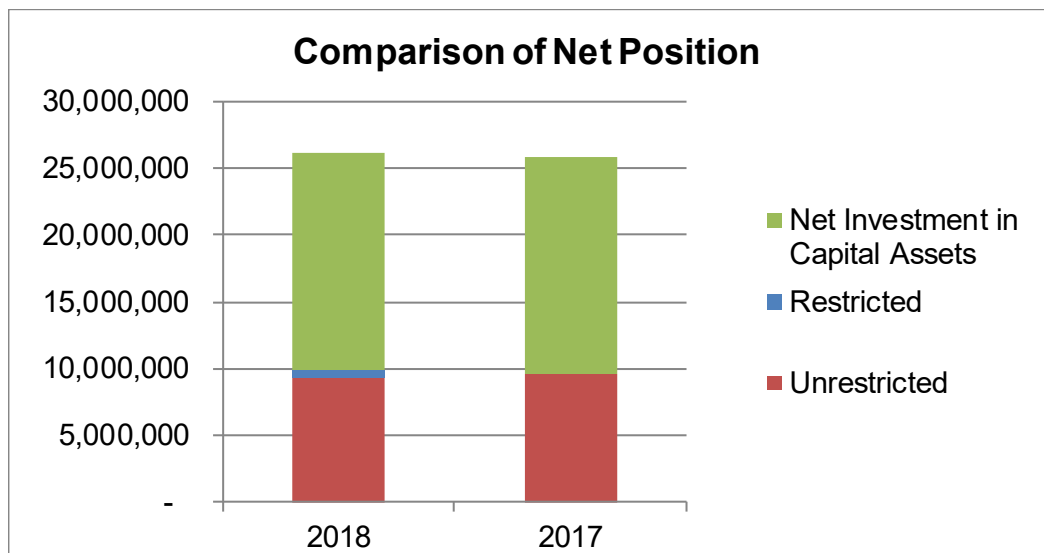
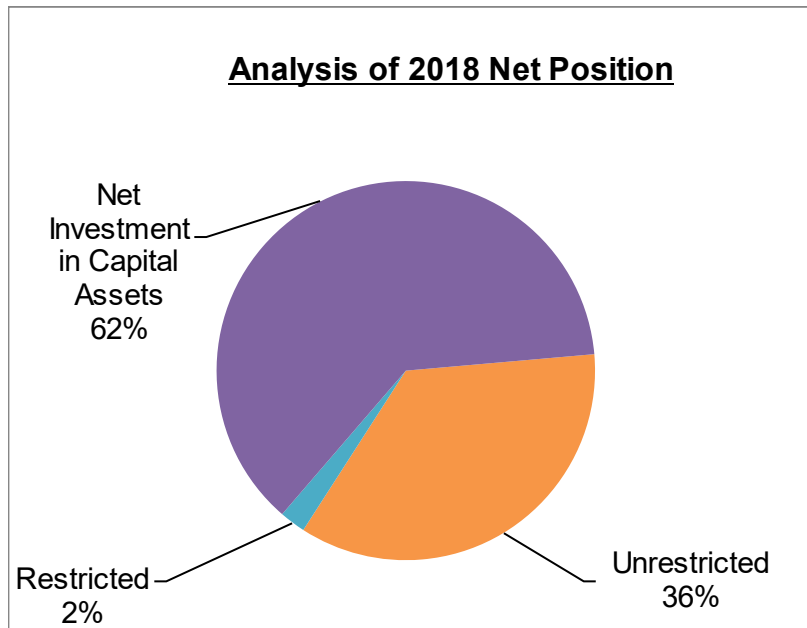
**VILLAGE OF SOMERS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

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

Government-wide Financial Analysis (continued)

assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. 36 percent (37% for 2017) is in the category of unrestricted net assets which may be used to meet the Village's ongoing obligations to citizens and creditors.

The other two percent (2%) reflects the non-expendable use as it relates to the net pension asset as a result of GASB 68. For 2017, Village did not have net pension assets, it was a net pension liability.



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

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

Government-wide Financial Analysis (continued)

**VILLAGE OF SOMERS  
STATEMENT OF NET POSITION  
December 31, 2018**

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 26,136,136	\$ 25,434,245	\$ 9,626,070	\$ 8,839,855	\$ 35,762,206	\$ 34,274,100
Capital assets	14,321,900	14,282,296	35,243,379	35,156,806	49,565,279	49,439,102
Total Assets	40,458,036	39,716,541	44,869,449	43,996,661	85,327,485	83,713,202
Deferred outflow s of resources	1,651,279	923,691	204,190	89,116	1,855,469	1,012,807
Long-term liabilities outstanding	19,194,049	13,671,770	13,972,802	15,462,884	33,166,851	29,134,654
Other liabilities	15,710,488	21,200,156	2,577,029	1,984,790	18,287,517	23,184,946
Total liabilities	34,904,537	34,871,926	16,549,831	17,447,674	51,454,368	52,319,600
Deferred inflow s of resources	9,095,154	6,274,605	531,351	356,314	9,626,505	6,630,919
Net position:						
Net investment in capital assets	(2,046,314)	(5,126,298)	18,300,984	21,374,080	16,254,670	16,247,782
Restricted	523,475	-	59,243	-	582,718	-
Unrestricted	(367,537)	4,619,999	9,632,230	4,907,709	9,264,693	9,527,708
Total Net Position	\$ (1,890,376)	\$ (506,299)	\$ 27,992,457	\$ 26,281,789	\$ 26,102,081	\$ 25,775,490

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

**VILLAGE OF SOMERS  
CHANGES IN NET POSITION  
For the Year Ended December 31, 2018**

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 793,030	\$ 1,003,705	\$ 3,745,057	\$ 3,538,875	\$ 4,538,087	\$ 4,542,580
Operating grants and contributions	185,643	324,855	-	-	185,643	324,855
General revenues:						
Property taxes	3,003,148	2,966,524	303,054	303,054	3,306,202	3,269,578
Other taxes	2,565,531	1,242,641	-	-	2,565,531	1,242,641
Grants and contributions not restricted to specific programs	263,341	158,713	-	-	263,341	158,713
Other	302,601	1,199,532	227,864	521,779	530,465	1,721,311
Total revenues	<u>7,113,294</u>	<u>6,895,970</u>	<u>4,275,975</u>	<u>4,363,708</u>	<u>11,389,269</u>	<u>11,259,678</u>
Expenses:						
General government	1,253,743	1,508,169	-	-	1,253,743	1,508,169
Public works	247,988	1,129,200	-	-	247,988	1,129,200
Public safety	2,412,555	2,159,969	-	-	2,412,555	2,159,969
Solid waste collection	594,988	571,244	-	-	594,988	571,244
Conservation and development	1,271,245	4,659,259	-	-	1,271,245	4,659,259
Leisure activities	36,635	37,822	-	-	36,635	37,822
Interest on long-term debt	809,989	800,472	-	-	809,989	800,472
Sewer	-	-	2,001,884	2,103,142	2,001,884	2,103,142
Water	-	-	1,018,663	1,102,010	1,018,663	1,102,010
Total expenses	<u>6,627,143</u>	<u>10,866,135</u>	<u>3,020,547</u>	<u>3,205,152</u>	<u>9,647,690</u>	<u>14,071,287</u>
Increase in net position	486,151	(3,970,165)	1,255,428	1,158,556	1,741,579	(2,811,609)
Transfers	(556,913)	(2,268,858)	556,913	2,268,858	-	-
Increase (decrease) in net position	<u>(70,762)</u>	<u>(6,239,023)</u>	<u>1,812,341</u>	<u>3,427,414</u>	<u>1,741,579</u>	<u>(2,811,609)</u>
Net position - beginning of year	<u>(506,299)</u>	<u>5,732,724</u>	<u>26,281,789</u>	<u>22,854,375</u>	<u>25,775,490</u>	<u>28,587,099</u>
GASB 75 and prior period adjustments	<u>(1,313,315)</u>	<u>-</u>	<u>(101,673)</u>	<u>-</u>	<u>(1,414,988)</u>	<u>-</u>
Net position - end of year	<u><u>\$ (1,890,376)</u></u>	<u><u>\$ (506,299)</u></u>	<u><u>\$ 27,992,457</u></u>	<u><u>\$ 26,281,789</u></u>	<u><u>\$ 26,102,081</u></u>	<u><u>\$ 25,775,490</u></u>

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

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

Government-Wide Financial Analysis (Continued)

Revenues:

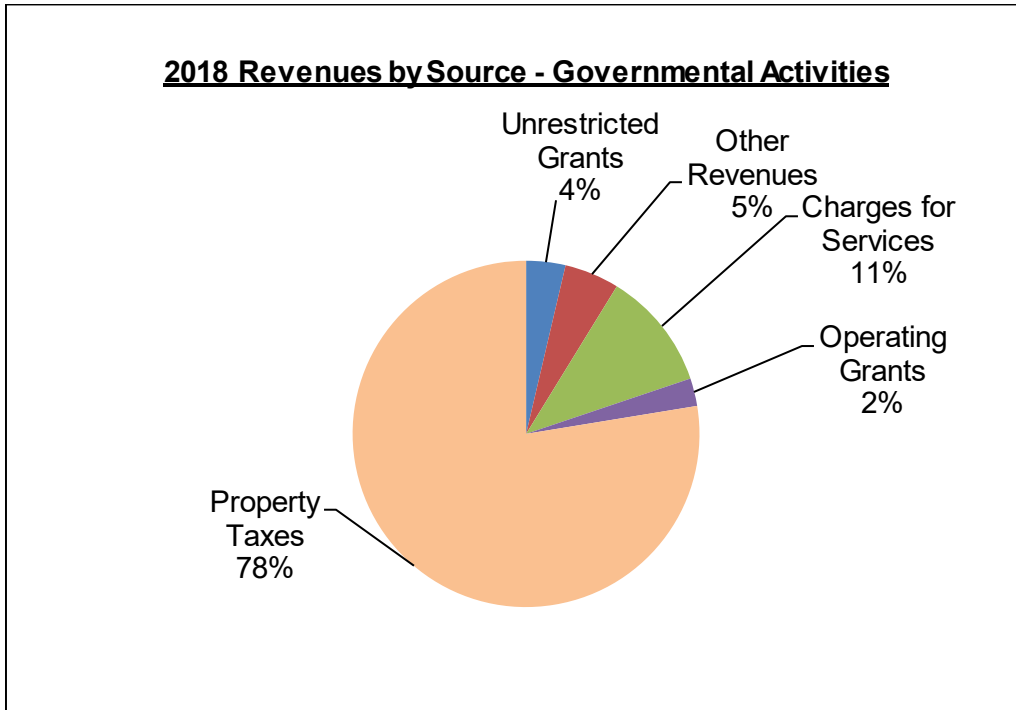
Total revenues for the Village increased by \$129,591 due mainly to an increase in the debt service levy related to the TID funds.

Expenditures:

Expenditures decreased by \$4,423,597 for the Village. This is due to the prior year TID projects being much larger in 2017 than in 2018.

**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**

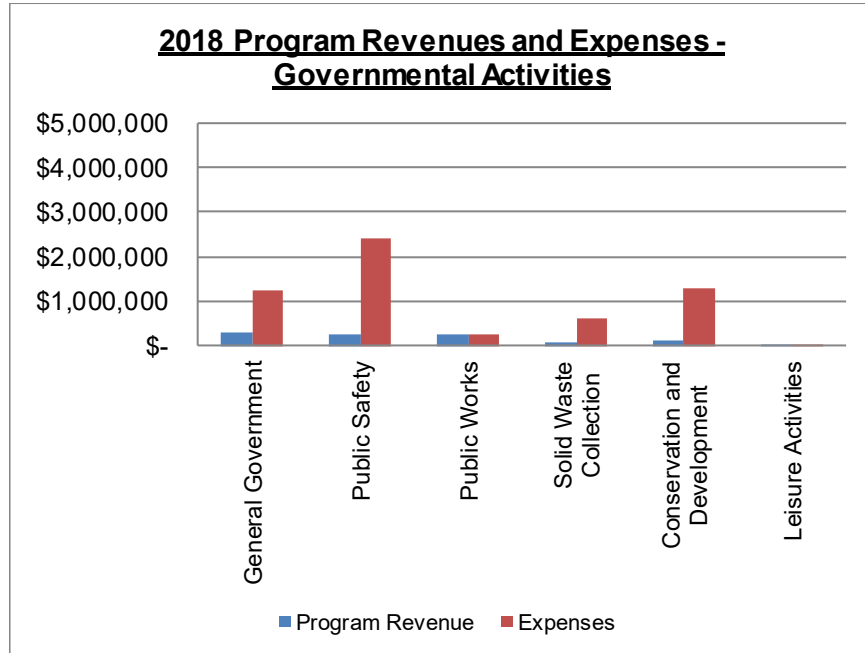
This chart illustrates the percent of revenue sources that fund the Village's governmental activities.



