

VILLAGE OF SUMMIT
Summit, Wisconsin

**Basic Financial Statements
And Supplementary Information**

Year Ended December 31, 2015

VILLAGE OF SUMMIT
Summit, Wisconsin

Year Ended December 31, 2015

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Independent Auditors' Report

To the Village Board
Village of Summit
Summit, Wisconsin

Report on the Financial Statements

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 Summit, Wisconsin ("Village"), as of and for the year ended December 31, 2015, and the related notes to 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.

Auditors' 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 auditors' 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 Summit, Wisconsin, as of December 31, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 11 and 50 through 52 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 Summit's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining 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. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Change in Accounting Principle

As discussed in Note 1G and 4F to the financial statements, during the year ended December 31, 2015, the Village adopted new accounting guidance, GASB 68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

April 15, 2016
Milwaukee, Wisconsin

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2015

(UNAUDITED)

As management of the Village of Summit, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Village's year ended December 31, 2015. The Village of Summit was incorporated by the State of Wisconsin from the remaining Town of Summit on July 29, 2010. The Town implemented the provisions of Governmental Accounting Standards Board Statement 34 effective for the Town on January 1, 2005. The Village of Summit has continued these standards and continued to implement additional GASB recommendations as identified by the Village's Audit firm.

A. Financial Highlights

The assets of the Village of Summit exceeded its liabilities at the close of the most recent fiscal year by \$11,228,715, an increase of over \$1,000,000 from 2014. \$504,095 of this increase is from a prior period adjustment to implement GASB 68. The remainder of the increase came in part by reducing the Summit Utility District #2 debt and continued collection of the Amended Final Special Assessment Resolution in Summit Utility District #2. The Village intends to continue this process for District #2 along with complete the debt service payments for the Silver Lake Utility District in 2016.

The Village of Summit includes GASB 54 fund balance reporting descriptions as part of the Financial Statements. This information provides a clearer fund balance classification that can be more consistently applied. This reporting policy uses fund balance classifications in a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in government funds. The categories include Non-spendable, Restricted, Committed, Assigned and Unassigned. Page 31 of the Notes to Financial Statements further describes these classifications.

As of the close of the current fiscal year, Summit's Governmental Funds reported ending fund balances of \$2,519,819, an increase of \$99,866. Of this ending fund balance, approximately 85% of this total amount (or \$2,057,896) represents monies available for spending at the government's discretion (Unassigned, Assigned or Committed Funds). At year-end, management had committed \$1,220,434 from these monies for specific purposes.

At the end of the current fiscal year the Unassigned fund balance for the general fund was \$837,802, or 28% of total general fund expenditures. The Village's total debt responsibility decreased by \$467,184. Borrowing by the Village of Summit for capital projects in 2015 caused the general obligation debt for governmental activities to rise by \$292,557 while business-type debt decreased by \$870,000.

B. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Summit's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves. The Village also contracts with the auditor to complete more detailed annual audits of two Enterprise Funds – Summit Utility District #2 and Silver Lake Utility District. These audits are filed annually with the Utility Commission and Village Board.

B.1. Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Summit's finances, in a manner similar to a private-sector business.

Village of Summit, Waukesha County, Wisconsin Management's Discussion and Analysis December 31, 2015

Overview of the Financial Statements (continued)

The *statement of net position* presents information on all of the Village of Summit's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of an improving or deteriorating financial position for the Village. Since 2007, the total assets for the community have increased by \$276,736, to \$24,747,938. This value exists in spite of ongoing depreciation of the Village's utility system infrastructure and loss of property value in 2010 with attachments to the City of Oconomowoc. The net position of the Village has increased from \$6,177,047 in 2007 to \$11,228,715 at the end of 2015.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave or sick leave).

Both of the government-wide financial statements distinguish functions of the Village of Summit that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Summit include general government, public safety, public works, leisure activities, health and human services. Beginning in 2012 the Village also provided stormwater and flood hazard mitigation activities in the Genesee Lakes Utility District. The business-type activities of the Village include Silver Lake Utility District and Summit Utility District #2, wherein the Village provides District administrative, billing, and limited property maintenance services.

B.2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Summit, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds and enterprise funds. Within each of these classes there are also identified major and non-major funds. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- Total assets, 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
- 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.
- 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.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2015

Overview of the Financial Statements (continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Summit maintains two major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the six other governmental funds are combined into a single, aggregated presentation and listed as non-major governmental funds. These six funds include the Debt Service, Land Acquisition and Capital Improvements, Impact Fees, Genesee Lakes Utility District, Summit Utility District #3 and Cemetery Funds. Individual fund data for each of these non-major government funds is provided in the form of *combining statements* on pages 53 - 54 of this report.

The Village of Summit adopts an annual appropriated budget for the entire general fund and various other funds as required by state statute. A budgetary comparison statement has been provided as required supplementary information for the general fund to demonstrate compliance with the adopted budget.

Proprietary Funds

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Village of Summit maintains two proprietary funds. The proprietary fund financial statements provide separate information for the Silver Lake Utility District and Summit Utility District #2, which are considered to be major *enterprise funds* of the Village of Summit.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village of Summit's own programs. The Village maintains a Tax Roll Fund for this purpose. The accounting used for fiduciary funds is much like that used for governmental funds.

B.3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-49 of this report.

B.4. Supplementary information

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining statements and schedules can be found on pages 53 and 54 of this report.

Village of Summit, Waukesha County, Wisconsin
 Management's Discussion and Analysis
 December 31, 2015

C. Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Summit, assets exceeded liabilities by \$11,228,715 at the close of the most current fiscal year, as presented in the following table. This is an increase of \$5,055,097 since December 31, 2007 and reflects a commitment on the part of the Village to reduce the long-term liabilities.

This reduction in long-term liabilities occurred during a time of tremendous change in the community. In 2007 the Town of Summit had just completed the installation of the Silver Lake sanitary sewer system. In 2009 the Town of Summit completed boundary agreements with seven of the nine adjacent communities. In 2010 the Town was approved by the State of Wisconsin for incorporation into the Village of Summit – losing over two square miles of developed territory and valuation. In 2012 the Village Board adopted and began to implement a rolling five-year Capital Improvement Plan. In 2013 the Summit Utility District #2 completed a major refinancing for their long-term debt, partially financed by the Village of Summit.

Village of Summit Net Position
 December 31, 2015 and December 31, 2014

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|--------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | \$4,818,104 | \$4,692,525 | \$ 2,926,810 | \$ 3,225,145 | \$ 7,744,914 | \$ 7,917,670 |
| Net pension asset | 258,250 | --- | --- | --- | 258,250 | --- |
| Capital assets | 4,895,527 | 4,495,573 | 11,849,247 | 12,142,844 | 16,744,774 | 16,638,417 |
| Total assets | \$9,971,881 | \$9,188,098 | \$14,776,057 | \$15,367,989 | \$24,747,938 | \$24,556,087 |
| Deferred Outflows | \$262,283 | --- | --- | --- | \$262,283 | --- |
| Current and other liabilities | \$569,674 | \$496,011 | \$ 1,278,499 | \$ 1,305,454 | \$ 1,848,172 | \$ 1,801,465 |
| Long-term liabilities | 754,601 | 602,421 | 7,815,000 | 8,700,000 | 8,569,601 | 9,302,421 |
| Total liabilities | \$1,324,275 | \$1,098,432 | \$9,093,499 | \$10,005,454 | \$10,417,774 | \$11,103,886 |
| Deferred inflows | \$2,011,800 | \$1,951,268 | \$1,352,032 | \$1,321,264 | \$3,363,832 | \$3,272,532 |
| Net position: | | | | | | |
| Net investment in capital assets | \$4,045,910 | \$3,925,517 | \$ 3,020,070 | \$ 2,431,924 | \$ 7,065,980 | \$ 6,357,441 |
| Restricted | 910,177 | 405,248 | --- | --- | 910,177 | 405,248 |
| Unrestricted | 1,942,102 | 1,807,633 | 1,310,456 | 1,609,347 | 3,252,558 | 3,416,980 |
| Total net position | \$6,898,189 | \$6,138,398 | \$ 4,330,526 | \$ 4,041,271 | \$ 11,228,715 | \$ 10,179,669 |

The Village of Summit uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2015

Government-Wide Financial Analysis (continued)