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

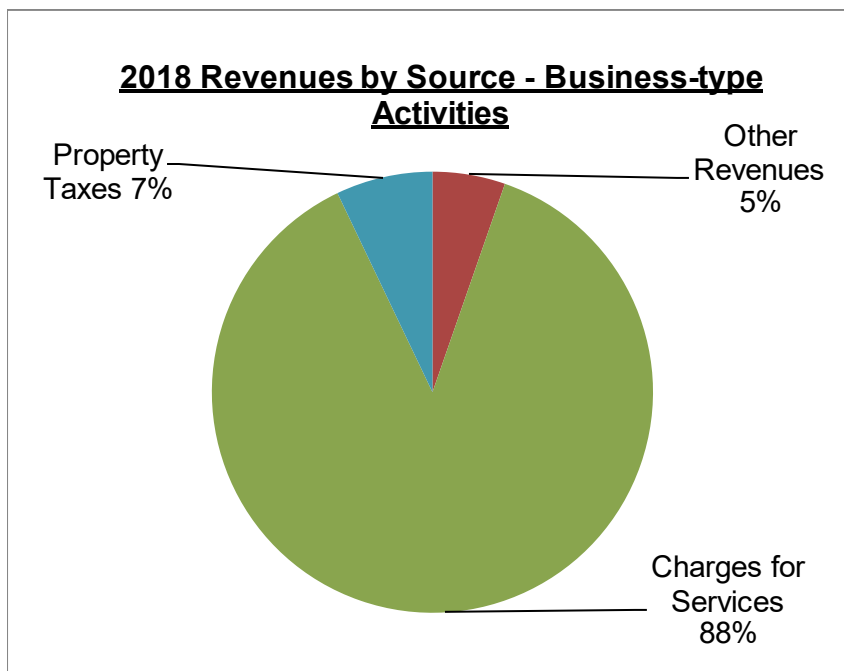
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES (continued)**

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



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

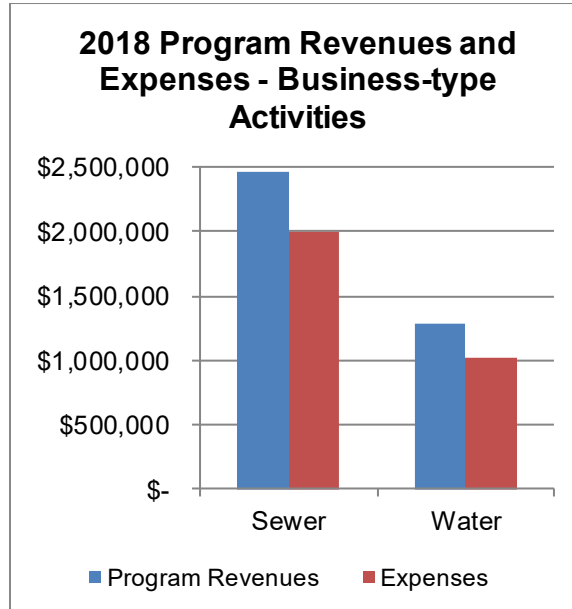
This chart illustrates the percent of revenue sources that fund the Village’s business-type activities.



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

**PROGRAM REVENUES AND EXPENSES – BUSINESS-TYPE ACTIVITIES**

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



**The Village's Funds**

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

In 2018, the Village Board continued to follow policies that cover the areas of debt and capitalization. The Village also finalized a 10-year Capital Improvement Plan, long-range Financial Management Plan and a Utility study.

General Fund

The General Fund closed out in 2018 with a decrease of \$180,258. This happened because Village received less from service charges and permit fees than expected and anticipated development didn't occur. The Unrestricted General Fund balance of \$2.9 million is 65% of General Fund expenditures. The Village's fund balance policy requires at least a seventeen percent reserve.

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>General fund</b>	<b><u>\$ 2,198,078</u></b>	<b><u>\$ 3,121,852</u></b>	<b><u>\$ 2,941,594</u></b>

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

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

Parks and Drainage Funds

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

The Park Committee's goal is to increase residents' involvement and enjoyment of their community through park land improvement. A Veteran's Walkway continues to have purchases of Memorial bricks.

Capital Projects Fund

The Capital Projects Fund is reviewed on an annual basis & approved by the Village Board. The Board continues to follow a 10-year Capital Projects Budget.

Debt Service Fund

The sole purpose is for servicing governmental debt. Both of the Tax Incremental District's debt is included in the Debt Service. The fund balance closed out the year with \$1,935,847 compared to \$660,374 in 2017.

Tax Incremental Districts:

Tax Incremental District #1

This District has a deficit fund balance of \$326,189. This is due to developer incentives, administrative & engineering costs exceeding initial estimates. TIF District deficits are anticipated to be funded with future incremental taxes levied over the life of the district.

Tax Incremental District #2

The Village financed projects for TID #2. The fund balance is \$345,035, This is a planned surplus to be used for pending developer payments as developer responsible projects are completed.

Tax Incremental District #3

Located near I-94 and HWY 142. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 388.42 acres, with a base valuation of \$1,763,329. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$71,898,929.

Tax Incremental District #4

Located near CTH E and HWY 31. This is a mixed-use district, with commercial and residential uses proposed. The District encompasses 150.10 acres, with a base valuation of \$1,040,101. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$71,175,701.



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

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

Tax Incremental District #5

Is bisected by CTH L and runs north to south along HWY 31. This is a mixed-use district, with commercial, industrial, and residential uses proposed. The District encompasses 536.47 acres, with a base valuation of \$1,274,382. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$71,409,982.

Tax Incremental District #6

Located near CTH E and I-94. This is a mixed-use district, with commercial, industrial, institutional, and residential uses proposed. The District encompasses 663.34 acres, with a base valuation of \$2,238,343. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$72,373,943.

Tax Incremental District #7

Located near CTH KR and I-94. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 1,678.55 acres, with a base valuation of \$7,976,467. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$78,082,067.

Tax Incremental District #8

Located near CTH E and I-94. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 220.76 acres, with a base valuation of \$343,953. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$70,479,553.

Tax Incremental District #9

Located near the lake front on the northern part of HWY 32. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 6.23 acres, with a base valuation of \$1,983,575. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$72,119,175.

Tax Incremental District #10

Located near 11 Place and HWY 32. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 12.47 acres, with a base valuation of \$3,067,895. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the proposed District, totals \$73,203,495.

Tax Incremental District #11

Located near CTH S and CTH H. This is a mixed-use district, with commercial and industrial uses proposed. District encompasses 66.49 acres, with a base valuation of \$185,414. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$70,612,301.

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

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

Enterprise Funds

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

Somers Water Utility Fund

The Water Utility closed 2018 with an increase in net position of \$904,521. Management, in concert with consulting engineers and Board oversight, continues to develop Village-wide plans that address new development in areas to be serviced by municipal water.

Sewer Utility District #1 Fund

Overall, the Sewer Utility District #1 closed out the year with an increase in net position of \$897,819. Total net operating income for the Sewer Utility District #1 in 2018 was \$781,630. This fund has an unrestricted net position at year end 2018 of \$6.7 million.

Sewer system maintenance is critical for the health and safety of our residents. To insure seamless service to the sewer customer base, Sewer Utility District #1 employs camera aided visual inspection to determine the need and type of periodic maintenance best suited. The District continues to use its VAC truck to maintain the Utility's infrastructure. In 2018, the District started a sewer lateral program to reduce inflow/infiltration. This proactive approach is fully compliant both with DNR regulation and our collective concern for the environment.

K.R. Sewer Utility Fund

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

For this service, the utility pays a set amount per quarter to the Village of Mount Pleasant for the treatment of sewer and an annual rental charge for the conveyance line on K.R. In 2018, the Utility experienced an operating income of \$2,679.

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

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Village General Fund has fund balance of \$2,941,594 which is a \$180,258 decrease from 2017. This is a result of the Village receiving less revenue than budgeted.

Management has calculated the net pension expense and liability as required by the Governmental Accounting Standards Board (GASB) Statement No. 68 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, as well as the expenses and liabilities for other post-employment benefits required by GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Please see Note V A. on page 68 and Note V. B. on page 75 for further information on this calculation.

The summary below details major items that affected the General Fund's balance for 2018.

**Summary of 2018 Operations: Review of Major Elements Impacting the Unassigned Fund Balance in the General Fund**

**2018 General Fund Year-End (Unaudited)**

<b>Unassigned Reserves Year End 2017</b>		\$ 3,121,852
 <b><u>Items causing increase to the General Fund</u></b>		
Taxes	18,934	
Intergovernmental Revenue	17,959	
Fees and fines	10,729	
Investment income	197,220	
Miscellaneous income	19,772	
General government	3,504	
Public works	24,191	
Solid waste collection	3,945	
Planning and development	41,579	
<b>Total Increases to General Fund</b>	337,833	
 <b><u>Items causing decrease to the General Fund</u></b>		
Charges for services	(97,295)	
Licenses and permits	(19,943)	
Special assessments	(400,853)	
<b>Total Decreases to General Fund</b>	(518,091)	
<b>2018 Net change in fund balance</b>		<b>(180,258)</b>
 2018 Year-End Unassigned General Fund balance		
		2,932,143
Less: Village Board minimum requirement of 17% of General Fund Expenditures		773,566
<b>Amount over 17% Minimum</b>		<b>\$ 2,158,577</b>
 <b>2018 Year-End General Fund balance</b>		
		<b>\$ 2,932,143</b>
<b>Reserves as a Percentage of General Fund Expenses</b>		
		<b>64%</b>

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of December 2018, the Village had \$49,506,036 invested in capital assets including buildings, parks, vehicles, equipment and infrastructure. See Note IV C. on page 53 for more detail on capital assets. A summary report of capital assets is as follows:

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Intangible Assets	\$ 38,732	\$ 38,732	\$ 60,393	\$ 60,393	\$ 99,125	\$ 99,125
Construction in Progress	35,785	63,862	142,268	2,079,870	178,053	2,143,732
Land	216,294	216,294	-	-	216,294	216,294
Land Improvements	4,570,811	4,526,089	-	-	4,570,811	4,526,089
Utility Plant in Service	-	-	42,907,344	40,084,459	42,907,344	40,084,459
Buildings	6,025,568	6,025,568	-	-	6,025,568	6,025,568
Machinery & Equipment	4,368,045	4,228,411	2,628,841	2,592,005	6,996,886	6,820,416
Infrastructure	12,750,407	12,776,403	-	-	12,750,407	12,776,403
Total Capital Assets	28,005,642	27,875,359	45,738,846	44,816,727	73,744,488	72,692,086
Less: Accumulated Depreciation	(13,683,742)	(13,593,063)	(10,554,710)	(9,659,919)	(24,238,452)	(23,252,982)
Total Net Capital Assets	<u>\$ 14,321,900</u>	<u>\$ 14,282,296</u>	<u>\$ 35,184,136</u>	<u>\$ 35,156,808</u>	<u>\$ 49,506,036</u>	<u>\$ 49,439,104</u>

Debt

At the end of the year, the Village's outstanding general obligation (GO) debt and Revenue Bonds totaled \$34,276,730. See Notes to the Financial Statements page 57 for more detail on debt.

Debt Outstanding 12/31/17	\$ 34,352,325
Debt Issued	6,838,730
Principal Retired	(6,914,325)
Debt Outstanding 12/31/18	<u>\$ 34,276,730</u>

Breakdown of Outstanding Debt:

Revenue Bonds	\$ 9,565,000
Promissory Notes	648,730
Capital Leases	97,286
State Trust Fund Loans	3,215,715
General Obligation Debt	20,749,999
Debt Outstanding 12/31/18	<u>\$ 34,276,730</u>

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

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

Somers is a small community located along Interstate 94 (I-94) in southeastern Wisconsin's Kenosha County, between Milwaukee and Chicago. With a board and management team that have recently instituted a number of fiscal planning practices and policy changes, the Village has seen solid financial performance over the past three fiscal years after recovering from a period of negative reserves and weak budgetary performance. We expect the Village to sustain a structurally balanced budget with very strong reserves going forward. Notably, Somers is near the site of the Foxconn campus that is under construction in adjacent Mount Pleasant, and is likely poised to see significant economic growth as the Foxconn campus is built out over the next five years.

Two Tax Incremental Financing Districts were created in 2015 in order to facilitate economic development and have proven to be highly successful. TIF District #1 encompasses the First Park LLC development. The first building was completed in June 2016. A second building is currently 100% occupied. First Park 94 has indicated the potential for a third Building.

TIF District #2 encompasses a Festival Foods grocery store, Somers Market Square Apartments & multiple multi-tenant lots in the subdivision which have attracted new construction in 2018. The Festival Foods grocery store was opened in July, 2016. Somers Market Square Apartments was completed. Phase 1 includes 280 units and was completed in 2017 with 90% occupancy. Phase 2 was started in 2018. An additional 50 units will be completed in 2019.

Commercial Development expanded in TIF District #2 with the construction of a Firestone Service Center, Verizon, Burger King Restaurant & Kwik Trip Fuel Station. The Village is working with developers from throughout the country on new development. With strong interest in development, the Village Board established nine (9) new TIF districts.

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

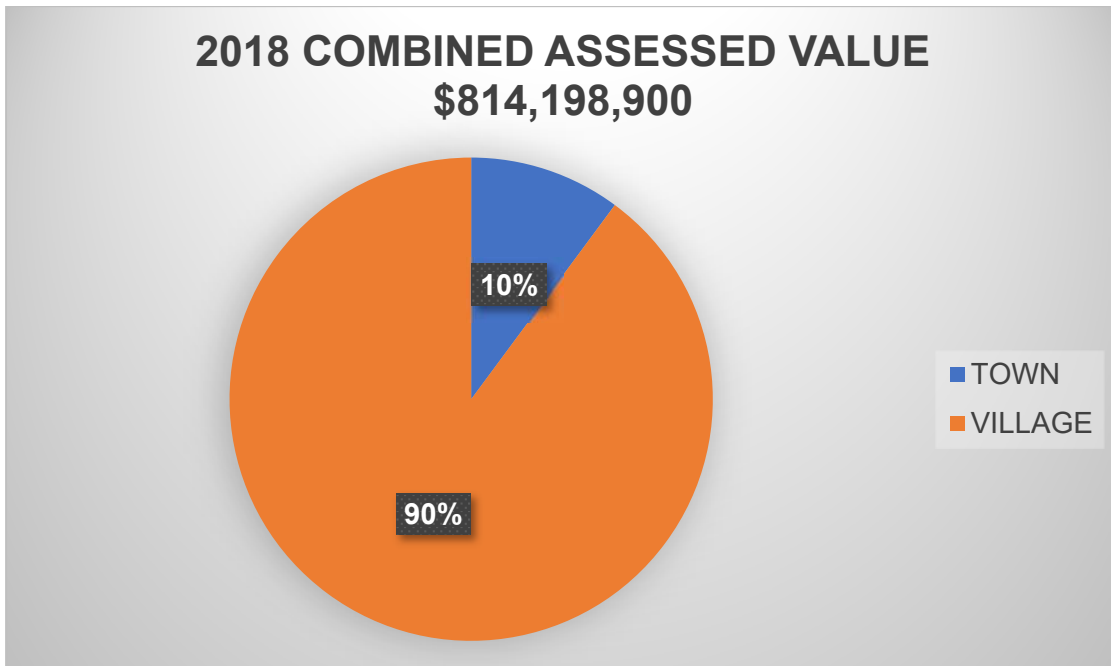
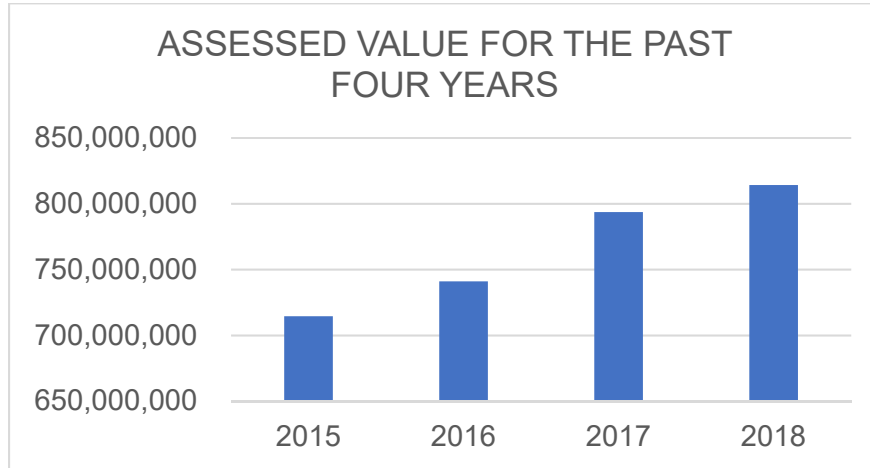
**RATING CHANGE**

In light of the positive financial events, S&P Global Ratings assigned its 'AA-' rating to the village of Somers, WI's series 2018 taxable general obligation (GO) refunding bonds. The outlook is stable.

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

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

**ASSESSED VALUE TRENDS**



**CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

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

William Morris  
Village Administrator

**VILLAGE OF SOMERS**  
**Statement of Net Position**  
**December 31, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,456,555	\$ 7,183,690	\$ 17,640,245
Receivables	12,986,210	1,499,552	14,485,762
Prepaid Expenses	4,604	1,261	5,865
Restricted assets			
Cash and cash equivalents	667,445	225,398	892,843
Internal Balances	646,709	(646,709)	-
Deferred special assessments - noncurrent	851,138	276,034	1,127,172
Net pension asset	523,475	59,243	582,718
Capital assets			
Land and construction in progress	252,079	142,268	394,347
Other capital assets, net of depreciation	14,069,821	35,041,868	49,111,689
Total capital assets	<u>14,321,900</u>	<u>35,184,136</u>	<u>49,506,036</u>
Total assets	<u>40,458,036</u>	<u>43,782,605</u>	<u>84,240,641</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Related to pension	1,489,507	170,784	1,660,291
Related to post-employment benefits	161,772	33,406	195,178
Total deferred outflows of resources	<u>1,651,279</u>	<u>204,190</u>	<u>1,855,469</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	357,509	540,310	897,819
Due to other governments	12,698,752	-	12,698,752
Deposits & trust accounts	26,994	-	26,994
Accrued interest	118,223	126,284	244,507
Long-term liabilities			
Other post-employment benefits	1,208,073	238,432	1,446,505
Debt due within one year	1,419,160	1,263,726	2,682,886
Debt due in more than one year	19,075,826	13,294,235	32,370,061
Total liabilities	<u>34,904,537</u>	<u>15,462,987</u>	<u>50,367,524</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to property tax levy	7,201,136	303,048	7,504,184
Related to pension	1,744,491	197,426	1,941,917
Related to post-employment benefits	149,527	30,877	180,404
Total deferred inflows of resources	<u>9,095,154</u>	<u>531,351</u>	<u>9,626,505</u>
<b>NET POSITION</b>			
Net investment in capital assets	(2,046,314)	18,300,984	16,254,670
Restricted	523,475	59,243	582,718
Unassigned (deficit)	(367,537)	9,632,230	9,264,693
Total net position	<u>\$ (1,890,376)</u>	<u>\$ 27,992,457</u>	<u>\$ 26,102,081</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2018**

<b>Functions/Programs</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 1,253,743	\$ 281,980	\$ -	\$ -	\$ (971,763)	\$ -	\$ (971,763)
Public safety	2,412,555	235,316	32,291	-	(2,144,948)	-	(2,144,948)
Public works	247,988	141,301	98,947	-	(7,740)	-	(7,740)
Solid waste collection	594,988	50	54,405	-	(540,533)	-	(540,533)
Leisure activities	36,635	25,747	-	-	(10,888)	-	(10,888)
Conservation and development	1,271,245	108,636	-	-	(1,162,609)	-	(1,162,609)
Interest on long-term debt	809,989	-	-	-	(809,989)	-	(809,989)
Total governmental activities	<u>6,627,143</u>	<u>793,030</u>	<u>185,643</u>	<u>-</u>	<u>(5,648,470)</u>	<u>-</u>	<u>(5,648,470)</u>
Business-type activities							
Sewer	2,001,884	2,454,592	-	-	-	452,708	452,708
Water	1,018,663	1,290,465	-	-	-	271,802	271,802
Total business-type activities	<u>3,020,547</u>	<u>3,745,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>724,510</u>	<u>724,510</u>
Total primary government	<u>\$ 9,647,690</u>	<u>\$ 4,538,087</u>	<u>\$ 185,643</u>	<u>\$ -</u>	<u>\$ (5,648,470)</u>	<u>\$ 724,510</u>	<u>\$ (4,923,960)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes					\$ 3,003,148	\$ 303,054	\$ 3,306,202
Property taxes, levied for debt service					2,565,531	-	2,565,531
Grants and contributions not restricted to specific programs					263,341	-	263,341
Unrestricted investment earnings					244,156	19,989	264,145
Miscellaneous					122,186	207,875	330,061
Loss on disposal of assets					(63,741)	-	(63,741)
Transfers					(556,913)	556,913	-
Total general revenues					<u>5,577,708</u>	<u>1,087,831</u>	<u>6,665,539</u>
Change in net position					(70,762)	1,812,341	1,741,579
Net position - January 1, as originally stated					(506,299)	26,281,789	25,775,490
Prior period correction - accrued interest					-	136,661	136,661
Cumulative effect of change in accounting principle - GASB 75 OPEB					(1,313,315)	(238,334)	(1,551,649)
Net position - January 1, as restated					(1,819,614)	26,180,116	24,360,502
Total net position at end of year					<u>\$ (1,890,376)</u>	<u>\$ 27,992,457</u>	<u>\$ 26,102,081</u>

See accompanying notes to the financial statements.



**VILLAGE OF SOMERS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2018**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds	2017 Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 8,211,617	\$ 1,371,795	\$ 873,143	\$ 10,456,555	\$ 11,530,254
Receivables					
Property taxes	9,527,822	3,147,044	16,228	12,691,094	11,652,081
Receivable from other governments	-	-	-	-	111,130
Ambulance fees	183,272	-	-	183,272	339,184
Miscellaneous	86,353	-	25,491	111,844	1,014,170
Due from other funds	1,141,857	-	-	1,141,857	-
Prepaid expenses	4,604	-	-	4,604	490
Restricted cash	21,994	567,354	78,097	667,445	496,476
Deferred special assessments	6,870	-	844,268	851,138	290,460
<b>TOTAL ASSETS</b>	<u>19,184,389</u>	<u>5,086,193</u>	<u>1,837,227</u>	<u>26,107,809</u>	<u>25,434,245</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	223,183	3,300	30,753	257,236	2,159,193
Accrued compensation	100,272	-	-	100,272	71,713
Due to other governments	12,698,752	-	-	12,698,752	12,985,181
Special deposits & trust accounts	26,994	-	-	26,994	26,585
Due to other funds	-	-	495,148	495,148	-
<b>TOTAL LIABILITIES</b>	<u>13,049,201</u>	<u>3,300</u>	<u>525,901</u>	<u>13,578,402</u>	<u>15,242,672</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property tax levy	3,193,594	3,147,046	860,496	7,201,136	5,808,132
Other deferred revenue	-	-	-	-	6,840
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,193,594</u>	<u>3,147,046</u>	<u>860,496</u>	<u>7,201,136</u>	<u>5,814,972</u>
<b>FUND BALANCES</b>					
<b><i>Nonspendable</i></b>					
Prepaid items	4,604	-	-	4,604	490
<b><i>Restricted</i></b>					
Tax incremental districts	-	-	345,035	345,035	619,585
Drainage fund	-	-	139,897	139,897	140,909
Park fund	-	-	58,829	58,829	61,920
Debt service	-	1,935,847	-	1,935,847	660,374
Capital projects	-	-	393,990	393,990	602,370
<b><i>Assigned</i></b>					
Subsequent year expenditures	4,847	-	-	4,847	-
<b><i>Unassigned</i></b>	2,932,143	-	(486,921)	2,445,222	2,290,953
<b>TOTAL FUND BALANCES</b>	<u>2,941,594</u>	<u>1,935,847</u>	<u>450,830</u>	<u>5,328,271</u>	<u>4,376,601</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 19,184,389</u>	<u>\$ 5,086,193</u>	<u>\$ 1,837,227</u>	<u>\$ 26,107,809</u>	<u>\$ 25,434,245</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**As of December 31, 2018**

Fund balance - total governmental funds	\$	5,328,271
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,321,900
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.		
Net pension asset		523,475
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Deferred outflows related to pensions		1,489,507
Deferred inflows related to pensions		(1,744,491)
Deferred outflows related to other postemployment benefits		161,772
Deferred inflows related to other postemployment benefits		(149,527)
		<u>(242,739)</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable		(19,968,775)
Premium on debt		(173,733)
Compensated absences		(352,479)
Other postemployment benefit		(1,208,073)
Accrued interest on long-term obligations		(118,223)
		<u>(21,821,283)</u>
Net position	\$	<u>(1,890,376)</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2018**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds	2017 Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 3,003,148	\$ 2,565,531	\$ -	\$ 5,568,679	\$ 4,209,165
Intergovernmental revenues	448,984	-	-	448,984	594,699
Charges for services	311,655	-	212,359	524,014	692,569
Licenses and permits	233,187	-	-	233,187	288,200
Fees and fines	35,829	-	-	35,829	22,935
Investment income	237,221	-	6,935	244,156	100,065
Miscellaneous income	100,109	-	-	100,109	1,105,131
Total Revenues	<u>4,370,133</u>	<u>2,565,531</u>	<u>219,294</u>	<u>7,154,958</u>	<u>7,012,764</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,205,514	-	-	1,205,514	1,342,850
Public safety	2,085,154	-	-	2,085,154	1,906,388
Public works	532,133	-	-	532,133	652,877
Solid waste collection	592,120	-	1,850	593,970	570,024
Leisure activities	21,777	-	3,708	25,485	26,604
Conservation and development	113,693	-	345,411	459,104	136,409
Capital outlay	-	-	1,544,638	1,544,638	8,008,907
Debt service:					
Principal retirement	-	5,751,799	-	5,751,799	159,959
Interest and other charges	-	812,356	-	812,356	780,470
Total Expenditures	<u>4,550,391</u>	<u>6,564,155</u>	<u>1,895,607</u>	<u>13,010,153</u>	<u>13,584,488</u>
Excess (deficiency) of revenues over expenditures	(180,258)	(3,998,624)	(1,676,313)	(5,855,195)	(6,571,724)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from long-term debt	-	5,190,000	1,616,865	6,806,865	7,529,003
Refunding debt retirement	-	-	-	-	(3,660,445)
Premium on issuance of debt	-	-	-	-	215,910
Transfers from other funds	-	84,097	-	84,097	60,318
Transfers to other funds	-	-	(84,097)	(84,097)	(48,254)
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,274,097</u>	<u>1,532,768</u>	<u>6,806,865</u>	<u>4,096,532</u>
<b>Net change in fund balance</b>	(180,258)	1,275,473	(143,545)	951,670	(2,475,192)
FUND BALANCES - Beginning of Year	3,121,852	660,374	594,375	4,376,601	6,851,793
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 2,941,594</u>	<u>\$ 1,935,847</u>	<u>\$ 450,830</u>	<u>\$ 5,328,271</u>	<u>\$ 4,376,601</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2018**

Net change in fund balances - total governmental funds \$ 951,670

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.

Capital assets reported as capital outlay in governmental fund statements	715,228
Depreciation expense reported in the statement of activities	(613,784)
	101,444

Debt issued provides 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 in the statement of net position.

Long-term debt issued	(6,806,865)
Premium on debt issued	22,077
Principal repaid	5,751,799
	(1,032,989)

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.

Accrued interest on long-term debt	2,367
Compensated absences	(104,938)
Deferred outflows of resources related to pensions	(95,497)
Other postemployment benefits	170,922
Loss on disposal of fixed assets	(63,741)
	(90,887)

Change in net assets of governmental activities	\$ (70,762)
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**VILLAGE OF SOMERS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended December 31, 2018**

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,984,215	\$ 2,984,215	\$ 3,003,148	\$ 18,933
Intergovernmental revenues	431,025	431,025	448,984	17,959
Charges for services	408,950	408,950	311,655	(97,295)
Licenses and permits	253,130	253,130	233,187	(19,943)
Fees and fines	25,100	25,100	35,829	10,729
Investment income	40,000	40,000	237,221	197,221
Miscellaneous income	481,190	481,190	100,109	(381,081)
Total revenues	<u>4,623,610</u>	<u>4,623,610</u>	<u>4,370,133</u>	<u>(253,477)</u>
<b>Expenditures</b>				
Current:				
General government	1,209,018	1,209,018	1,205,514	3,504
Public safety	2,058,037	2,085,154	2,085,154	-
Public works	556,324	556,324	532,133	24,191
Solid waste collection	596,065	596,065	592,120	3,945
Culture and recreation	20,735	21,777	21,777	-
Planning and development	183,431	155,272	113,693	41,579
Total expenditures	<u>4,623,610</u>	<u>4,623,610</u>	<u>4,550,391</u>	<u>73,219</u>
<b>Net change in fund balance</b>	-	-	(180,258)	(180,258)
Fund balance - beginning of year	<u>3,121,852</u>	<u>3,121,852</u>	<u>3,121,852</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 3,121,852</u>	<u>\$ 3,121,852</u>	<u>\$ 2,941,594</u>	<u>\$ (180,258)</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2018**