C.1. Governmental activities

Governmental activities increased the Village of Summit's net position by \$255,696. Major reasons for this change are noted below:

Village of Summit's Changes in Net Position
For the Years ending December 31, 2015 and December 31, 2014

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 1,157,703 | \$ 1,140,325 | \$ 727,861 | \$ 725,570 | \$ 1,885,564 | \$ 1,865,895 |
| Operating grants and contributions | 260,748 | 205,136 | --- | --- | 260,748 | 205,136 |
| Capital grants and contributions | --- | --- | 54,438 | 65,426 | 54,438 | 65,426 |
| General Revenues: | | | | | | |
| Property taxes | 1,327,356 | 1,416,802 | 364,460 | 362,763 | 1,691,816 | 1,779,565 |
| Taxes levied for debt service | 174,780 | 79,329 | --- | --- | 174,780 | 79,329 |
| Other taxes | 174,130 | 170,658 | --- | --- | 174,130 | 170,658 |
| Intergovernmental | 144,774 | 142,988 | --- | --- | 144,774 | 142,988 |
| Investment income | 8,410 | 8,548 | 2,736 | 3,431 | 11,146 | 11,979 |
| Gain/Loss on retirement of capital assets | 6,744 | 16,674 | --- | --- | 6,744 | 16,477 |
| Miscellaneous | 9,627 | (20,553) | 106 | 903 | 9,733 | (19,650) |
| Total revenues | <u>3,264,272</u> | <u>3,159,907</u> | <u>1,149,601</u> | <u>1,158,093</u> | <u>4,413,873</u> | <u>4,318,000</u> |
| Expenses: | | | | | | |
| General government | 677,769 | 608,088 | --- | --- | 677,769 | 608,088 |
| Public safety | 1,355,438 | 1,428,738 | --- | --- | 1,355,438 | 1,428,738 |
| Public works | 889,110 | 927,249 | --- | --- | 889,110 | 927,249 |
| Culture, education and recreation | 24,034 | 36,708 | --- | --- | 24,034 | 36,708 |
| Health and human services | 44,040 | 48,446 | --- | --- | 44,040 | 48,446 |
| Interest and fiscal charges | 18,185 | 12,898 | --- | --- | 18,185 | 12,898 |
| Utility Districts | --- | --- | 860,346 | 907,433 | 860,346 | 907,433 |
| Total expenses | <u>3,008,576</u> | <u>3,062,127</u> | <u>860,346</u> | <u>907,433</u> | <u>3,868,922</u> | <u>3,969,560</u> |
| Change in net position | 255,696 | 97,780 | 289,255 | 250,660 | 544,951 | 348,440 |
| Net Position – Jan. 1 | 6,138,398 | 6,040,618 | 4,041,271 | 3,790,611 | 10,179,669 | 9,831,229 |
| Prior Period Adjustment | <u>504,095</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>504,095</u> | <u>---</u> |
| Net Position – Dec. 31 | <u>\$ 6,898,189</u> | <u>\$ 6,040,618</u> | <u>\$ 4,330,526</u> | <u>\$ 4,041,271</u> | <u>\$ 11,228,715</u> | <u>\$ 10,179,669</u> |

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2015

Government-Wide Financial Analysis (continued)

C.2. Business-type activities

Business-type activities continued to improve in 2015 with an increase of \$289,255 in net assets.

The Summit Utility District #2 functions to collect and transport sewage to the Del-Hart Treatment Plant in the City of Delafield. The operating revenue for Summit Utility District #2 during the current fiscal year was \$585,024, generated by monthly charges for service. This is an increase of \$49,092 from 2012 and \$124,183 more than collected during 2007. Operating expenses for the current fiscal year decreased to \$523,078, \$14,960 less than 2013 and \$33,698 less than 2014. The depreciation of the utility assets continued to affect the District. The District shows gradual improvement in position because of the 2013 refinancing and maintenance of recommended service rates.

The Silver Lake Utility District contracted with the City of Oconomowoc in 2005 for the installation of sanitary sewer through the entire District. This work was completed on January 6, 2006 and the system continues to be operated by the City of Oconomowoc. As such, all operating revenue goes directly for treatment charges. Expenses for the District included administrative costs totaling \$30,863 during the current fiscal year. In November, 2011 the Silver Lake Utility Commission adopted a 10-year Financial Management Plan. This Plan included an increase in the annual tax levy to off-set ongoing deterioration in the non-operating revenues. The Net Position in the Silver Lake Utility District at the end of 2015 totals \$1,622,197.

D. Financial Analysis of the Government's Funds

Summit uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

D.1. Government funds

The focus of the Summit's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the community's financing requirements. In particular, assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Village of Summit's governmental funds reported combined ending fund balances of \$2,519,819, an increase of \$99,866 in comparison with the prior year and still \$483,715 more than when the Village incorporated in 2010.

Of the \$2,519,819 ending fund balance, approximately 33.2% of this total amount (\$837,462) constitutes *Unassigned monies* available for spending at the government's discretion. The Village Board has \$20,000 for park development and another \$1,200,434 for Facility Improvements. \$35,000 remains in long-term advance receivables representing monies forwarded to the Summit Utility District #2 for cash flow and debt service. The remainder of the fund balance is restricted for work the following items: 1) continuing care in the Summit Cemetery (\$271,258), 2) a variety of other parkland acquisition and development uses (\$3,040), 3) Genesee Lakes Utility District (\$29,494), 4) Capital projects (\$31,546), or 5) payments as allowed by Wisconsin Statutes in the Summit Police Department ("Impact Fees" \$65,659).

**Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2015**

Financial Analysis of the Government's Funds (continued)

D.2. Proprietary funds

The Village of Summit's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

User charge rates for Summit Utility District #2 have been charged since completion of the system in 2002. All of the developed properties in the district were connected and served as of December 31, 2007. The 2004 and 2008 District audits identified on-going concerns over the long-term financing of the District. After incorporation, the Summit Village Board and District Commissioners completed a Financial Management Plan in November, 2011 that extends through 2027. The Commission cited this plan as the basis for increased quarterly charges and tax levy in 2015. The Commission completed a refinancing of the District's long-term debt in May of 2012. The Commission also adopted an amended Final Special Assessment Resolution on January 3, 2013. The Commission continues to use the 2011 Plan and updates this information on an annual basis. Copies of this Plan are available on the Village's website or from the Village Administrator.

The Silver Lake Utility District completed installation of the sanitary sewer on January 6, 2006. All of the developed properties in the district were connected and served as of December 31, 2011. The District Commissioners completed a financial analysis in the spring of 2006 and refinanced the project into a 10-year general obligation note in September, 2006. This District was also part of the 2011 Financial Management Plan for the Village. Based on this Plan the commission adopted a single increase in the annual tax assessment in November, 2012 to stabilize the long-term funding of this District. In 2016 the Village anticipates a short-term funds transfer to cover the remaining debt service and repayment of that transfer back to the Village by the end of 2017. Copies of this financial management plan are available on the Village's website or from the Village Administrator.

E. Capital Asset and Debt Administration

E.1. Capital Assets

The Village of Summit inherited all of the assets and liabilities of the Town of Summit when the State of Wisconsin approved incorporation on July 29, 2010. This inheritance included all of the Town's prior investment in capital assets for its governmental and business-type activities. As of December 31, 2015, these investments amount to \$16,744,774, a minimal increase of \$106,357 (net of accumulated depreciation) due to the installation of a permanent restroom in the Village Park. The governmental-type investment in capital assets includes land, land improvements, buildings, machinery and equipment and street infrastructure. Major capital asset changes during the current fiscal year include the purchase of one police squad and a highway department pick-up truck with snowplow fixtures. The Village's governmental activities capital assets, net of depreciation, total \$4,895,527; this is \$399,954 more than December 31, 2014.

The business-type investment in capital assets includes land, land improvements, buildings, machinery and equipment, and sanitary sewer infrastructure. The Village's business activities capital assets, net of depreciation, totals \$11,849,247 - this is \$293,597 less than December 31, 2014. The entire change results from depreciation of capital assets.

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2015

Capital Asset and Debt Administration (continued)

Village of Summit - Capital Assets (net of accumulated depreciation)
December 31, 2015 and December 31, 2014

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land (not being depreciated) | \$ 1,076,620 | \$ 1,076,620 | \$ 92,861 | \$ 92,861 | \$ 1,169,481 | \$ 1,169,481 |
| Construction in Progress | 273,948 | 23,893 | --- | --- | 273,948 | --- |
| Buildings | 49,025 | 51,327 | 1,451,218 | 1,490,978 | 1,500,243 | 1,542,305 |
| Vehicles and Equipment | 580,809 | 593,540 | 485,026 | 526,429 | 1,065,835 | 1,120,069 |
| Infrastructure | 2,915,125 | 2,750,093 | --- | --- | 2,915,125 | 2,750,093 |
| Sewer system and services | --- | --- | 8,130,623 | 8,288,556 | 8,130,623 | 8,288,556 |
| Investment in City of Oconomowoc treatment plant | --- | --- | 1,689,519 | 1,744,020 | 1,689,519 | 1,744,020 |
| Total | \$ 4,895,527 | \$ 4,495,573 | \$ 11,849,247 | \$ 12,142,844 | \$ 16,744,774 | \$ 16,638,417 |

Additional information on the Village's capital assets can be found in Note 3(E).

Additional information on the Village's capital assets for Business-Type Activities can be found in the separate Financial Statements for the Summit Utility District #2 and Silver Lake Utility District, Note 5 of each report.

E.2. Long-term debt

At the end of the current fiscal year, the Village of Summit had total debt outstanding of \$9,710,665. Of this amount, \$9,600,406 comprises debt backed by the full faith and credit of the government. The remainder of the Village's governmental activities debt (\$110,259) represents accumulated sick pay benefits for current, full-time police officers. The Village Board voted in November, 2013, to convert to a Paid-Time-Off policy for non-represented employees. This policy change also froze the growth in vested compensated absences for these employees and changed the future hourly benefit into an annual obligation. The Village Board approved a 3-year agreement with the Summit Police Association on November 3, 2015 that did not change the accumulated sick leave policy for existing full-time officers.

The Village's total debt decreased by \$623,470 during the current fiscal year. The decrease in debt results from repayment of Utility District #2, Silver Lake and reduced long-term capital investment borrowing.

State statutes limit the amount of general obligation debt a governmental entity may issue to five percent of its total equalized valuation of taxable property within the Village's jurisdiction. The current debt limitation for the Village of Summit is \$47,146,005 which is significantly in excess of the Village's outstanding general obligation debt. The Village's current debt includes approximately 20.36% of the overall statutory amount available.

Additional information on the Village of Summit's long-term debt can be found in note 3(F).

Village of Summit, Waukesha County, Wisconsin
Management's Discussion and Analysis
December 31, 2015

F. Economic Factors and Other Budget Notes

The final budget of the Village's general fund contained revenues of \$2,880,271 and expenditures of \$4,793,903. Actual results for the year show revenues exceeding expenditures by \$104,117, which is \$472,117 better than budgeted.

The Village Assessor reported the current assessed value of the Village at \$918,225,801, a market increase of about \$17 million compared to 2014 values. From 2011 to 2015 the Village's valuation declined by over \$67 million. After witnessing fairly level property values for two years, the Village Board contracted with Grota Appraisals to complete a maintenance-level appraisal for the next three years (2016-18).

The Village of Summit tax rate for 2015 was \$1.6789 per \$1,000 of assessed value (mil rate). The Village will continue to maintain a low property tax without cutting essential services by keeping administrative costs down and controlling unnecessary expenditures. The 2015 budgeted tax levy for Village services increased by only \$43,450 from 2014; only \$98,186 since incorporation in 2010.

The Village has a full time Village Clerk, Village Treasurer/Deputy Clerk and Village Administrator. While the Administrator is the Chief Financial Officer of the Village and is required to monitor revenues and control expenses to prevent exceeding the various departments' expenditures established by the budget, the Clerk insures proper capital funding for the future and that the Village's capital investments are protected and future maintenance and replacement cost are minimized.

As part of the 2011 financial planning the Village Board and staff developed a 5-year Capital Improvement Plan. During 2015 the Board and staff updated this Plan for 2016 - 2020, including possible expenditures for utility district sewer repairs, park improvements, road repairs and upgrades, vehicle and equipment replacement, office furnishings and planning for Village Hall replacement. The Village Board used this tool as part of the 2016 budgeting process to determine both funding sources and expenditures. The Village's 2016 adopted budget was approved November 5, 2015 following a public hearing that same evening.

G. Requests for Information

This financial report is designed to provide a general overview of the Village of Summit's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to:

Henry Elling
Village Administrator
2911 North Dousman Road
Oconomowoc, Wisconsin 53066

(262) 567-2757
ellingh@summittown.org

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Net Position
December 31, 2015

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Totals |
| Assets: | | | |
| Cash and investments | \$ 3,684,725 | \$ 506,778 | \$ 4,191,503 |
| Taxes receivable | 1,049,767 | 551,858 | 1,601,625 |
| Accounts receivable | 17,359 | 168,390 | 185,749 |
| Internal balances | 40,827 | (40,827) | --- |
| Prepaid expenses | 25,426 | --- | 25,426 |
| Special assessments receivable | --- | 1,678,889 | 1,678,889 |
| Restricted Assets: | | | |
| Connection charges receivable | --- | 61,722 | 61,722 |
| Net pension asset | 258,250 | --- | 258,250 |
| Capital Assets: | | | |
| Land and construction in progress | 1,350,568 | 92,861 | 1,443,429 |
| Other capital assets, net of accumulated depreciation | 3,544,959 | 11,756,386 | 15,301,345 |
| Total assets | 9,971,881 | 14,776,057 | 24,747,938 |
| Deferred Outflows of Resources: | | | |
| Deferred outflows related to pensions | 262,383 | --- | 262,383 |
| Liabilities: | | | |
| Accounts payable | 255,549 | 171,105 | 426,654 |
| Accrued wages and benefits | 42,889 | --- | 42,889 |
| Accrued interest | 15,172 | 31,495 | 46,667 |
| Liabilities payable from restricted assets: | | | |
| Connection charges payable | --- | 61,722 | 61,722 |
| Accrued compensated absences - sick | 110,259 | --- | 110,259 |
| Bonds and notes - due within one year | 251,450 | 885,000 | 1,136,450 |
| Waukesha County note - due within one year | 4,614 | --- | 4,614 |
| Bonds and notes - due in more than one year | 620,925 | 7,815,000 | 8,435,925 |
| Waukesha County note - due in more than one year | 23,417 | --- | 23,417 |
| Unamortized debt premium | --- | 129,177 | 129,177 |
| Total liabilities | 1,324,275 | 9,093,499 | 10,417,774 |
| Deferred Inflows of Resources: | | | |
| Special assessment revenue | --- | 987,664 | 987,664 |
| Deferred inflows related to pensions | 11,953 | --- | 11,953 |
| Tax roll revenue | 1,999,847 | 364,368 | 2,364,215 |
| Total deferred inflows of resources | 2,011,800 | 1,352,032 | 3,363,832 |
| Net Position: | | | |
| Net investment in capital assets | 4,045,910 | 3,020,070 | 7,065,980 |
| Restricted for: | | | |
| Other | 401,497 | --- | 401,497 |
| WRS pension | 508,680 | --- | 508,680 |
| Unrestricted | 1,942,102 | 1,310,456 | 3,252,558 |
| Total net position | \$ 6,898,189 | \$ 4,330,526 | \$ 11,228,715 |