	Business-Type Activities				
	K.R Utility District	Utility District #1	Somers Water	Storm Water Utility	Total
<b>ASSETS</b>					
Current assets					
Cash and investments	\$ 445,414	\$ 6,724,444	\$ 13,832	\$ -	\$ 7,183,690
Accounts receivable	24,389	378,153	227,905	242,346	872,793
Tax levy receivable	-	303,048	-	-	303,048
Other receivables	6,013	168,550	149,148	-	323,711
Prepaid expenses	93	701	467	-	1,261
Restricted cash	-	138,712	86,686	-	225,398
Total current assets	475,909	7,713,608	478,038	242,346	8,909,901
Noncurrent assets					
Due from other funds - noncurrent	440,135	-	-	-	440,135
Utility plant in service	1,276,015	25,721,792	15,909,537	-	42,907,344
Machinery and equipment	-	2,183,328	445,513	-	2,628,841
Construction in progress	-	133,366	8,902	-	142,268
Intangible assets	-	37,027	23,366	-	60,393
Accumulated depreciation	(766,544)	(6,961,533)	(2,826,633)	-	(10,554,710)
Non-Capital Assets:					
Deferred special assessments	30,984	147,927	97,123	-	276,034
Net pension asset	6,435	29,928	22,880	-	59,243
Total noncurrent assets	987,025	21,291,835	13,680,688	-	35,959,548
Total Assets	1,462,934	29,005,443	14,158,726	242,346	44,869,449
<b>DEFERRED OUTFLOW OF RESOURCES</b>					
Deferred outflows - pension	18,390	86,751	65,643	-	170,784
Deferred outflows - post-employment benefits	3,003	18,017	12,386	-	33,406
Total deferred outflows of resources	21,393	104,768	78,029	-	204,190

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2018**

	Business-Type Activities				
	K.R Utility District	Utility District #1	Somers Water	Storm Water Utility	Total
Total Assets and Deferred Outflows of Resources	1,484,327	29,110,211	14,236,755	242,346	45,073,639
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	32,774	126,733	60,679	-	220,186
Wages payable	1,272	6,069	4,377	-	11,718
Due to other funds - current	-	-	646,709	-	646,709
Accrued interest	-	104,262	22,022	-	126,284
Other liabilities	-	-	66,060	242,346	308,406
Current portion of long-term debt payable	703	856,229	406,794	-	1,263,726
Total current liabilities	34,749	1,093,293	1,206,641	242,346	2,577,029
Noncurrent liabilities					
Due to other funds - noncurrent	-	-	440,135	-	440,135
Other post-employment benefits	31,353	116,768	90,311	-	238,432
Capital lease obligation	-	97,286	-	-	97,286
General obligation debt payable	3,398	9,129,961	4,063,590	-	13,196,949
Total noncurrent liabilities	34,751	9,344,015	4,594,036	-	13,972,802
Total Liabilities	69,500	10,437,308	5,800,677	242,346	16,549,831
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred tax levy	-	303,048	-	-	303,048
Deferred inflows - pension	21,444	99,734	76,248	-	197,426
Deferred inflows - post-employment benefits	2,775	16,653	11,449	-	30,877
Total deferred inflows of resources	24,219	419,435	87,697	-	531,351
Total liabilities and deferred inflows of resources	93,719	10,856,743	5,888,374	242,346	17,081,182
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	509,471	11,393,712	6,397,801	-	18,300,984
Restricted for net pension asset	6,435	29,928	22,880	-	59,243
Unrestricted	874,702	6,829,828	1,927,700	-	9,632,230
Total Net Position	\$ 1,390,608	\$ 18,253,468	\$ 8,348,381	\$ -	\$ 27,992,457

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**

Business-Type Activities

	K.R Utility District	Utility District #1	Somers Water	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 199,966	\$ 2,254,401	\$ 1,285,396	\$ 3,739,763
Miscellaneous operating revenue	-	225	5,069	5,294
Total operating revenues	<u>199,966</u>	<u>2,254,626</u>	<u>1,290,465</u>	<u>3,745,057</u>
<b>OPERATING EXPENSES</b>				
Personnel	37,468	208,587	116,119	362,174
Materials and supplies	858	22,874	417,178	440,910
Contractual and other services	133,441	644,193	70,649	848,283
Depreciation	25,520	597,342	276,529	899,391
Total operating expense	<u>197,287</u>	<u>1,472,996</u>	<u>880,475</u>	<u>2,550,758</u>
Operating income (loss)	2,679	781,630	409,990	1,194,299
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Tax levy for debt service	-	303,054	-	303,054
Investment income	1,594	8,751	9,644	19,989
Interest and fiscal charges	-	(331,601)	(138,188)	(469,789)
Miscellaneous revenue	1,028	54,785	32,062	87,875
Total non-operating revenue (expenses)	<u>2,622</u>	<u>34,989</u>	<u>(96,482)</u>	<u>(58,871)</u>
Income (loss) before capital contributions and transfers	5,301	816,619	313,508	1,135,428
<b>CAPITAL CONTRIBUTIONS and TRANSFERS</b>				
Contributions	2,800	-	-	2,800
Connection fees	-	81,200	36,000	117,200
Transfers from other funds	-	150	556,763	556,913
Total contributions and transfers	<u>2,800</u>	<u>81,350</u>	<u>592,763</u>	<u>676,913</u>
Change in net position	8,101	897,969	906,271	1,812,341
Net position - January 1, as originally stated	<u>1,414,154</u>	<u>17,335,192</u>	<u>7,532,443</u>	<u>26,281,789</u>
Prior period correction - accrued interest	-	136,661	-	136,661
Cumulative effect of change in accounting principle - GASB 75 OPEB	<u>(31,647)</u>	<u>(116,354)</u>	<u>(90,333)</u>	<u>(238,334)</u>
Net position - January 1, as restated	<u>1,382,507</u>	<u>17,355,499</u>	<u>7,442,110</u>	<u>26,180,116</u>
Total net position at end of year	<u>\$ 1,390,608</u>	<u>\$ 18,253,468</u>	<u>\$ 8,348,381</u>	<u>\$ 27,992,457</u>

See accompanying notes to the financial statements.



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**VILLAGE OF SOMERS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2018**

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Received from customers	\$ 206,762	\$ 2,271,886	\$ 1,308,649	\$ 3,787,297
Paid to suppliers and employees for goods and services	(170,503)	(863,687)	(880,702)	(1,914,892)
Cash Flows from Operating Activities	<u>36,259</u>	<u>1,408,199</u>	<u>427,947</u>	<u>1,872,405</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Tax levy	-	303,054	-	303,054
Miscellaneous income	1,028	54,785	32,062	87,875
Cash Flows from Noncapital Financing Activities	<u>1,028</u>	<u>357,989</u>	<u>32,062</u>	<u>391,079</u>
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>				
Debt retired	(578)	(840,511)	(411,752)	(1,252,841)
Interest paid	-	(332,978)	(140,439)	(473,417)
Debt issued	-	15,932	15,932	31,864
Special assessments	-	(37,159)	-	(37,159)
Capital contributions	2,800	81,200	592,763	676,763
Acquisition and construction of capital assets	-	(168,655)	(753,464)	(922,119)
Disposal of capital assets	-	-	(4,600)	(4,600)
Transfers	-	-	556,763	556,763
Cash Flows from Capital and Financing Activities	<u>2,222</u>	<u>(1,282,171)</u>	<u>(701,560)</u>	<u>(1,981,509)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interfund loans payments received (paid)	28,945	372,025	245,739	646,709
Interest income	1,594	8,751	9,644	19,989
Cash Flows from Investing Activities	<u>30,539</u>	<u>380,776</u>	<u>255,383</u>	<u>666,698</u>
Net Change in Cash and Cash Equivalents	70,048	864,793	13,832	948,673

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2018**

	Business-type Activities			
	K.R. Utility District	Utility District #1	Somers Water	Totals
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	375,366	5,998,363	86,686	6,460,415
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 445,414</u>	<u>\$ 6,863,156</u>	<u>\$ 100,518</u>	<u>\$ 7,409,088</u>
 <b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 2,679	\$ 781,630	\$ 409,990	\$ 1,194,299
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation expense	25,520	597,342	276,529	899,391
Change in pension related assets, liabilities, and deferred outflows and deferred inflows	1,050	2,096	(14,021)	(10,875)
Change in Other Post Employment Benefits	(294)	412	(22)	96
Changes in assets and liabilities:				
Accounts receivable	6,796	17,260	18,184	42,240
Prepaid items	(79)	(701)	(467)	(1,247)
Accounts payable	587	10,160	(262,246)	(251,499)
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>\$ 36,259</u>	 <u>\$ 1,408,199</u>	 <u>\$ 427,947</u>	 <u>\$ 1,872,405</u>

See accompanying notes to the financial statements.

VILLAGE OF SOMERS  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

INDEX TO NOTES TO FINANCIAL STATEMENTS

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VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

INDEX TO NOTES TO FINANCIAL STATEMENTS (continued)

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VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

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

**A. REPORTING ENTITY**

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

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

The Village implemented GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the Village to record the actuarial value of all post-employment benefits other than pensions as liabilities on the face of the financial statements. The Village also implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires the Village to record all capitalized interest costs as expense in the period incurred. This statement does not permit a retroactive approach.

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has three types of inflows that qualify for reporting in this category: property taxes, other post-employment benefits, and pension liability. These amounts will be recognized as an inflow of resources in the subsequent year for which it was levied.

***Government-Wide Financial Statements***

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**Government-Wide Financial Statements** (continued)

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

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

**Fund Financial Statements**

Financial statements of the reporting entity are organized into funds, each of which, are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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



VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

The Village reports the following major governmental funds:

*Major Governmental Funds*

- General Fund – accounts for the Village’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise debt. This includes the debt for Tax Incremental District #1 and Tax Incremental District #2.

The Village reports the following major enterprise funds:

*Major Enterprise Funds*

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

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

*Non-Major Governmental Funds*

- 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. Also includes the following:
  - Tax Incremental District #1 – accounts for all activity related to the First Park LLC development.
  - Tax Incremental District #2 – accounts for all activity related to Somers Market are development.
  - Tax Increment Districts #3 - #11. These are new districts in various areas of Somers that the Village intends to develop.
- Special Revenue Funds – used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These funds are:
  - Park Improvement
  - Drainage

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

***Non-Major Enterprise Funds***

- Stormwater Utility Fund – accounts for the stormwater operations of the Village.

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

***Government-Wide Financial Statements***

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

***Fund Financial Statements***

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

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

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

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

---

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

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

The revenues susceptible to accrual are ambulance services. All other Governmental Fund type revenues are recognized when received.

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

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

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

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

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

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

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

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

TID #3 is located near I-94 and HWY 142. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 388.42 acres, with a base valuation of \$1,763,329. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$71,898,929.

TID #4 is located near CTH E and HWY 31. This is a mixed-use district, with commercial and residential uses proposed. The District encompasses 150.10 acres, with a base valuation of \$1,040,101. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$71,175,701.

TID #5 is bisected by CTH L and runs north to south along HWY 31. This is a mixed-use district, with commercial, industrial, and residential uses proposed. The District encompasses 536.47 acres, with a base valuation of \$1,274,382. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$71,409,982.

TID #6 is located near CTH E and I-94. This is a mixed-use district, with commercial, industrial, institutional, and residential uses proposed. The District encompasses 663.34 acres, with a base valuation of \$2,238,343. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$72,373,943.

TID #7 is located near CTH KR and I-94. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 1,678.55 acres, with a base valuation of \$7,976,467. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$78,082,067.

TID #8 is located near CTH E and I-94. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 220.76 acres, with a base valuation of \$343,953. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$70,479,553.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

TID #9 is located near the lake front on the northern part of HWY 32. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 6.23 acres, with a base valuation of \$1,983,575. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$72,119,175.

TID #10 is located near 11 Place and HWY 32. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 12.47 acres, with a base valuation of \$3,067,895. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the proposed District, totals \$73,203,495.

TID #11 is located near CTH S and CTH H. This is a mixed-use district, with commercial and industrial uses proposed. The District encompasses 66.49 acres, with a base valuation of \$185,414. The equalized value of the increment of existing tax incremental districts within the Village, plus the base value of the District, totals \$70,612,301.

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

The proprietary funds have elected to follow all pronouncements of the Governmental Accounting Standards Board and have elected not to follow Financial Accounting Standards Board guidance issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***All Financial Statements***

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY***

***1. Deposits and Investments***

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

Wisconsin Statutes restrict the investments of the Village to:

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

No significant violations of these restrictions occurred during the year.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2018, the fair value of the Village's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV A. for further information.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**2. Receivables**

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

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

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

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

Property tax calendar - 2018 tax roll:

Lien date and levy date	December 2018
Tax bills mailed	December 2018
Payment in Full, or First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property taxes in full	January 31, 2019
Tax settlement with Village:	
First settlement	January 15, 2019
Second settlement	February 20, 2019
Final settlement	August 15, 2019

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

***2. Receivables*** (continued)

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

***3. Inventories and Prepaid Items***

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

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

***4. Restricted Assets***

The General Fund has restricted assets in the amount of \$21,994 on December 31, 2018. These funds are to be used for costs that arise after the land has been developed at Somers Market.

Special Revenue Funds were established to account for impact fees, as required by state statutes, in order to provide funds which may be necessary to pay for capital costs that are required to accommodate land development. At year end, the restricted cash amount in the Drainage Fund was \$44,988.

Another Special Revenue Fund was established called the Park Fund that accumulated impact fees. They were established, by contract between the Village and the developer, to provide funds necessary to pay for the engineering, construction and legal fees during land development. At year end, this amount was \$33,109 which is reported in the Park Fund.

As a requirement of the Village’s Bonds, total restricted cash for bond reserves of \$786,626 was allocated out of the General Fund for debt service. Of this amount, \$215,854 is allocated to debt service for Tax Incremental District #1, \$351,500 is allocated to debt service for Tax Incremental District #2, \$132,586 is allocated to the Utility District #1, and \$86,686 is allocated to the Somers Water Fund.

In the Utility District #1, cash of \$6,126 is restricted for the DNR replacement fund.



VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

***5. Capital Assets***

***Government-Wide Financial Statements***

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

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. 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	15-50 Years

***Fund Financial Statements***

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**6. Other Assets**

In governmental funds, debt issuance costs are recognized as expenditures in the current period.

**7. Compensated Absences**

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

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

Accumulated liabilities at December 31, 2018 are determined on the basis of current salary rates and salary-related payments.

**8. Long-Term Obligations/Conduit Debt**

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

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

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

The Village does not engage in conduit debt transactions.