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Activities
For the Year Ended December 31, 2015

| | 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 |
| Governmental: | | | | | | | |
| General government | \$ 677,769 | \$ 110,168 | \$ 31,736 | \$ --- | \$ (535,865) | \$ --- | \$ (535,865) |
| Public safety | 1,355,438 | 543,883 | 36,605 | --- | (774,950) | --- | (774,950) |
| Public works | 889,110 | 430,514 | 191,407 | --- | (267,189) | --- | (267,189) |
| Health and human services | 44,040 | 25,225 | 1,000 | --- | (17,815) | --- | (17,815) |
| Culture, education and recreation | 24,034 | 47,913 | --- | --- | 23,879 | --- | 23,879 |
| Interest and fiscal charges | 18,185 | --- | --- | --- | (18,185) | --- | (18,185) |
| Total governmental activities | <u>3,008,576</u> | <u>1,157,703</u> | <u>260,748</u> | <u>---</u> | <u>(1,590,125)</u> | <u>---</u> | <u>(1,590,125)</u> |
| Business-type: | | | | | | | |
| Silver Lake Utility District | 172,548 | 142,837 | --- | 21,283 | --- | (8,428) | (8,428) |
| Summit Utility District No. 2 | 687,798 | 585,024 | --- | 33,155 | --- | (69,619) | (69,619) |
| Total business-type activities | <u>860,346</u> | <u>727,861</u> | <u>---</u> | <u>54,438</u> | <u>---</u> | <u>(78,047)</u> | <u>(78,047)</u> |
| Total Primary Government | <u>\$ 3,868,922</u> | <u>\$ 1,885,564</u> | <u>\$ 260,748</u> | <u>\$ 54,438</u> | <u>(1,590,125)</u> | <u>(78,047)</u> | <u>(1,668,172)</u> |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 1,327,356 | 364,460 | 1,691,816 |
| Property taxes, levied for debt service | | | | | 174,780 | --- | 174,780 |
| Other taxes | | | | | 174,130 | --- | 174,130 |
| Intergovernmental revenues not restricted to specific programs | | | | | 144,774 | --- | 144,774 |
| Investment income | | | | | 8,410 | 2,736 | 11,146 |
| Gain on retirement of capital assets | | | | | 6,744 | --- | 6,744 |
| Miscellaneous | | | | | 9,627 | 106 | 9,733 |
| Change in net position | | | | | 255,696 | 289,255 | 544,951 |
| Net position - beginning | | | | | 6,138,398 | 4,041,271 | 10,179,669 |
| Prior period adjustment | | | | | 504,095 | --- | 504,095 |
| Net position - beginning, as adjusted | | | | | <u>6,642,493</u> | <u>4,041,271</u> | <u>10,683,764</u> |
| Net position - ending | | | | | <u>\$ 6,898,189</u> | <u>\$ 4,330,526</u> | <u>\$ 11,228,715</u> |

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT

Summit, Wisconsin

Balance Sheet

Governmental Funds

December 31, 2015

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------------------|-------------------------|----------------------------------|--|---|
| Assets: | | | | |
| Cash and investments | \$ 3,049,502 | \$ 31,546 | \$ 603,677 | \$ 3,684,725 |
| Receivables | | | | |
| Taxes | 876,428 | --- | 173,339 | 1,049,767 |
| Accounts | 17,359 | --- | --- | 17,359 |
| Due from other funds | 131,800 | --- | 29,494 | 161,294 |
| Prepaid expenses | 25,426 | --- | --- | 25,426 |
| Advance to Summit Utility District #2 | 35,000 | --- | --- | 35,000 |
| Total assets | <u>4,135,515</u> | <u>31,546</u> | <u>806,510</u> | <u>4,973,571</u> |
| Liabilities: | | | | |
| Accounts payable | 255,549 | --- | --- | 255,549 |
| Accrued wages and benefits | 42,889 | --- | --- | 42,889 |
| Due to other funds | 29,494 | --- | 125,973 | 155,467 |
| Total liabilities | <u>327,932</u> | <u>---</u> | <u>125,973</u> | <u>453,905</u> |
| Deferred Inflows of Resources: | | | | |
| Tax roll revenue | 1,688,421 | --- | 311,426 | 1,999,847 |
| Fund Balances (Deficit): | | | | |
| Nonspendable | 60,426 | --- | --- | 60,426 |
| Restricted | 500 | 31,546 | 369,451 | 401,497 |
| Committed | 1,220,434 | --- | --- | 1,220,434 |
| Unassigned | 837,802 | --- | (340) | 837,462 |
| Total fund balance | <u>\$ 2,119,162</u> | <u>\$ 31,546</u> | <u>\$ 369,111</u> | <u>\$ 2,519,819</u> |

The accompanying notes to financial statements are an integral part of these statements.

VILLAGE OF SUMMIT

Summit, Wisconsin

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position**

December 31, 2015

| | | | |
|---|----|------------------|-------------------------|
| Total fund balance of governmental funds | | \$ | 2,519,819 |
| Amounts reported for governmental activities in the government-wide statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. | | | |
| Land and construction in progress | \$ | 1,350,568 | |
| Other capital assets net of accumulated depreciation | | <u>3,544,959</u> | 4,895,527 |
| The Village's proportionate share of the net pension asset at the WRS exceeds its obligation. This is reported as an asset on the statement of net position, but is not reported in the governmental funds. | | | |
| | | | 258,250 |
| Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. | | | |
| | | | 262,383 |
| Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. | | | |
| | | | (11,953) |
| The following long-term liabilities which are not due and payable in the current period are not reported in the fund financial statements. | | | |
| Bonds and notes payable | | (900,406) | |
| Compensated absences payable - sick pay | | (110,259) | |
| Accrued interest payable on long-term bonds and notes | | <u>(15,172)</u> | |
| | | | <u>(1,025,837)</u> |
| Total net position of governmental activities | | \$ | <u><u>6,898,189</u></u> |

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2015

| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|----------------------------------|--|---|
| Revenues: | | | | |
| Taxes | \$ 1,476,911 | \$ --- | \$ 199,354 | \$ 1,676,265 |
| Operating grants and contributions: | | | | |
| Intergovernmental | 392,903 | --- | --- | 392,903 |
| Other | 11,618 | --- | 1,000 | 12,618 |
| Licenses and permits | 194,685 | --- | --- | 194,685 |
| Fines, forfeitures and penalties | 41,732 | --- | --- | 41,732 |
| Public charges for services | 471,972 | --- | 15,784 | 487,756 |
| Intergovernmental charges for services | 433,530 | --- | --- | 433,530 |
| Investment income | 4,085 | --- | 4,325 | 8,410 |
| Other revenues | 9,629 | --- | --- | 9,629 |
| Total revenues | 3,037,065 | --- | 220,463 | 3,257,528 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 666,116 | 4,369 | --- | 670,485 |
| Public safety | 1,353,372 | --- | --- | 1,353,372 |
| Public works | 748,415 | --- | 20,605 | 769,020 |
| Health and human services | 33,477 | --- | 10,595 | 44,072 |
| Culture, recreation and education | 15,279 | --- | --- | 15,279 |
| Capital outlay | 140,863 | 416,085 | 46,000 | 602,948 |
| Debt service: | | | | |
| Principal | --- | --- | 162,644 | 162,644 |
| Interest and fiscal charges | --- | --- | 16,006 | 16,006 |
| Total expenditures | 2,957,522 | 420,454 | 255,850 | 3,633,826 |
| Excess (deficit) of revenues over (under) expenditures | 79,543 | (420,454) | (35,387) | (376,298) |
| Other Financing Sources (Uses): | | | | |
| Bonds and notes issued | 3,201 | 452,000 | --- | 455,201 |
| Proceeds from sale of capital assets | 20,963 | --- | --- | 20,963 |
| Transfers in | 4,280 | --- | 3,870 | 8,150 |
| Transfers out | (3,870) | --- | (4,280) | (8,150) |
| Total other financing sources (uses) | 24,574 | 452,000 | (410) | 476,164 |
| Net change in fund balance | 104,117 | 31,546 | (35,797) | 99,866 |
| Fund Balance, beginning of year | 2,015,045 | --- | 404,908 | 2,419,953 |
| Fund Balance, end of year | \$ 2,119,162 | \$ 31,546 | \$ 369,111 | \$ 2,519,819 |

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**
Year Ended December 31, 2015

Net change in fund balances - total governmental funds \$ 99,866

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the government-wide statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation.

| | | |
|----------------------|------------------|---------|
| Capital outlay | \$ 602,948 | |
| Depreciation expense | <u>(188,775)</u> | 414,173 |

In the statement of activities, the net gain or loss on the sale or retirement of capital assets is reported. However, in the governmental funds, only the proceeds from the sale of capital assets provides a current financial resource to be reported. Therefore, the change in fund balance differs from the change in net assets by the cost of the assets sold or retired net of the accumulated depreciation on those assets. (14,219)

Governmental funds report proceeds from the issuance of long-term debt as other financing sources, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of long-term debt principal are expenditures in the governmental funds but the repayments reduce long-term liabilities in the statement of net assets.