**9. Claims and Judgments**

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

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

**10. Equity Classifications**

**Government-Wide Financial Statements**

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

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

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

***10. Equity Classifications*** (continued)

***Fund Financial Statements***

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

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

The Village’s policy is to use fund balances in the following order: restricted, committed, assigned, and unassigned. The Village has adopted a policy requiring the General Fund to have at least 17% of its operating expenditures in reserve. Proprietary fund equity is classified the same as in the government-wide statements.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

Bonds and notes payable January 00, 1900	\$ (18,911,810)
New proceeds	(6,806,865)
Unamortized debt discount and issue costs (net change)	(173,733)
Vacation/sick day accrual	(352,478)
Other postemployment benefits (OPEB)	(1,208,072)
Adjustment for reallocation of debt	(1,900)
Principal retirements	5,751,799
Bonds and notes payable December 31, 2018	\$ (21,703,059)

**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 \$1,032,989 difference are as follows:

New proceeds	\$ (6,806,865)
Amortization of bond costs	22,077
Principal repayments – General Obligation debt	5,751,799
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	\$ (1,032,989)

VILLAGE OF SOMERS  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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

**A. BUDGETARY INFORMATION**

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

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

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

Appropriations lapse at year-end unless specifically carried over.

**B. GOVERNMENTAL FUNDS - EXCESS EXPENDITURES OVER APPROPRIATIONS**

The Village controls expenditures at the appropriation unit level. The detail of those items can be found in the Village's year end budget to actual report. In 2018, the Village had no appropriations over budget.

**C. DEFICIT BALANCES**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. The following funds have deficit fund balances as of December 31, 2018:

Fund	Deficit Balance	Reason
Tax Incremental District #1	\$ 326,189	Tax Incremental District deficits are anticipated to be funded with future incremental taxes levied over the life of the district.
Tax Incremental District #3	12,910	
Tax Incremental District #4	38,865	
Tax Incremental District #5	15,184	
Tax Incremental District #6	17,853	
Tax Incremental District #7	15,184	
Tax Incremental District #8	15,184	
Tax Incremental District #9	15,184	
Tax Incremental District #10	15,184	
Tax Incremental District #11	15,184	

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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**D. LIMITATIONS ON THE VILLAGE’S TAX LEVY RATE AND ITS ABILITY TO ISSUE NEW DEBT**

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2018 and 2017 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Village's January 1 equalized value as a result of net new construction. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations. The Village is in compliance with the limitation.

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

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**A. DEPOSITS AND INVESTMENTS**

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Petty cash	\$ 1,633	\$ -	\$ 1,633
Demand deposits			
Interest bearing	14,593,761	786,625	15,380,386
Non-interest bearing	500	-	500
Other cash	<u>3,044,351</u>	<u>106,218</u>	<u>3,150,569</u>
Total cash and cash equivalents	<u>\$ 17,640,245</u>	<u>\$ 892,843</u>	<u>\$ 18,533,088</u>
Per statement of net position - cash and cash equivalents			\$ 17,640,245
Per statement of net position - restricted cash			892,843
			<u>\$ 18,533,088</u>

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**Wisconsin Local Government Investment Pool (LGIP)**

The Village has investments in LGIP of \$3,150,569 at year end. The 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, 2018, the fair value of the Village's share of the LGIP's assets was substantially equal to the carrying value.

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, 2018, 87.25% was invested in various US Government investments which are backed by the federal government and not insured; and 12.75% was invested in various certificates of deposits and banker's acceptance notes which are guaranteed by the state deposit guarantee fund up to their insurance limitations.

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

The Village maintains cash deposits within the LGIP. The deposit and investment balances of the various fund types on December 31, 2018 were as follows:

<b>Local Government Investment Pool</b>	
General Fund	\$ 3,054,264
Park Fund	33,109
Drainage	44,988
Utility District #1	6,126
Water Fund	12,082
	<u>\$ 3,150,569</u>

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

**Deposits – Custodial Credit Risk**

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

The Village has an agreement with the bank for collateralization of its deposits and investments. The bank has pledged \$11,741,386 of various securities as collateralization for the Village's deposits.



VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

At December 31, 2018, the reported amount of the Village's deposits, including LGIP, was \$18,533,088 and the bank with LGIP balance was \$18,695,476. Of this balance, \$5,461,650 was not covered by federal depository insurance, collateralized securities or by the Wisconsin insurance program. In addition, the Village maintained petty cash funds in the amount of \$1,633. The Village does not have a policy related to credit risk and believes it is not exposed to any major risk of loss in relation to its deposits.

Investments

The Village has no investments.

**B. RECEIVABLES**

Revenues of the Village are reported net of uncollectible amounts. Total uncollectible amounts related to receivables of the governmental funds increased by \$269,003 to arrive at an ending balance for the current period of \$495,125.

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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**C. CAPITAL ASSETS**

The valuation of the Village’s fixed assets of the governmental funds is based on historical costs and an inventory done by the staff. The additions column represents the new assets in 2018. The deletions column represents the assets that were discarded in 2018. Capital asset valuation for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 216,294	\$ -	\$ -	\$ 216,294
Construction in Progress	63,862	35,785	(63,862)	35,785
Land Improvements	4,185,036	-	-	4,185,036
Total Capital Assets not being depreciated	<u>4,465,192</u>	<u>35,785</u>	<u>(63,862)</u>	<u>4,437,115</u>
Other Capital Assets:				
Land Improvements	341,053	44,722	-	385,775
Buildings	6,025,568	-	-	6,025,568
Machinery & Equipment	4,228,411	139,634	-	4,368,045
Intangible Assets	38,732	-	-	38,732
Infrastructure	12,776,403	756,465	(782,461)	12,750,407
Total Other Capital Assets at Historical Cost	<u>23,410,167</u>	<u>940,821</u>	<u>(782,461)</u>	<u>23,568,527</u>
Less: Accumulated Depreciation	<u>(13,593,063)</u>	<u>(613,784)</u>	<u>523,105</u>	<u>(13,683,742)</u>
Net Total Other Capital Assets	9,817,104	327,037	(259,356)	9,884,785
Net Total Government Activities Capital Assets	<u>\$ 14,282,296</u>	<u>\$ 362,822</u>	<u>\$ (323,218)</u>	14,321,900
				Add: Net book value of fixed assets reported in Proprietary Funds and paid for by Governmental Funds
				2,841,120
				Less debt related to capital assets
				<u>(19,209,334)</u>
				Net investment in capital assets for government- wide statements
				<u>\$ (2,046,314)</u>

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

**C. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

<b>Governmental Activities</b>	
General Government	\$ 50,492
Public Safety	158,656
Public Works	391,846
Leisure Activities	11,629
Planning & Development	1,161
Total Governmental Activities - Depreciation Expense	\$ 613,784

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets not being depreciated:				
Intangible Asset - Easement	\$ 21,660	\$ -	\$ -	\$ 21,660
Construction in Progress	2,079,870	283,708	(2,221,310)	142,268
Total Capital Assets not being depreciated	2,101,530	283,708	(2,221,310)	163,928
Other Capital Assets:				
Utility Plant in Service	40,084,459	2,825,385	(2,500)	42,907,344
Machinery & Equipment	2,592,005	38,936	(2,100)	2,628,841
Intangible Asset - Software	38,733	-	-	38,733
Total Other Capital Assets at Historical Cost	42,715,197	2,864,321	(4,600)	45,574,918
Less: Accumulated Depreciation	(9,659,919)	(899,391)	4,600	(10,554,710)
Net Total Other Capital Assets	33,055,278	1,964,930	-	35,020,208
Net Total Business-Type Activities Capital Assets	\$ 35,156,808	\$ 2,248,638	\$ (2,221,310)	35,184,136
Add: Net book value of fixed assets reported in Proprietary Funds and paid for by Governmental Funds				(2,841,120)
Less debt related to capital assets				(14,042,032)
Net investment in capital assets for government- wide statements				\$ 18,300,984

VILLAGE OF SOMERS  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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

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**C. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

<b>Business - Type Activities</b>	
Utility District #1	\$ 597,342
Somers Water Utility	276,529
K.R. Utility District	25,520
Total Business - Type Activities Depreciation Expense	\$ 899,391

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

The interfund balances shown below reflect a long term loan formalized between the funds due to major projects completed in prior years not funded by external debt. The Water Fund owed \$584,372 to the KR Utility District with an interest rate of 0.17% over 20 years with a maturity date of 2033. As of December 31, 2018, the balance is \$440,135.

	<u>Principal</u>	<u>Interest</u>
For Year Ending December 31,		
2019	\$ 28,995	\$ 748
2020	29,044	699
2021	29,093	650
2022	29,143	600
2023	29,192	551
2024-2028	146,708	2,007
2029-2033	147,960	755
	\$440,135	\$ 6,010

VILLAGE OF SOMERS  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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

***D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)***

The following is a schedule of interfund receivables and payables.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund		\$ 1,141,857
	TID #1	(324,054)
	TID #3	(12,610)
	TID #4	(50,627)
	TID #5	(15,184)
	TID #6	(16,753)
	TID #7	(15,184)
	TID #8	(15,184)
	TID #9	(15,184)
	TID #10	(15,184)
	TID #11	(15,184)
	Somers Water Utility	(646,709)
		<u>\$ -</u>

All of these balances will be repaid within the year.

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

Amounts owed between governmental and business-type activities are shown as “internal balances” on the statement of net position.

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 following are transfers for 2018:

<u>Transfer To</u>	<u>Transfer From</u>	<u>In</u>	<u>Out</u>	<u>Reason</u>
Somers Water Utility		1,750		Reallocation of Bond 2017A
Utility District #1		150		
	Governmental Activities		1,900	
Somers Water Utility		555,013		Water main paid for by TID projects
	Tax Incremental District #2		555,013	
Debt Service Fund		84,097		To correct the allocation of capital outlay expense
	Capital Projects Fund		84,097	

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

**E. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Adjustment	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>						
Bonds and Notes Payable:						
General Obligation Bond	\$ 6,001,810	\$ 1,675,000	\$ 731,800	\$ 1,900	\$ 6,946,910	\$ 823,512
General Obligation Corporate Purpose	5,095,000	-	250,000	-	4,845,000	250,000
Revenue Bonds	3,165,000	3,515,000	120,000	-	6,560,000	120,000
Promissory Note	-	616,865	-	-	616,865	53,715
State Trust Fund Loan	-	1,000,000	-	-	1,000,000	49,582
Taxable Note Anticipation Notes	4,650,000	-	4,650,000	-	-	-
Add/(Subtract) Deferred Amounts For:						
(Discounts)/Premiums	195,810	9,519	31,596	-	173,733	-
Total Bonds and Notes Payable	<u>19,107,620</u>	<u>6,816,384</u>	<u>5,783,396</u>	<u>1,900</u>	<u>20,142,508</u>	<u>-</u>
Other Liabilities						
Post Retirement Benefits	1,366,751	28,189	186,867	-	1,208,073	-
Vested Vacation and Sick Days	247,538	352,478	247,538	-	352,478	122,351
Total Other Liabilities	<u>1,614,289</u>	<u>380,667</u>	<u>434,405</u>	<u>-</u>	<u>1,560,551</u>	<u>122,351</u>
<b>Total Governmental Activities-</b>						
<b>Long-Term Liabilities</b>	<u>\$ 20,721,909</u>	<u>\$ 7,197,051</u>	<u>\$ 6,217,801</u>	<u>\$ 1,900</u>	<u>\$ 21,703,059</u>	<u>\$ 122,351</u>
	Beginning Balance	Increases	Decreases	Adjustment	Ending Balance	Amounts Due Within One Year
<b>Business-Type Activities</b>						
Bonds and Notes Payable:						
General Obligation Bond	\$ 9,883,190	\$ -	\$ 923,201	\$ (1,900)	\$ 8,958,089	\$ 1,016,488
Capital Leases	119,501	-	22,215	-	97,286	23,027
Promissory Note	-	31,865	-	-	31,865	2,775
State Trust Fund Loan	2,307,824	-	92,109	-	2,215,715	95,563
Revenue Bonds	3,130,000	-	125,000	-	3,005,000	120,000
Add/(Subtract) Deferred Amounts For:						
Premium (Discounts)	301,793	-	85,273	-	216,520	-
Total Bonds and Notes Payable	<u>15,742,308</u>	<u>31,865</u>	<u>1,247,798</u>	<u>(1,900)</u>	<u>14,524,475</u>	<u>-</u>
Other Liabilities						
Post Retirement Benefits	247,762	5,820	15,150	-	238,432	-
Vested Vacation and Sick Days	27,200	33,486	27,200	-	33,486	5,873
Total Other Liabilities	<u>274,962</u>	<u>39,306</u>	<u>42,350</u>	<u>-</u>	<u>271,918</u>	<u>5,873</u>
<b>Total Business-Type Activities-</b>						
<b>Long-Term Liabilities</b>	<u>\$ 16,017,270</u>	<u>\$ 71,171</u>	<u>\$ 1,290,148</u>	<u>\$ (1,900)</u>	<u>\$ 14,796,393</u>	<u>\$ 5,873</u>

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

***GENERAL OBLIGATION DEBT***

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village and Town may not exceed five percent of the equalized value of taxable property within the Village and Town's jurisdiction. The debt limit as of December 31, 2018, was \$36,858,210.

The Village's legal margin for creation of additional general obligation debt on December 31, 2018 was \$12,146,480 as follows:

Equalized valuation of the Village	\$ 737,164,200
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>36,858,210</u>
Net outstanding general obligation debt applicable to debt limitation	<u>24,711,730</u>
Legal margin for new debt	<u><u>\$ 12,146,480</u></u>

The Village is not obligated in any manner for special assessment debt.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**GENERAL OBLIGATION DEBT** (continued)

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/18</u>
<u>Governmental Activities - General Obligation Debt</u>					
General Obligation Refunding Bond	2011	2026	2.00 - 4.00%	\$ 2,465,000	\$ 1,265,000
General Obligation Refunding Bond	2015	2026	2.00 - 3.50%	199,220	197,157
General Obligation Corporate Purpose Bonds	2016	2025	2.00 - 3.00%	5,170,000	4,845,000
Taxable Note Anticipation Notes	2016	2018	4.00%	4,650,000	-
General Obligation Refunding Bond	2017	2027	2.02%	4,364,002	3,809,753
General Obligation Refunding Bond	2018	2036	3.15% - 4.5%	1,675,000	1,675,000
State Trust Fund Loan	2018	2032	4.75%	1,000,000	1,000,000
Promissory Note	2018	2028	3.00%	616,865	616,865
Total Governmental Activities - General Obligation Debt					<u>\$13,408,775</u>



VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**GENERAL OBLIGATION DEBT** (continued)

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

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/18</u>
<u>Business Type Activities - General Obligation Debt</u>					
Capital Lease	2012	2022	3.63%	\$ 219,986	\$ 97,286
General Obligation Refunding Bond	2015	2027	2.00 - 3.50%	8,975,780	8,882,844
State Trust Fund Loan	2015	2035	3.75%	2,500,000	2,215,715
General Obligation Refunding Bond	2017	2018	3.00 - 3.50%	886,900	-
General Obligation Refunding Bond	2017	2027	2.02%	84,098	75,245
Promissory Note	2018	2028	3.00%	31,865	31,865
Total Business Type Activities - General Obligation Debt					<u>\$11,302,955</u>
Total General Obligation Debt					<u>\$24,711,730</u>

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**GENERAL OBLIGATION DEBT** (continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$24,711,730 on December 31, 2018 are detailed below:

Years	Governmental Activities Debt		Business-Type Activities Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	1,176,809	416,566	1,137,853	346,081	2,314,662	762,647
2020	1,263,231	378,728	1,142,143	311,318	2,405,374	690,046
2021	1,328,102	339,925	1,166,599	275,661	2,494,701	615,586
2022	1,357,985	298,236	1,191,017	239,451	2,549,002	537,687
2023	1,387,832	255,360	1,179,246	202,859	2,567,078	458,219
2024-2028	3,564,256	865,952	4,403,895	491,272	7,968,151	1,357,224
2029-2033	2,205,560	392,450	744,036	149,228	2,949,596	541,678
2034-2037	1,125,000	57,385	338,166	19,141	1,463,166	76,526
	<u>\$ 13,408,775</u>	<u>\$ 3,004,602</u>	<u>\$ 11,302,955</u>	<u>\$ 2,035,011</u>	<u>\$ 24,711,730</u>	<u>\$ 5,039,613</u>

**Current Refunding**

On November 26, 2018, the Village issued \$1,675,000 in general obligation bonds with an average interest rate of 3.99% Series 2018A and \$3,515,000 in Tax Increment Revenue Refunding Bonds Series 2018B with an average interest rate of 4.45% to current refund a prior issue, \$4,650,000 of outstanding bonds with an average interest rate of 3.90%. The net proceeds of \$4,743,000 (after payment of \$148,809 in issuance costs less an underwriting discount of \$51,194 plus a premium of \$11,503) plus an additional \$93,000 of prior issue debt service funds were used to repay the outstanding debt service requirements on the old bonds. An amount of \$351,000 was required to be deposited to a debt service reserve fund.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**REVENUE BONDS**

Revenue bonds outstanding on December 31, 2018 totaled \$9,565,000 and was comprised of the following issues:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/18</u>
<u>Governmental Activities - Revenue Bonds</u>					
Revenue Bond	2017	2037	3.08%	3,165,000	\$ 3,045,000
Tax Increment Revenue Refunding Bonds	2018	2036	3.5% - 5%	3,515,000	<u>3,515,000</u>
Total Governmental Activities - Revenue Bonds					<u>\$ 6,560,000</u>
	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/18</u>
<u>Business Type Activities - Revenue Bonds</u>					
Revenue Bonds	2016	2036	2.00 - 3.00%	2,055,000	\$ 1,895,000
Revenue Bonds	2017	2037	2.00 - 4.00%	1,420,150	<u>1,110,000</u>
Total Business Type Activities - Revenue Bonds					<u>\$ 3,005,000</u>
Total Revenue Bonds					<u><u>\$ 9,565,000</u></u>

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**REVENUE BONDS** (continued)

Annual principal and interest maturities of the outstanding revenue bonds of \$9,656,000 on December 31, 2018 are detailed below:

Years	Governmental Activities Debt		Business-Type Activities Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	120,000	254,214	120,000	84,156	240,000	338,370
2020	175,000	248,946	135,000	81,406	310,000	330,352
2021	200,000	244,184	135,000	78,706	335,000	322,890
2022	270,000	236,936	140,000	75,706	410,000	312,642
2023	325,000	226,596	145,000	72,356	470,000	298,952
2024-2028	1,810,000	942,056	765,000	300,956	2,575,000	1,243,012
2029-2033	2,125,000	524,031	890,000	172,881	3,015,000	696,912
2034-2037	1,535,000	105,397	675,000	36,484	2,210,000	141,881
	<u>\$ 6,560,000</u>	<u>\$ 2,782,360</u>	<u>\$ 3,005,000</u>	<u>\$ 902,651</u>	<u>\$ 9,565,000</u>	<u>\$3,685,011</u>

Governmental-activity revenue bonds

The Bonds are not general obligations of the Village but are special, limited obligations of the Village payable from revenues that are appropriated by the Village Board of the Village . The Village Board fully expects and anticipates that each year debt service is due on the Bonds, it shall appropriate Available Tax Increment to be derived from property in TID #2 in an amount sufficient to pay such amount in full. If a shortfall does occur, it will appropriate funds from other available funds of the Village sufficient to fund any such shortfall

Business-type activity revenue bonds

The Village has pledged future utility district and water customers revenues, net of specified operating expenses, to repay the utility district and the water revenue bonds.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

***Capital Leases***

Refer to Note IV G. The Village has one capital lease which is included in the schedule on page 57.

***Other Debt Information***

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

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

***F. RESTRICTED ASSETS***

The Village's Restricted Assets at December 31, 2018 consisted of cash and cash equivalents as follows:

General Fund	\$	21,994
Debt Service		
Tax Incremental District #1	\$	215,854
Tax Incremental District #2		351,500
Total Debt Service	<u>\$</u>	<u>567,354</u>
Special Revenue Funds		
Drainage	\$	44,988
Park		33,109
Total Special Revenue Funds	<u>\$</u>	<u>78,097</u>
Utility District #1		
Debt Service	\$	132,586
Utility District Replacement Account		6,126
Total Utility District #1	<u>\$</u>	<u>138,712</u>
Somers Water		
Debt Service	\$	86,686
Total Somers Water	<u>\$</u>	<u>86,686</u>
Total Restricted Cash and Assets	<u><u>\$</u></u>	<u><u>892,843</u></u>

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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**G. LEASE DISCLOSURES**

**Capital Leases – Lessee/Lessor**

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

	Utility District #1
Asset	
Machinery and Equipment	\$ 319,986
Less: Accumulated depreciation	(159,993)
Net Machinery and Equipment	\$ 159,993

Future Lease Payments

	<u>Principal</u>		<u>Interest</u>
2019	\$ 23,027	\$	3,320
2020	23,870		2,478
2021	24,743		1,064
2022	25,646		699
	\$ 97,286		\$ 7,561

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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***H. GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES NET POSITION***

Governmental activities net position reported on the government-wide statement of net position at December 31, 2018 includes the following:

**GOVERNMENTAL ACTIVITIES**

Net Investment in Capital Assets	
Land and construction in progress	\$ 252,079
Other capital assets, net of accumulated depreciation	14,069,821
Business-type capital assets bonded with government-type debt	2,841,120
Less: related long-term debt outstanding (net of unspent proceeds of debt and vacation accrual)	(19,209,334)
Total Investment in Capital Assets	<u>(2,046,314)</u>
Restricted for net pension asset	523,475
Unrestricted (deficit)	<u>(367,537)</u>
Total Governmental Activities Net Position	<u><u>\$ (1,890,376)</u></u>

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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**H. GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES NET POSITION (continued)**

**BUSINESS-TYPE ACTIVITIES**

	KR Utility District	Utility District #1	Somers Water	Storm Water Utility	Total
Net Investment in Capital Assets					
Land and construction in progress	\$ -	\$ 133,366	\$ 8,902	\$ -	\$ 142,268
Other capital assets, net of accumulated depreciation	509,471	20,980,614	13,551,783	-	35,041,868
Less: related long-term debt outstanding (net of unspent proceeds of debt and vacation accrual)	-	(9,720,268)	(4,321,764)	-	(14,042,032)
Net book value of fixed assets reported in Proprietary Funds and paid for by Governmental Funds	-	-	(2,841,120)	-	(2,841,120)
<b>Total Investment in Capital Assets</b>	<b>509,471</b>	<b>11,393,712</b>	<b>6,397,801</b>	<b>-</b>	<b>\$ 18,300,984</b>
Restricted for net pension asset	6,435	29,928	22,880	-	59,243
Unrestricted	874,702	6,829,828	1,927,700	-	9,632,230
<b>Total Business-Type Activities Net Position</b>	<b>\$ 1,390,608</b>	<b>\$ 18,253,468</b>	<b>\$ 8,348,381</b>	<b>\$ -</b>	<b>\$ 27,992,457</b>



VILLAGE OF SOMERS  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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

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**H. GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES NET POSITION (continued)**

Governmental fund balances reported on the fund financial statements at December 31, 2018 include the following:

<b><u>Nonspendable</u></b>	
Major Funds	
General Fund - prepaid expenses	\$ 4,604
Total Nonspendable	<u>\$ 4,604</u>
 <b><u>Restricted</u></b>	
Major Funds	
Debt Service - debt service purposes only	<u>\$ 1,935,847</u>
 Non-Major Funds	
Tax Incremental Districts - TID purposes only	\$ 345,035
Drainage Fund - drainage purposes only	139,897
Park Fund - park purposes only	58,829
Capital Projects - capital project purposes only	393,990
Total Restricted	<u>\$ 2,873,598</u>
 <b><u>Assigned</u></b>	
Major Funds	
General Fund - subsequent year expenditures	\$ 4,847
Total Assigned	<u>\$ 4,847</u>
 <b><u>Unassigned</u></b>	
Major Funds	
General Fund - undesignated funds	\$ 2,932,143
 Non-Major Funds	
Tax Incremental Districts - deficit (See Note III C)	<u>(486,921)</u>
Total Unassigned	<u>\$ 2,445,222</u>

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**NOTE V – OTHER INFORMATION**

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**A. EMPLOYEES' RETIREMENT SYSTEM**

**Summary of Significant Accounting Policies**

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**General Information about the Pension Plan**

**Plan description.** The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

**Vesting.** For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

VILLAGE OF SOMERS  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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

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

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.00%	10%
2008	6.60	0.00
2009	(2.10)	(42.00)
2010	(1.30)	22.00
2011	(1.20)	11.00
2012	(7.00)	(7.00)
2013	(9.60)	9.00
2014	4.70	25.00
2015	2.90	2.00
2016	0.50	(5.00)
2017	2.00	4.00

**Contributions.** Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$154,402 in contributions from the employer.

Contribution rates as of December 31, 2018 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials )	6.80%	6.80%
Protective with Social Security	6.80%	10.60%
Protective without Social Security	6.80%	14.90%

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

At December 31, 2018 the Village reported an asset of \$582,718 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village’s proportion of the net pension asset was based on the Village’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the Village’s proportion was 0.01962601%, which was an increase of 0.00607817% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018 the Village recognized pension expense of \$219,196.

At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 740,358	\$ (346,313)
Net differences between projected and actual earnings on pension plan investments	-	(800,893)
Changes in assumptions	115,133	-
Changes in proportion and differences between employer	26,720	(171,034)
Employer contributions subsequent to the measurement date	154,402	
<b>Total</b>	<b>\$ 1,036,613</b>	<b>\$ (1,318,240)</b>

\$154,402 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

<u>Year ended</u> <u>December 31:</u>	
2018	\$ 29,477
2019	(40,899)
2020	(241,145)
2021	(184,600)
Thereafter	1,138
	<u>\$ (436,029)</u>

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

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset):	December 31, 2017
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.20%
Discount Rate:	7.20%
Salary Increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments:*	2.10%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

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

	Asset Allocation %	Long- Term Expected Nominal Rate of Return %	Long- Term Real Expected Rate of Return %			
<u>Core Fund Asset Class</u>						
Global Equities	50	8.2	5.3	%	%	%
Fixed Income	24.5	4.2	1.4			
Inflation Sensitive Assets	15.5	3.8	1			
Real Estate	8	6.5	3.6			
Private Equity/Debt	8	9.4	6.5			
Multi-Asset	4	6.5	3.6			
Total Core Fund	110	7.3	4.4	%	%	%
<u>Variable Fund Asset Class</u>						
U.S. Equities	70	7.5	4.6	%	%	%
International Equities	30	7.8	4.9			
Total Variable Fund	100	7.9	5	%	%	%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

**Single Discount rate.** A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
Village's proportionate share of the net pension liability (asset)	\$ 1,507,693	\$(582,718)	\$(2,171,498)

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

***RETIREE HEALTH INSURANCE***

***Plan Descriptions and Benefit Information***

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

***Funding Policy***

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

***Actuarial Methods and Assumptions***

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

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The Village generated an OPEB financial report with a valuation date of December 31, 2018 through GASB help website, a service of the actuarial firm, Milliman, Inc. This method is called the Alternative Measurement Method, which is done in place of a full actuarial valuation.



VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**RETIREE HEALTH INSURANCE** (continued)

Assumptions and methods used in this valuation are summarized as follows:

Age Adjustment Factor:	1.172
Average Retirement Age:	50 for Fire Dept; 65 for others
Employer Future Premium Contribution:	Remain a level % of the total cost over time
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll
Assets Backing OPEB Liability:	\$0
Plan Asset Return:	0.000%
Bond Yield:	3.850%
Discount Rate:	3.850%
Measurement Date:	12/31/2018
Prior Measurement Date:	12/31/2017
Prior Year Discount Rate:	2.500%
Projected Salary Increases:	2.00%
Amortization Period:	20
Percentage Participation:	100.00%
NOL and ADC:	Calculated using the Alternative Measurement Method in accordance with GASB methodology.
Mortality Table:	RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity
Turnover Assumption:	Derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System

The Village adopted the current employee manual providing these other post-employment benefits with an effective date of January 1, 2011. The Village has not established a separate, irrevocable trust to fund the annual OPEB cost. The Village used a 20-year tax-exempt municipal bond yield rate since the plan's net position is not projected to cover benefit payments. The Village administers the plan and has not allocated administrative expenses specifically to the plan.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**RETIREE HEALTH INSURANCE** (continued)

The Village recognized an OPEB liability of \$1,147,677 for the year ended December 31, 2018. Below is a calculation of the liability using a discount rate that is 1% greater and 1% less than the baseline rate shown on the previous table:

	<b>1% Decrease to Discount Rate 2.850%</b>	<b>Current Discount Rate 3.850%</b>	<b>1% Increase to Discount Rate 4.850%</b>
Net OPEB liability	\$ 1,299,871	\$ 1,147,677	\$ 1,017,562

Changes to the OPEB liability from the prior year to the current year are explained below:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
Balance at December 31, 2017	\$ 1,349,694	\$ -	\$ 1,349,694
Changes for the year:			
Service cost	46,073	-	46,073
Interest	34,792	-	34,792
Contributions and benefit payments	(8,189)	-	(8,189)
Economic/demographic gains or losses	(63,231)	-	(63,231)
Changes in assumptions or inputs	(211,462)	-	(211,462)
Net changes	(202,017)	-	(202,017)
Balance at December 31, 2018	\$ 1,147,677	\$ -	\$ 1,147,677

The Village recognized an OPEB expense of (\$193,828) for the year ended December 31, 2018. No payables were outstanding as of the end of the year. The liability was reduced based on additional inputs provided by the Village to the actuary after the 2017 valuation was completed.