| | | |
|------------------------------------|--|----------------|
| Proceeds from the issuance of debt | | (455,201) |
| Principal payments on debt | | <u>162,644</u> |

Village pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension asset is measured 12 months before the Village's report date. Pension expense, which is the change in net pension asset adjusted for changes in deferred outflows and deferred inflows of resources related to pension, is reported in the statement of activities. 4,585

Interest on long-term debt in the governmental funds is reported as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest costs are reported as they accrue, regardless of when they are due. (2,179)

Certain expenses do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. These expenses are accrued in the government-wide statement of net assets and reported as expenses in the statement of activities.

| | | |
|-------------------------------------|--|---------------|
| Accrued compensated absences - sick | | <u>46,027</u> |
|-------------------------------------|--|---------------|

Net change in net position \$ 255,696

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Net Position
Proprietary Funds
December 31, 2015

| | Business-Type Activities - Enterprise Funds | | Total |
|---|--|---|---------------------|
| | Summit Utility District No. 2 | Silver Lake Utility District | |
| Assets: | | | |
| Current Assets: | | | |
| Cash and investments | \$ 411,182 | \$ 95,596 | \$ 506,778 |
| Receivables: | | | |
| Customer | 142,635 | 25,755 | 168,390 |
| Taxes | 314,368 | 50,000 | 364,368 |
| Special charges on the tax roll | 106,431 | 81,059 | 187,490 |
| Total current assets | <u>974,616</u> | <u>252,410</u> | <u>1,227,026</u> |
| Non-Current Assets: | | | |
| Special assessments receivable | 1,375,553 | 303,336 | 1,678,889 |
| Restricted assets: | | | |
| Connection charges receivable | --- | 61,722 | 61,722 |
| Capital assets: | | | |
| Land | 92,861 | --- | 92,861 |
| Capital assets being depreciated | 13,290,953 | 2,180,025 | 15,470,978 |
| Accumulated depreciation and amortization | <u>(3,224,086)</u> | <u>(490,506)</u> | <u>(3,714,592)</u> |
| Total non-current assets | <u>11,535,281</u> | <u>2,054,577</u> | <u>13,589,858</u> |
| Total assets | 12,509,897 | 2,306,987 | 14,816,884 |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts payable | 14,251 | 4,989 | 19,240 |
| Accrued interest | 28,909 | 2,586 | 31,495 |
| Due to other funds | 3,670 | 2,157 | 5,827 |
| Liabilities payable from restricted assets: | | | |
| Connection charges payable | --- | 61,722 | 61,722 |
| Current portion of general obligation debt | 625,000 | 260,000 | 885,000 |
| Total current liabilities | <u>671,830</u> | <u>331,454</u> | <u>1,003,284</u> |
| Non-Current Liabilities: | | | |
| General obligation debt | 7,815,000 | --- | 7,815,000 |
| Unamortized debt premium | 129,177 | --- | 129,177 |
| Advance from municipality | 35,000 | --- | 35,000 |
| Due to other utilities | 151,865 | --- | 151,865 |
| Total non-current liabilities | <u>8,131,042</u> | <u>---</u> | <u>8,131,042</u> |
| Total liabilities | 8,802,872 | 331,454 | 9,134,326 |
| Deferred inflows of resources: | | | |
| Special assessment revenue | 684,328 | 303,336 | 987,664 |
| Tax roll revenue | 314,368 | 50,000 | 364,368 |
| Total deferred inflows of resources | <u>998,696</u> | <u>353,336</u> | <u>1,352,032</u> |
| Net Position: | | | |
| Net investment in capital assets | 1,590,551 | 1,429,519 | 3,020,070 |
| Unrestricted | <u>1,117,778</u> | <u>192,678</u> | <u>1,310,456</u> |
| Total net position | <u>\$ 2,708,329</u> | <u>\$ 1,622,197</u> | <u>\$ 4,330,526</u> |

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
Year Ended December 31, 2015

| | Business-Type Activities - Enterprise Funds | | Total |
|--|--|---|---------------------|
| | Summit Utility District No. 2 | Silver Lake Utility District | |
| Operating Revenues | \$ 585,024 | \$ 142,837 | \$ 727,861 |
| Operating Expenses: | | | |
| Operation and maintenance | 175,791 | 77,677 | 253,468 |
| Administrative and general | 108,191 | 30,863 | 139,054 |
| Depreciation | 239,096 | --- | 239,096 |
| Amortization | --- | 54,501 | 54,501 |
| Total operating expenses | <u>523,078</u> | <u>163,041</u> | <u>686,119</u> |
| Operating Income (Loss) | 61,946 | (20,204) | 41,742 |
| Non-Operating Revenues (Expenses): | | | |
| Taxes | 314,460 | 50,000 | 364,460 |
| Investment income | 2,324 | 412 | 2,736 |
| Interest on special assessments | 13,603 | 4,431 | 18,034 |
| Miscellaneous revenues | --- | 106 | 106 |
| Connection charges | --- | 3,429 | 3,429 |
| Interest expense | (164,720) | (12,936) | (177,656) |
| Net non-operating revenues (expenses) | <u>165,667</u> | <u>45,442</u> | <u>211,109</u> |
| Income before Contributions | 227,613 | 25,238 | 252,851 |
| Capital Contributions | <u>19,552</u> | <u>16,852</u> | <u>36,404</u> |
| Change in Net Position | 247,165 | 42,090 | 289,255 |
| Net Position - Beginning of year | <u>2,461,164</u> | <u>1,580,107</u> | <u>4,041,271</u> |
| Net Position - End of year | <u>\$ 2,708,329</u> | <u>\$ 1,622,197</u> | <u>\$ 4,330,526</u> |

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2015

| | Business-Type Activities - Enterprise Funds | | Total |
|--|--|---|-------------------|
| | Summit Utility District No. 2 | Silver Lake Utility District | |
| Cash Flows From Operating Activities: | | | |
| Receipts from customers | \$ 580,747 | \$ 140,003 | \$ 720,750 |
| Payments to suppliers | (306,966) | (111,057) | (418,023) |
| Net cash provided by operating activities | <u>273,781</u> | <u>28,946</u> | <u>302,727</u> |
| Cash Flows From Noncapital Financing Activities: | | | |
| Taxes received | 314,460 | 50,000 | 364,460 |
| Net cash provided by noncapital financing activities | <u>314,460</u> | <u>50,000</u> | <u>364,460</u> |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Connection charges paid | --- | 3,429 | 3,429 |
| Special assessments received | 202,925 | 100,300 | 303,225 |
| Debt retired | (626,743) | (255,000) | (881,743) |
| Interest paid | (166,867) | (15,500) | (182,367) |
| Net cash used by capital and related financing activities | <u>(590,685)</u> | <u>(166,771)</u> | <u>(757,456)</u> |
| Cash Flows From Investing Activities: | | | |
| Investment earnings | 15,927 | 4,843 | 20,770 |
| Net change in cash and equivalents | 13,483 | (82,982) | (69,499) |
| Cash and equivalents, beginning of year | <u>397,699</u> | <u>178,578</u> | <u>576,277</u> |
| Cash and equivalents, end of year | <u>\$ 411,182</u> | <u>\$ 95,596</u> | <u>\$ 506,778</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities: | | | |
| Operating Income (Loss) | \$ 61,946 | \$ (20,204) | \$ 41,742 |
| Miscellaneous revenues | --- | 106 | 106 |
| Noncash items in operating income (loss): | | | |
| Depreciation | 239,096 | --- | 239,096 |
| Amortization | --- | 54,501 | 54,501 |
| Changes in assets and liabilities: | | | |
| Customer accounts receivable | (4,277) | (2,940) | (7,217) |
| Accounts payable | (22,984) | (2,517) | (25,501) |
| Net cash flows provided by operating activities | <u>\$ 273,781</u> | <u>\$ 28,946</u> | <u>\$ 302,727</u> |
| Reconciliation of Cash and Equivalents to the Statement of Net Position Accounts: | | | |
| Cash and investments - current | <u>\$ 411,182</u> | <u>\$ 95,596</u> | <u>\$ 506,778</u> |
| Noncash Capital Activities: | | | |
| Special assessments assessed | <u>\$ 19,552</u> | <u>\$ ---</u> | <u>\$ 19,552</u> |

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT

Summit, Wisconsin

Statement of Net Position - Fiduciary (Agency) Fund

December 31, 2015

| | | Tax Roll |
|---------------------------------|-----------|-----------------------------|
| | | Fund |
| | | <hr/> |
| Assets: | | |
| Cash and investments | \$ | 6,448,252 |
| Taxes receivable | | <hr/> 6,946,911 |
| Total assets | \$ | <hr/><hr/>13,395,163 |
| | | |
| Liabilities: | | |
| Due to other governmental units | \$ | <hr/> <hr/> 13,395,163 |

The accompanying notes to financial statements
are an integral part of these statements.