Information about the number of active/inactive employees and retirees was as follows:

Village of Somers Retiree Health Insurance Plan	
Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	13
	16

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**RETIREE HEALTH INSURANCE** (continued)

The healthcare baseline trend rate used in the calculation is as follows:

	<u>Medical</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>
Year 1	4.60%	7.60%	3.50%	3.00%
Year 2	4.70%	6.20%	3.00%	3.00%
Year 3	4.80%	4.90%	3.00%	3.00%
Year 4	4.80%	4.80%	3.00%	3.00%
Year 5	4.80%	4.80%	3.00%	3.00%
Year 6	4.80%	4.80%	3.00%	3.00%
Year 7	4.70%	4.70%	3.00%	3.00%
Year 8	4.70%	4.70%	3.00%	3.00%
Year 9	4.70%	4.70%	3.00%	3.00%
Year 10	4.70%	4.70%	3.00%	3.00%

Below is a calculation of the OPEB liability using a 1% decrease and a 1% increase to the base healthcare trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Baseline Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 1,002,964	\$ 1,147,677	\$ 1,316,780

**LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)**

**Plan description.** The LRLIF is a cost sharing multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

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

**Benefits provided.** The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

**Contributions.**

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)** (continued)

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2017 are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are as listed below:

Life Insurance Employee Contribution Rates For the year ended December 31, 2017	
Attained Age	Basic
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$1,886 in contributions from the employer.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)** (continued)

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs***

At December 31, 2018, the Village reported a liability of \$298,830 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village’s proportion of the net OPEB liability (asset) was based on the Village’s share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the Village’s proportion was 0.09932600%, which was a decrease of 0.00974900% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Village recognized OPEB expense of \$28,478 for the Fund. No payables were outstanding as of the end of the year.

At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,210
Net differences between projected and actual earnings on OPEB plan investments	3,441	-
Changes in assumptions	28,877	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	155,668	176,194
Contributions subsequent to the measurement date	7,192	-
Total	<u>\$ 195,178</u>	<u>\$ 180,404</u>

\$7,192 reported as deferred outflows related to OPEB resulting from the LRLIF Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)** (continued)

Year ended December 31	Expense
2019	\$ 1,495
2020	1,495
2021	1,495
2022	1,495
2023	635
Thereafter	967
Total	\$ 7,582

**Actuarial assumptions.** The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2017
Measurement Date of Net OPEB Liability (Asset)	December 31, 2017
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	3.44%
Long-Term Expected Rated of Return:	5.00%
Discount Rate:	3.63%
Salary Increases	
Inflation:	3.20%
Seniority/Merit:	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

**Long-term expected Return on Plan Assets.** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

VILLAGE OF SOMERS  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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

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

**LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)** (continued)

**Local OPEB Life Insurance  
 Asset Allocation Targets and Expected Returns  
 As of December 31, 2017**

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Government Bonds	Barclays Government	1%	1.13%
US Credit Bonds	Barclays Credit	65%	2.61%
US Long Credit Bonds	Barclays Long Credit	3%	3.08%
US Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

**Single Discount rate.** A single discount rate of 3.63% was used to measure the total OPEB liability. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

**Sensitivity of the Village's proportionate share of the net OPEB liability (asset) to changes in the discount rate.** The following presents the Village's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 3.63 percent, as well as what the Village's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63 percent) or 1-percentage-point higher (4.63 percent) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
Entity's proportionate share of the net OPEB liability (asset)	\$ 422,361	\$ 298,830	\$ 204,034

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

**LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)** (continued)

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

**C. RISK MANAGEMENT**

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

**D. COMMITMENTS AND CONTINGENCIES**

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

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



VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

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

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

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

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

Terms of the Agreement:

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

Apportionments of Assets and Liabilities:

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

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

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

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

Provision of Municipal Services:

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

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

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

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

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

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

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

Payment of Expenses Related to Shared Services:

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

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

Apportionment of Levy:

The apportionment of the levy shall be based upon the property originally approved by the State Department of Administration to become a Village, plus any subsequent properties annexed to the Village by ordinance adopted by the Village Board. In this case, to the degree practicable, the mill rate of the Village shall equal the mill rate of the Town. For the 2017 budget and subsequent budgets, the apportionment ratio shall be as determined by the Kenosha County Division of Land Information using the best information available as determined by the Division of Land Information. For 2018, the levy was assessed in compliance with these terms.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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

Assignment of Revenue:

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

Contracts:

All contracts held by the Town in 2015 through 2017 were transferred to the Village.

Capital Expenditures:

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

Capital Financing & Debt:

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

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

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

Resolution No. 2015-19 was signed on December 22, 2015 as a result of the incorporation of the Village and the existence of the Town. This resolution authorizes the issuance of a \$241,410.01 General Obligation promissory note to the Village of Somers to pay the Town's share of the cost of obligations incurred by the Town or on behalf of the Town.

Tax provisions of the note: For the purpose of paying the principal and interest of the note, the full faith, credit, and resources of the Town are irrevocably pledged, and it is levied upon all of the taxable property of the Town as a direct annual irrevocable tax in the years 2018 and 2019 for the payments due in the years 2018 and 2019 in the amounts in the schedule below.

VILLAGE OF SOMERS  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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

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

Payment Date	Principal	Interest	Total-Year
3/1/2018		\$ 25,655.91	
9/1/2018	\$ 90,949.99		\$ 116,605.90
3/1/2019		\$ 20,129.44	
9/1/2019	\$ 104,674.67		\$ 124,804.11

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

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

According to the IGA, the Village provides all services required by the Town and the Town reimburses these services based on their assessed valuation. The budget and the levy reflect those of both municipalities. Therefore, for accounting and management purposes, the Village records all of the revenues and expenditures of the Town in the Village's general ledger. For purposes of this audit report, Town revenues from the State or external sources are reported in the same classification in the Village books as the Village revenue. The expenditures of the Town are also reported in this audit report in the same functional categories as the Village expenditures.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

**G. RESTATED NET POSITION -BEGINNING BALANCE**

Correction of Prior Period

The beginning balance for accrued interest in Utility District #1 was adjusted to reflect the actual correct accrual for the prior year.

Cumulative Effect of Change in Accounting Principles

The Village has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, addresses accounting and reporting by employer governments that provide OPEB benefits to their employees. The County will, after adoption of GASB No. 75, recognize on the face of the financial statements, its OPEB liability. The cumulative effect of this change is summarized below:

	Business-type Activities				Total Business-type Activities	Total
	Governmental Activities	K.R. Utility District	Utility District #1	Somers Water		
Net position - January 1, as originally stated	\$ (506,299)	\$ 1,414,154	\$ 17,335,192	\$ 7,532,443	\$ 26,281,789	\$ 25,775,490
Prior period correction - accrued interest	-	-	136,661	-	136,661	136,661
Cumulative effect of change in accounting principle - GASB 75 OPEB	(1,313,315)	(31,647)	(116,354)	(90,333)	(238,334)	(1,551,649)
Net position - January 1, as restated	<u>\$ (1,819,614)</u>	<u>\$ 1,382,507</u>	<u>\$ 17,355,499</u>	<u>\$ 7,442,110</u>	<u>\$ 26,180,116</u>	<u>\$ 24,360,502</u>

**H. SUBSEQUENT EVENTS**

Management evaluated subsequent events through August 21, 2019, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

VILLAGE OF SOMERS  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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

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***I. UPCOMING ACCOUNTING PRONOUNCEMENTS***

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The Village is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The Village is currently evaluating the impact this standard will have on the financial statements when adopted.

**VILLAGE OF SOMERS**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

<b>Schedule of Changes in Health Insurance OPEB Liability</b>
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Last 10 Fiscal Years

Total OPEB Liability	2018
Balance as of Prior Measurement Date	\$ 1,349,694
Service Cost	46,073
Interest on Total OPEB Liability	34,792
Effect of Plan Changes	-
Effect of Economic/Demographic Gains of Losses	(63,230)
Effect of Assumptions Changes or Inputs	(211,463)
Benefit Payments	-
Employer Contributions	(8,189)
Employee Contributions	-
Net Investment Income	-
Administrative Expenses	-
Balance as of Current Measurement Date	\$ 1,147,677

See Notes to Required Supplementary Information.



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

**Schedule of Proportionate Share of the Net OPEB Liability (Asset)  
Retiree Health Insurance Plan - Last 10 Fiscal Years\***

Plan Year Ending	Net OPEB Liability	Fiduciary Net Position	Covered Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/2017	\$ 1,349,694	\$ -	\$ 796,915	0.00%	0.00%
12/31/2018	\$ 1,147,677	\$ -	\$ 802,342	0.00%	0.00%

\*This schedule is required to show data for the last ten fiscal years. More years will be added as data becomes available.

See Notes to Required Supplementary Information.

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

**Schedule of Proportionate Share of the Net OPEB Liability (Asset)**  
**Local Government Life Insurance Fund - Last 10 Fiscal Years\***

Plan Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered Employee Payroll	Share of the Net OPEB Liability (Asset) as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/2017	0.09932600%	\$ 298,830	\$ 4,176,942	7.15%	44.81%

\*This schedule is required to show data for the last ten fiscal years. More years will be added as data becomes available.

See Notes to Required Supplementary Information.

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

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

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

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll (Plan Year)	Share of the Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/15	0.01304000%	320,298	1,376,535	-23.27%	102.74%
12/31/16	0.01232447%	58,610	1,430,073	14.00%	98.2%
12/31/17	0.01962601%	(582,718)	1,709,958	-14.93%	102.93%

**Schedule of Employer Contributions**

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll (Fiscal Year)	Contributions as a Percentage of Covered Employee Payroll
12/31/15	115,376	115,376	-	1,376,535	8.32%
12/31/16	115,160	115,160	-	1,430,073	8.05%
12/31/17	114,944	114,944	-	1,483,611	7.78%

\*This schedule is required to show data for the last ten fiscal years. More years will be added as data becomes available.

See Notes to Required Supplementary Information.

## VILLAGE OF SOMERS

### Notes to Required Supplementary Information December 31, 2018

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

The Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* for the fiscal year ended December 31, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year end that occurred with in the fiscal year.

#### **NOTE B – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 75**

The Village implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2018. Information for prior years is not available. The Village currently has no assets accumulated in a trust for the single employer plan.

#### **NOTE C – WISCONSIN RETIREMENT SYSTEM**

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The Village is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until the ten fiscal years are presented.

VILLAGE OF SOMERS  
KENOSHA COUNTY, WISCONSIN

**SUPPLEMENTARY INFORMATION**

**VILLAGE OF SOMERS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2018**

	Special Revenue Funds			Capital Projects Funds				
	Drainage Fund	Park Fund	Total Special Revenue Funds	Tax Incremental District #1	Tax Incremental District #2	Tax Incremental District #3	Tax Incremental District #4	Tax Incremental District #5
<b>ASSETS</b>								
Cash and investments	\$ 94,909	\$ 25,735	\$ 120,644	\$ -	\$ 341,366	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-
Property taxes receivable	-	-	-	16,228	-	-	-	-
Miscellaneous receivable	-	-	-	-	5,380	-	20,111	-
Restricted cash	44,988	33,109	78,097	-	-	-	-	-
Deferred special assessments	-	-	-	553,808	290,460	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 139,897</u>	<u>\$ 58,844</u>	<u>\$ 198,741</u>	<u>\$ 570,036</u>	<u>\$ 637,206</u>	<u>\$ -</u>	<u>\$ 20,111</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ -	\$ 15	\$ 15	\$ 2,135	\$ 1,711	\$ 300	\$ 8,349	\$ -
Due to other funds	-	-	-	324,054	-	12,610	50,627	15,184
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>15</u>	<u>15</u>	<u>326,189</u>	<u>1,711</u>	<u>12,910</u>	<u>58,976</u>	<u>15,184</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred property tax levy	-	-	-	570,036	290,460	-	-	-
<b>TOTAL DEFERRED INFLOWS OF</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,036</u>	<u>290,460</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Restricted								
Tax Incremental Districts				-	345,035	-	-	-
Drainage fund	139,897	-	139,897	-	-	-	-	-
Park fund	-	58,829	58,829	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(326,189)	-	(12,910)	(38,865)	(15,184)
Total fund balances (deficit)	<u>139,897</u>	<u>58,829</u>	<u>198,726</u>	<u>(326,189)</u>	<u>345,035</u>	<u>(12,910)</u>	<u>(38,865)</u>	<u>(15,184)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 139,897</u>	<u>\$ 58,844</u>	<u>\$ 198,741</u>	<u>\$ 570,036</u>	<u>\$ 637,206</u>	<u>\$ -</u>	<u>\$ 20,111</u>	<u>\$ -</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS (continued)  
December 31, 2018**

	Capital Projects Funds						Capital Projects Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds
	Tax Incremental District #6	Tax Incremental District #7	Tax Incremental District #8	Tax Incremental District #9	Tax Incremental District #10	Tax Incremental District #11			
<b>ASSETS</b>									
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 411,133	\$ 752,499	\$ 873,143
Investments	-	-	-	-	-	-	-	-	-
Property taxes receivable	-	-	-	-	-	-	-	16,228	16,228
Miscellaneous receivable	-	-	-	-	-	-	-	25,491	25,491
Restricted cash	-	-	-	-	-	-	-	-	78,097
Deferred special assessments	-	-	-	-	-	-	-	844,268	844,268
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,133</u>	<u>\$ 1,638,486</u>	<u>\$ 1,837,227</u>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ 1,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,143	\$ 30,738	\$ 30,753
Due to other funds	16,753	15,184	15,184	15,184	15,184	15,184	-	495,148	495,148
<b>TOTAL LIABILITIES</b>	<u>17,853</u>	<u>15,184</u>	<u>15,184</u>	<u>15,184</u>	<u>15,184</u>	<u>15,184</u>	<u>17,143</u>	<u>525,886</u>	<u>525,901</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred property tax levy	-	-	-	-	-	-	-	860,496	860,496
<b>TOTAL DEFERRED INFLOWS OF</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>860,496</u>	<u>860,496</u>
<b>FUND BALANCES</b>									
Restricted									
Tax Incremental Districts	-	-	-	-	-	-	-	345,035	345,035
Drainage fund	-	-	-	-	-	-	-	-	139,897
Park fund	-	-	-	-	-	-	-	-	58,829
Capital projects	-	-	-	-	-	-	393,990	393,990	393,990
Unassigned	(17,853)	(15,184)	(15,184)	(15,184)	(15,184)	(15,184)	-	(486,921)	(486,921)
Total fund balances (deficit)	<u>(17,853)</u>	<u>(15,184)</u>	<u>(15,184)</u>	<u>(15,184)</u>	<u>(15,184)</u>	<u>(15,184)</u>	<u>393,990</u>	<u>252,104</u>	<u>450,830</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 411,133</u>	<u>\$ 1,638,486</u>	<u>\$ 1,837,227</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2018**

	Special Revenue Funds			Capital Projects Funds				
	Drainage Fund	Park Fund	Total Special Revenue Funds	Tax Incremental District #1	Tax Incremental District #2	Tax Incremental District #3	Tax Incremental District #4	Tax Incremental District #5
<b>REVENUES</b>								
Charges for services	\$ -	\$ -	\$ -	\$ 139,473	\$ -	\$ 10,000	\$ 27,886	\$ -
Investment income	838	617	1,455	3,625	-	-	-	-
Total Revenues	<u>838</u>	<u>617</u>	<u>1,455</u>	<u>143,098</u>	<u>-</u>	<u>10,000</u>	<u>27,886</u>	<u>-</u>
<b>EXPENDITURES</b>								
Solid waste collection	1,850	-	1,850	-	-	-	-	-
Leisure activities	-	3,708	3,708	-	-	-	-	-
Conservation and development	-	-	-	74,383	37,410	22,910	66,751	15,184
Capital outlay	-	-	-	564,495	237,140	-	-	-
Total Expenditures	<u>1,850</u>	<u>3,708</u>	<u>5,558</u>	<u>638,878</u>	<u>274,550</u>	<u>22,910</u>	<u>66,751</u>	<u>15,184</u>
Excess (deficiency) of revenues over expenditures	<u>(1,012)</u>	<u>(3,091)</u>	<u>(4,103)</u>	<u>(495,780)</u>	<u>(274,550)</u>	<u>(12,910)</u>	<u>(38,865)</u>	<u>(15,184)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from general obligation debt	-	-	-	1,000,000	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,012)	(3,091)	(4,103)	504,220	(274,550)	(12,910)	(38,865)	(15,184)
FUND BALANCES - BEGINNING OF YEAR (DEFICIT)	<u>140,909</u>	<u>61,920</u>	<u>202,829</u>	<u>(830,409)</u>	<u>619,585</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR (DEFICIT)</b>	<u>\$ 139,897</u>	<u>\$ 58,829</u>	<u>\$ 198,726</u>	<u>\$ (326,189)</u>	<u>\$ 345,035</u>	<u>\$ (12,910)</u>	<u>\$ (38,865)</u>	<u>\$ (15,184)</u>

See accompanying notes to the financial statements.



**VILLAGE OF SOMERS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS (continued)**  
**For the Year Ended December 31, 2018**

	Capital Projects Funds								
	Tax Incremental District #6	Tax Incremental District #7	Tax Incremental District #8	Tax Incremental District #9	Tax Incremental District #10	Tax Incremental District #11	Capital Projects Fund	Total Capital Projects Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>									
Charges for services	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,359	212,359
Investment income	-	-	-	-	-	-	1,855	5,480	6,935
Total Revenues	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,855</u>	<u>217,839</u>	<u>219,294</u>
<b>EXPENDITURES</b>									
Solid waste collection	-	-	-	-	-	-	-	-	1,850
Leisure activities	-	-	-	-	-	-	-	-	3,708
Conservation and development	52,853	15,184	15,184	15,184	15,184	15,184	-	345,411	345,411
Capital outlay	-	-	-	-	-	-	743,003	1,544,638	1,544,638
Total Expenditures	<u>52,853</u>	<u>15,184</u>	<u>15,184</u>	<u>15,184</u>	<u>15,184</u>	<u>15,184</u>	<u>743,003</u>	<u>1,890,049</u>	<u>1,895,607</u>
Excess (deficiency) of revenues over expenditures	<u>(17,853)</u>	<u>(15,184)</u>	<u>(15,184)</u>	<u>(15,184)</u>	<u>(15,184)</u>	<u>(15,184)</u>	<u>(741,148)</u>	<u>(1,672,210)</u>	<u>(1,676,313)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from general obligation debt	-	-	-	-	-	-	616,865	1,616,865	1,616,865
Transfers out	-	-	-	-	-	-	(84,097)	(84,097)	(84,097)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532,768</u>	<u>1,532,768</u>	<u>1,532,768</u>
Net change in fund balance	(17,853)	(15,184)	(15,184)	(15,184)	(15,184)	(15,184)	(208,380)	(139,442)	(143,545)
FUND BALANCES - BEGINNING OF YEAR (DEFICIT)	-	-	-	-	-	-	602,370	391,546	594,375
<b>FUND BALANCES - END OF YEAR (DEFICIT)</b>	<u>\$ (17,853)</u>	<u>\$ (15,184)</u>	<u>\$ (15,184)</u>	<u>\$ (15,184)</u>	<u>\$ (15,184)</u>	<u>\$ (15,184)</u>	<u>\$ 393,990</u>	<u>\$ 252,104</u>	<u>\$ 450,830</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS  
COMBINING BALANCE SHEET  
DEBT SERVICE FUNDS  
December 31, 2018**

	<u>Governmental Debt Service Fund</u>	<u>Tax Increment District #1 Debt Service Fund</u>	<u>Tax Increment District #2 Debt Service Fund</u>	<u>Total Debt Service Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 37,605	\$ 790,115	\$ 544,075	\$ 1,371,795
Property taxes receivable	1,111,931	1,078,610	956,503	3,147,044
Restricted cash	-	215,854	351,500	567,354
<b>TOTAL ASSETS</b>	<u>\$ 1,149,536</u>	<u>\$ 2,084,579</u>	<u>\$ 1,852,078</u>	<u>\$ 5,086,193</u>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 3,300	\$ -	\$ -	\$ 3,300
<b>TOTAL LIABILITIES</b>	<u>3,300</u>	<u>-</u>	<u>-</u>	<u>3,300</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property tax levy	1,111,931	1,078,611	956,504	3,147,046
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,111,931</u>	<u>1,078,611</u>	<u>956,504</u>	<u>3,147,046</u>
<b>FUND BALANCES</b>				
Restricted				
Debt service	34,305	1,005,968	895,574	1,935,847
Total fund balances	<u>34,305</u>	<u>1,005,968</u>	<u>895,574</u>	<u>1,935,847</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,149,536</u>	<u>\$ 2,084,579</u>	<u>\$ 1,852,078</u>	<u>\$ 5,086,193</u>

See accompanying notes to the financial statements.

**VILLAGE OF SOMERS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
**For the Year Ended December 31, 2018**

	Governmental Debt Service Fund	Tax Increment District #1 Debt Service Fund	Tax Increment District #2 Debt Service Fund	Total Debt Service Funds
<b>REVENUES</b>				
Taxes	\$ 1,036,215	\$ 886,998	\$ 642,318	\$ 2,565,531
Total Revenues	1,036,215	886,998	642,318	2,565,531
<b>EXPENDITURES</b>				
Debt service:				
Principal	796,799	230,000	4,725,000	5,751,799
Interest charges	229,129	161,074	422,153	812,356
Total Expenditures	1,025,928	391,074	5,147,153	6,564,155
Excess (deficiency) of revenues over expenditures	10,287	495,924	(4,504,835)	(3,998,624)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from general obligation debt	-	-	5,190,000	5,190,000
Transfers in	84,097	-	-	84,097
Total other financing sources and uses	84,097	-	5,190,000	5,274,097
Net change in fund balance	94,384	495,924	685,165	1,275,473
FUND BALANCES - BEGINNING OF YEAR (DEFICIT)	(60,079)	510,044	210,409	660,374
<b>FUND BALANCES - END OF YEAR</b>	\$ 34,305	\$ 1,005,968	\$ 895,574	\$ 1,935,847

See accompanying notes to the financial statements.



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To the Board of Trustees  
Village of Somers

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Somers (the Village) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

- Financial Reporting – identified material journal entries not recorded by the Village. Staff does not possess enough knowledge to prepare the annual statements and footnotes. Most governments operate with only enough staff to process monthly transactions and reports and rely on the auditors to prepare certain year end entries and handle the yearend financial reporting. Under the guidelines, these are considered material weaknesses in your internal control.
- Segregation of Duties – identified security access in the ERP system that allows staff access to void receipts within the cash receipting system and allows one staff person administrative security access to the utility module in all areas without mitigating separation of duties in the process. This security access for voiding was changed when discovered in 2019. Additional segregation of duties weakness is that the Utility billing clerk has administrative access to the setting up of customers and meters to the billing rates to the billing to the receipting.
- Knowledge and Implementation of Laws, Village Policies and Contracts – Although ACT 10 changed the guidelines for eligibility after 2011, Board Trustees continue to be enrolled in the Wisconsin Retirement System (WRS) that do not meet the eligibility requirements established by Wisconsin Statutes and the Village's employee manual. In addition, after ACT 10, the Village paid inaccurate percentages of the employer share for several protected status employees that were not covered under the collective bargaining agreement. No entry was made to the financial statements regarding this situation because the total amount was deemed to be less than materiality. The Village will need to follow up with WRS to rectify this situation as soon as possible.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the Village, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Andrea E. Orendorff LLP*

Andrea & Orendorff LLP  
Kenosha, Wisconsin  
August 21, 2019



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August 21, 2019

To the Board of Trustees  
Village of Somers

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Somers (the Village) for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 22, 2019. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. The Village adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We noted no transactions entered into by Village during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the water and sewer's financial statements were:

Management's estimate of the depreciation is based on the estimated life of the asset. Also, the accrued compensation for vacation hours is based on current rate of pay. The estimate for the allowance for uncollectible accounts is based off of the past percentage of collection and the aging report. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

##### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 21, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the pension and OPEB schedules and the Management Discussion and Analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

This information is intended solely for the information and use of the Board of Trustees and management of the Village and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Andrea & Orendorff LLP*

Andrea & Orendorff LLP



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August 21, 2019

To the Board of Trustees and Village management  
Village of Somers  
Kenosha County

Following are suggestions for improvement of accounting and internal control procedures that came to our attention as a result of our examination of the financial statements of the Village of Somers (the Village) for the year ended December 31, 2018. While certain matters which came to our attention during the review are presented herein, such a review is not designed for the purpose of making detail recommendations and would not necessarily disclose defalcations or all weaknesses in the existing system. These suggestions are offered for consideration by the Board for improvement of accounting controls and administrative procedures.

Management and the Board have paved the way for economic development in the Village/Town with the addition of two TIF districts and the Intergovernmental Agreement. This progress adds some complexities to the accounting and fiscal information required by the Village/Town Board and management. Improvements in internal controls and efficiencies will help in the future setup of the Village/Town processes. Some of the items listed in this letter are already in process of being addressed by staff. The Village will see many benefits and savings by addressing these items.

### **Utility Billing and Collection Process**

Now that the new system is installed, the Village needs to have a second person performing part of the process of Utility billing and collections as well as the customer records. The process needs to be reviewed to utilize the efficiencies offered by the new software. There is some risk in this area as one person performs most of the process and some of the records are kept in Word and Excel off of the system. A suggestion would be to split up some of the process to other staff so there is more segregation of duties. An example is to have a different person entering the receipts than doing the billing and to have a different person enter new customers and rates than the billing person. The system's security access should be modified to improve these internal controls and not allow access to the whole module by the utility clerk.

### **Budget**

The new general ledger system is capable of tracking the original budget and any changes to it. This will provide a more integrated as well as documented audit trail for any budget modifications. If the adopted final budget is revised after being published, the minutes that correspond to changing the published budget should be saved to a pdf file and combined with a pdf copy of the adopted budget in the official records. Deficits that occur in appropriation units should be approved by the board with modifications in a timelier fashion. Improvement is still needed in this area.

### **Collateralization from the Bank**

As discovered during the audit process, the bank had a fixed collateral amount pledged which did not cover the bank balance during the tax collection season and was probably more than necessary during the other parts of the year. The clerk/treasurer rectified this when discovered so it should be monitored as the year progresses.



### **Review of ERP Security Settings**

Now that the ERP system has been in use for more than one year, management should perform a periodic review of the ERP security settings to ensure that the controls of the system are in use and match the desired level of internal controls based on individual job duties and management oversight.

### **Fixed Asset Tracking**

The Public Works department and the Fiscal department continue to improve their communication in the area of recording additions and deletions of fixed assets. Gaps however, still remain in this area such as when a capital project is completed, the related assets need to be capitalized and depreciated. We suggest that there should be a central location, one file, that tracks all the statistical information regarding meters, services and hydrants. This information is required by the Public Service commission. There was improvement shown in this last year.

A physical inventory of all assets should be taken in 2019. The auditor will provide the asset list to use to check for existence

Thank you for the opportunity to work with you. If you have any questions, please contact us during the year. Our thanks also go to the staff and board for their cooperation and assistance in completing this audit.

*Andrea E. Orendorff LLP*

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Certified Public Accountants