VILLAGE OF SUMMIT
Summit, Wisconsin

Index to Notes to Financial Statements
December 31, 2015

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VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies

The accounting policies of the Village of Summit, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board ("GASB").

A. Financial Reporting Entity

This report includes all of the funds of the Village of Summit ("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 of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. This report does not contain any component units.

The Village has included in its financial statements the following entities, which are not considered separate entities with corporate powers:

Community Development Authority

B. Government-Wide and Fund Financial Statements

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 and services.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or a segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Village does not allocate indirect expenses to functions in the statement of activities. 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

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or non-major funds within the governmental and proprietary 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:

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

Separate financial statements are provided for governmental funds and 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.

The Village reports the following major funds:

Major Governmental Fund

- General Fund – The General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all financial transactions except those legally or administratively required to be accounted for in another fund.
- Capital Projects Fund – This fund accounts for the acquisition or construction of capital assets that are financed with general obligation debt.

Major Enterprise Funds

- Silver Lake Utility District Fund – This Fund accounts for operations of the sanitary sewer system.
- Summit Utility District No. 2 Fund – This Fund accounts for operations of the sanitary sewer system.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

The Village reports the following non-major funds:

- Debt Service Fund – accounts for the accumulation of resources for, and the payment of, general long-term obligations principal, interest and related costs (other than debt accounted for in the Proprietary Funds).
- Special Revenue Funds – are used to account for revenues requiring separate accounting because of legal or regulatory provisions, and consist of the following individual funds:

Land Acquisition and Public Improvements Fund
Impact Fees Funds
Genesee Lakes Utility District Fund
Summit Utility District #3 Fund

- Permanent Funds – are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Cemetery Fund

In addition, the Village reports the following fund types:

Agency funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Roll Fund

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or 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. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's sewer and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the 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 the expendable available financial resources.

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 deferred inflows of resources. Amounts received prior to meeting eligibility requirements are recorded as unearned revenue.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred inflows of resources. Delinquent special assessments being held by the county are reported as receivable and deferred inflows of resources.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The Village reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements, deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred inflows of resources is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds allow the accrual basis of accounting, and do not have a measurement focus.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Fund Financial Statements (continued)

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 proprietary funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation of 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

D. Assets, Liabilities, and Net Position or Fund Balance

Cash and Investments

For the purpose of the statement of net position and for 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.

Investment in Village funds is restricted by Wisconsin state statutes. Available investments are limited to:

- Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority
- Bonds or securities issued or guaranteed by the federal government
- The Local Government Investment Pool
- Any security maturing in seven years or less and having the highest or second highest rating category of nationally recognized rating agency
- Securities of an open-end management investment company or investment trust, subject to various conditions and investment options
- Repurchase agreements with public depositories, with certain conditions

The Village has adopted an investment policy. That policy follows the state statute for allowable investments.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Position or Fund Balance (continued)

Cash and Investments (continued)

The Village may deposit funds in authorized banks, the Wisconsin Local Government Investment Pool and Wisconsin Investment Trust without restriction of amounts. The Village may deposit funds in savings and loan associations and credit unions up to \$500,000. Deposits in authorized banks may be limited to \$500,000 upon the determination of the Investment Officer of the Village that circumstances exist regarding the viability of the bank.

The Village's investment policy does not address other types of risks.

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 municipal accounting funds is allocated to the general fund. The difference between the bank statement and carrying value is due to outstanding checks and/or deposits in transit.

Receivables

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 provided. In addition to property taxes for the municipality, taxes are collected for and remitted to the state and county governments as well as the local and vocational school districts. Taxes for all state and other local governmental units billed in the current year for the succeeding year are reflected as receivables and as due to other taxing units on the statement of net position – fiduciary (agency) fund. Taxes are levied in December on the assessed value as of the prior January 1.

Property Tax Calendar – 2015 Tax Roll:

| | |
|--|------------------|
| Lien and levy date | December 2015 |
| Tax bills mailed | December 2015 |
| Payment in full, or | January 31, 2016 |
| First installment due | January 31, 2016 |
| Second installment due | July 31, 2016 |
| Personal property taxes due in full | January 31, 2016 |
| Tax sale by County - 2015 delinquent real estate taxes | October 2018 |

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the enterprise funds because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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 governmental-wide financial statements as internal balances.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment and intangible assets, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical costs if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but GASB No. 34 does not require the Village to retroactively report all major general infrastructure assets. As of December 31, 2015, the Village has not retroactively reported all infrastructure acquired by its governmental fund types.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed funds proceeds. No interest was capitalized during the current year. 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 capital 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 years |
| Machinery and Equipment | 5 - 25 years |
| Infrastructure | 50 - 65 years |
| Utility System | 33 - 80 years |
| Investment in City of Oconomowoc treatment plant | 40 years |

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Capital Assets (continued)

Fund Financial Statements

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

Compensated Absences

The Village does not accrue vacation, paid time off, or sick leave, but rather expenses these costs as paid. Paid time off is not cumulative from year to year for highway and office employees, but at the end of each calendar year, the Village will contribute up to 40 hours of unused paid time off to employees' 401(a) account. Accumulated sick leave benefits up to a maximum of 120 days are payable upon retirement for police employees. There are no provisions for payment of accumulated sick leave benefits if employment is terminated prior to retirement. Accumulated benefits are recorded as expenditures in the funds statements in the year used. Due to the long-term nature of the accumulated sick leave benefits, the governmental funds do not report this liability in the fund financial statements. The accumulated paid time off is recorded as long-term debt in the government-wide financial statements.

Long-term Obligations and Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the debt and premiums on issuance are reported as other financing sources. Discounts on issuance are reported as other financing uses. Payments of principal and interest, losses on debt refundings, as well as costs of issuance are reported as expenditures.

For the government-wide 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 deferred outflows of resources or deferred inflows of resources section of the statement of net position. The accounting for proprietary fund obligations is the same in the fund financial statements as it is in the government-wide financial statements.

The Village, under the authority of the Community Development Authority, has permitted the issuance of Redevelopment Revenue Bonds ("RRB") for a privately-owned company within the Village limits. The Village has no obligation for the RRBs in the event of default by the borrowers. Accordingly, no liability for the bonds is included in the Village's financial statements. The aggregate amount of these conduit obligations outstanding as of December 31, 2015 was \$13,115,000.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

Net Position Classifications

Government-Wide Statements

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

- a. **Net investment in capital assets** – Consists of capital assets including restricted capital assets, net of accumulated depreciation and 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** – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted net position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Position or Fund Balance (continued)

Fund Balance Classifications

Fund Statements

Governmental fund equity is classified as fund balance. GASB establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made is identifying amounts that are considered nonspendable. Fund balance is further classified as restricted, committed, assigned and unassigned. The Village's fund balance classification policies and procedures are as follows:

- a. Nonspendable – Amounts that cannot be spent because they are either not in spendable form (i.e. convertible into cash) or legally required to be maintained intact.
- b. Restricted – Either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- c. Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's Board of Trustees.
- d. Assigned – Amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed.
- e. Unassigned – The residual classification for the General Fund (fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund), and deficit fund balances within other funds.

Currently, the Village does not have an official policy regarding the fund balance classifications. Amounts noted as committed relate to constraints previously approved by the Board of Trustees as designated funds in prior years. Amounts noted as assigned relate to constraints currently and previously approved by either the Village Administrator or designated department heads.

The Village's current fund balance policy is to maintain a minimum unassigned fund balance of 15% of total General Fund budgeted revenues.

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

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

1. Summary of Significant Accounting Policies (continued)

E. Deferred Outflows and Inflows of Resources

The Government Accounting Standards Board (GASB) has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). Under GASB 65, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources.

The separate financial statement elements, deferred inflows/outflows of resources, represents a decrease/increase in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow/outflow of resources (revenue/expense) until then. The Village had three items that qualified for reporting in these categories. The revenue related to deferred special assessments and deferred tax roll will not be recognized until future years. In addition the Village has deferred inflows/outflows related to the Wisconsin Retirement System (WRS) pension.

F. Pension

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/from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

G. Adoption of New Accounting Guidance

The Village implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. See footnote 4 for additional information.

H. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (April 15, 2016). Subsequent to year end, the Village board approved an advance of \$110,000 to be made from the general fund to the Silver Lake Utility District. The entire balance plus \$9,000 is to be repaid by June 30, 2017.

2. Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. At December 31, 2015, the following fund had a deficit fund balance:

| <u>Fund</u> | <u>Amount</u> |
|----------------------------|---------------|
| Summit Utility District #3 | \$ 340 |

The deficit will be financed through tax levies in future periods.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts

A. Cash and Investments

As of December 31, 2015, the Village held the following cash and investments:

| | Custodial Balance | Carrying Amount |
|---|------------------------------|----------------------------|
| Cash and Investments: | | |
| Demand deposits | \$ 10,280,112 | \$ 10,261,511 |
| Certificates of deposit | 378,244 | 378,244 |
| Total | 10,658,356 | 10,639,755 |
| Reconciliation to Financial Statements: | | |
| Cash and equivalents: | | |
| Per Statement of Net Position: | | |
| Cash and investments | | \$ 4,191,503 |
| Per Statement of Net Position – Fiduciary (Agency) Fund: | | |
| Cash and investments | | 6,448,252 |
| Total cash and investments | | \$ 10,639,755 |

Deposits in local and area banks are insured by the FDIC in the amount of \$250,000 per financial institution. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total coverage and other legal implications, recovery of material principal losses may be significant to individual municipalities.

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.

Custodial Risk: Custodial risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. As of December 31, 2015, the custodial balance of the Village’s cash and investments was \$10,658,356, which was fully insured or collateralized by pledged securities. The amount of \$9,105,150 was collateralized with securities held by the pledging financial institution, but not in the Village’s name. See note 1D for the Village’s policy related to custodial risk.

Interest Rate Risk: Is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Village’s investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. Information regarding the exposure of the Village’s investments to this risk, using the segmented time distribution model is as follows:

| Type of Investment | Fair Value | Investment Maturities (in Years) | |
|---------------------------|-------------------|---|------------------|
| | | Less Than 1 Year | 1-5 Years |
| Certificates of deposit | \$ 378,244 | \$ 255,318 | \$ 122,926 |

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Village’s investment policy minimized credit risk by limiting investments to the safest type of securities.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

B. Receivables

All of the receivables on the balance sheet are expected to be collected within one year.

Government funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not available and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows reported in the government funds were as follows:

| | Unavailable |
|--|---------------------|
| Property taxes receivable for subsequent year | \$ 1,999,847 |
| Total deferred inflows for governmental funds | \$ 1,999,847 |

At the end of the current fiscal year, the various components of deferred inflows in the proprietary funds relating to unavailable funds were as follows:

| | Unavailable |
|---|---------------------|
| Property taxes receivable for subsequent year | \$ 364,368 |
| Deferred special assessments | 987,664 |
| Total deferred inflows for proprietary funds | \$ 1,352,032 |

C. Restricted Assets

The following is a list of restricted assets at December 31, 2015:

| | Governmental Activities | Business-Type Activities |
|--------------------------------|------------------------------------|-------------------------------------|
| Special assessments receivable | \$ --- | \$ 1,678,889 |
| Connection charges receivable | --- | 61,722 |
| Net pension asset | 258,250 | --- |
| Total restricted assets | \$ 258,250 | \$ 1,740,611 |

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

D. Interfund Balances and Transfers

Internal Balances (Due to (from) other funds)

Balances due to and from other funds include interfund accounts receivable or payable for goods or services received or provided. Interfund balances are the result of timing differences and are settled on a monthly basis.

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------------|-------------------------------|---------------|
| General Fund | Cemetery Fund | \$ 125,633 |
| General Fund | Summit Utility District No. 2 | 3,670 |
| General Fund | Summit Utility District No. 3 | 340 |
| General Fund | Silver Lake Utility District | 2,157 |
| Genesee Lakes Utility District | General Fund | 29,494 |

All amounts are due within one year. The principal purpose of these interfund balances is the allocation of commingled cash and investment balances. All remaining 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.

Advances to other funds consist of the following at December 31, 2015:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-------------------------------|---------------|
| General Fund | Summit Utility District No. 2 | \$ 35,000 |

The advance was made to Summit Utility District No. 2 in order to maintain a positive cash flow. The advance is interest-free and is to be repaid no later than December 31, 2029.

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

Transfers

Transfers between governmental funds are summarized as follows:

| <u>Transfers in</u> | <u>Transfers out</u> | <u>Amount</u> |
|---------------------|----------------------|---------------|
| General Fund | Cemetery Fund | \$ 4,280 |
| Debt Service Fund | General Fund | 3,870 |

Transfers from the cemetery fund to the general fund were made to transfer investment income. Transfers from the general fund to the debt service fund were to fund current principal and interest payments.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2015 is summarized as follows:

Governmental Activities

| | <u>Balance January 1, 2015</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance December 31, 2015</u> |
|--|--|-------------------|--------------------|--|
| Nondepreciable capital assets: | | | | |
| Land | \$ 1,076,620 | \$ --- | \$ --- | \$ 1,076,620 |
| Construction in progress | 23,893 | 250,055 | --- | 273,948 |
| Total nondepreciable capital assets | 1,100,513 | 250,055 | --- | 1,350,568 |
| Depreciable capital assets: | | | | |
| Vehicles and Equipment | 1,131,186 | 118,909 | (34,127) | 1,215,968 |
| Buildings and Improvement | 415,372 | --- | --- | 415,372 |
| Infrastructure | 3,043,968 | 233,984 | --- | 3,277,952 |
| Total depreciable capital assets | 4,590,526 | 352,893 | (34,127) | 4,909,292 |
| Less accumulated depreciation: | | | | |
| Vehicles and Equipment | 537,546 | 117,521 | (19,908) | 635,159 |
| Buildings and Improvement | 364,045 | 2,302 | --- | 366,347 |
| Infrastructure | 293,875 | 68,952 | --- | 362,827 |
| Total accumulated depreciation | 1,195,466 | 188,775 | (19,908) | 1,364,333 |
| Net depreciable capital assets | <u>3,395,060</u> | <u>164,118</u> | <u>(14,219)</u> | <u>3,544,959</u> |
| Net total capital assets | <u>\$ 4,495,573</u> | <u>\$ 414,173</u> | <u>\$ (14,219)</u> | <u>\$ 4,895,527</u> |

Depreciation was charged to governmental functions as follow:

| | |
|---------------------------|-------------------|
| General government | \$ 7,774 |
| Public safety | 51,642 |
| Public works | 120,595 |
| Culture and recreation | 8,764 |
| Total depreciation | <u>\$ 188,775</u> |

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

E. Capital Assets (continued)

Business-type Activities

| | Balance January 1, 2015 | Addition | Disposals | Balance December 31, 2015 |
|---|--|-----------------|------------------|--|
| Nondepreciable capital assets: | | | | |
| Land | \$ 92,861 | \$ --- | \$ --- | \$ 92,861 |
| Total nondepreciable capital assets | 92,861 | --- | --- | 92,861 |
| Depreciable capital assets: | | | | |
| Buildings | 1,987,978 | --- | --- | 1,987,978 |
| Sewer system and services | 10,260,674 | --- | --- | 10,260,674 |
| Equipment | 1,042,301 | --- | --- | 1,042,301 |
| Investment in City of Oconomowoc treatment plant | 2,180,025 | --- | --- | 2,180,025 |
| Total depreciable capital assets | 15,470,978 | --- | --- | 15,470,978 |
| Accumulated depreciation/amortization | (3,420,995) | (293,597) | --- | (3,714,592) |
| Net depreciable capital assets | 12,049,983 | (293,597) | --- | 11,756,386 |
| Net total capital assets | \$ 12,142,844 | \$ (293,597) | \$ --- | \$ 11,849,247 |

Depreciation/amortization was charged to business-type activities as follows:

| | |
|--|-------------------|
| Business-type Activities | |
| Summit Utility District No. 2 | \$ 239,096 |
| Silver Lake Utility District | 54,501 |
| Total depreciation/amortization | <u>\$ 293,597</u> |

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|------------------------------------|------------------------------|-------------------|---------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| General obligation debt | \$ 607,849 | \$ 455,201 | \$ (162,644) | \$ 900,406 | \$ 256,064 |
| Other liabilities: | | | | | |
| Vested compensated absences | 156,286 | --- | (46,027) | 110,259 | --- |
| Total long-term obligations | <u>\$ 764,135</u> | <u>\$ 455,201</u> | <u>\$ (208,671)</u> | <u>\$ 1,010,665</u> | <u>\$ 256,064</u> |
| Business-type Activities: | | | | | |
| Long-term debt: | | | | | |
| General obligation debt | <u>\$ 9,570,000</u> | <u>---</u> | <u>\$ (870,000)</u> | <u>\$ 8,700,000</u> | <u>\$ 885,000</u> |

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the Village, and will be retired by resources derived from various sources, including property tax levies, special assessments and impact fees. Details of general obligation debt are presented below:

| | <u>Date of Issue</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original Indebtedness</u> | <u>Balance 12/31/15</u> |
|--------------------------------------|--------------------------|--------------------------|--------------------------|----------------------------------|-----------------------------|
| Notes: | 11/17/11 | 03/15/16 | 3.25% | \$ 65,000 | \$ 17,211 |
| | 12/20/11 | 03/15/16 | 3.75% | 72,290 | 19,243 |
| | 08/24/12 | 03/15/17 | 2.75% | 194,138 | 66,089 |
| | 09/12/13 | 03/15/18 | 3.00% | 150,000 | 115,820 |
| | 08/20/15 | 03/15/20 | 3.00% | 452,000 | 452,000 |
| | 08/31/14 | 03/15/19 | 3.00% | 253,000 | 202,012 |
| | 11/06/14 | 02/15/22 | 0% | 28,377 | 24,830 |
| | 07/01/15 | 07/01/18 | 0% | 3,201 | 3,201 |
| Bonds: | 02/07/13 | 05/01/27 | 1.0-2.2% | 9,495,000 | 8,380,000 |
| | 09/01/06 | 09/01/16 | 4.50% | 5,200,000 | 60,000 |
| | 04/15/06 | 04/01/16 | 4.0-4.13% | 2,015,000 | <u>260,000</u> |
| Total general obligation debt | | | | | <u>\$ 9,600,406</u> |
| Government activity debt | | | | | \$ 900,406 |
| Business-type activity debt | | | | | <u>8,700,000</u> |
| Total general obligation debt | | | | | <u>\$ 9,600,406</u> |

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations (continued)

General Obligation Debt (continued)

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed five percent of the equalized value of taxable property within the Village's jurisdiction. As of December 31, 2015, the Village has used 22.09% of the debt limit.

The following summarizes the debt limit calculation as of December 31, 2015:

| | | |
|---|-----------|--------------------------|
| Equalized Value January 1, 2015 | \$ | <u>942,920,100</u> |
| Debt limit (5% of equalized value) | \$ | 47,146,005 |
| General Obligation Debt outstanding | | <u>(9,600,406)</u> |
| Remaining Margin of Indebtedness Available | \$ | <u>37,545,599</u> |
| Ratio of applicable general obligation debt to debt limit | | <u>20.36 %</u> |

Debt Maturities

Debt service requirements to maturity for long-term debt are as follows:

Governmental Activities:

| Year | <u>General Obligation Debt</u> | | |
|---------------|--------------------------------|-------------------------|--------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2016 | \$ 256,064 | \$ 20,792 | \$ 276,856 |
| 2017 | 206,384 | 18,957 | 225,341 |
| 2018 | 184,935 | 12,591 | 197,526 |
| 2019 | 147,767 | 7,182 | 154,949 |
| 2020 | 98,162 | 2,846 | 101,008 |
| 2021-2025 | 7,094 | --- | 7,094 |
| Totals | \$ <u>900,406</u> | \$ <u>62,368</u> | \$ <u>962,774</u> |

Business-type Activities:

| Year | <u>General Obligation Debt</u> | | |
|---------------|--------------------------------|----------------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2016 | \$ 885,000 | \$ 172,185 | \$ 1,057,185 |
| 2017 | 640,000 | 152,235 | 792,235 |
| 2018 | 655,000 | 139,285 | 794,285 |
| 2019 | 665,000 | 126,085 | 791,085 |
| 2020 | 680,000 | 112,635 | 792,635 |
| 2021-2025 | 3,625,000 | 350,925 | 3,975,925 |
| 2026-2030 | 1,550,000 | 33,938 | 1,583,938 |
| Totals | \$ <u>8,700,000</u> | \$ <u>1,087,288</u> | \$ <u>9,787,288</u> |

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Long-Term Obligations (continued)

Total Primary Government

| <u>Year</u> | <u>General Obligation Debt</u> | | |
|---------------|--------------------------------|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2016 | \$ 1,141,064 | \$ 192,977 | \$ 1,334,041 |
| 2017 | 846,384 | 171,192 | 1,017,576 |
| 2018 | 839,935 | 151,876 | 991,811 |
| 2019 | 812,767 | 133,267 | 946,034 |
| 2020 | 778,162 | 115,481 | 893,643 |
| 2021-2025 | 3,632,094 | 350,925 | 3,983,019 |
| 2026-2030 | 1,550,000 | 33,938 | 1,583,938 |
| Totals | \$ 9,600,406 | \$ 1,149,656 | \$ 10,750,062 |

Debt Premiums

Business-type Activities:

Debt premiums are deferred and amortized using the straight-line method over the life of the debt issue in both the fund statements and the government-wide statements. The unamortized debt premiums are reported in the liability section, in both the fund statements and the government-wide statements.

Activity for the year ended December 31, 2015 is summarized as follows:

| | <u>Balance January 1, 2015</u> | <u>Additions</u> | <u>Amortization</u> | <u>Balance December 31, 2015</u> |
|--------------------------|--|------------------|---------------------|--|
| Business-type Activities | \$ 140,920 | \$ --- | \$ (11,743) | \$ 129,177 |

Debt Refundings

On February 7, 2013 the Summit Utility District No. 2 issued \$9,495,000 of General Obligation Refunding Bonds, which mature on May 1, 2027. Part of this issue represented a current refunding of Summit Utility District No. 2's Clean Water Fund Loan. The remaining principal balance of \$4,270,172 on the Clean Water Fund Loan was paid off with the proceeds from the new debt. In addition, part of this new debt issue represented an advanced refunding, in which a portion of the \$5,200,000 General Obligation Refunding Bonds were defeased by placing the proceeds of the refunding bonds in irrevocable escrow accounts to meet future debt service requirements as they become due. As a result of the advance refunding, the Village decreased its total future debt service requirements by \$947,984, which resulted in an economic gain (difference between the present value of the debt service payments on the old debt and the cost of defeasance) of \$1,028,182. The principal of the defeased bonds totaled \$4,935,000. As of December 31, 2014 and 2013, \$4,935,000 of the defeased bonds remain outstanding.

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.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

G. Net Position and Fund Balances

Government-wide Financial Statement Net Position

Governmental Activities

Governmental net position consists of the following:

Net Investment in Capital Assets:

| | | |
|--|------------------|---------------------|
| Land and construction in progress | \$ 1,350,568 | |
| Other capital assets net of accumulated depreciation | 3,544,959 | |
| Less: related long-term debt | <u>(849,617)</u> | |
| Total Net Investment in Capital Assets | | \$ 4,045,910 |

Restricted for:

| | | |
|--------------------------------|----------------|----------------|
| Land acquisition | 3,040 | |
| Cemetery | 271,258 | |
| Genesee Lakes Utility District | 29,494 | |
| Impact fees | 65,659 | |
| Capital projects | 31,546 | |
| AED Equipment | 500 | |
| WRS pension | <u>508,680</u> | |
| Total Restricted | | 910,177 |

| | | |
|--|--|----------------------------|
| Unrestricted | | <u>1,942,102</u> |
| Total Governmental Net Position | | \$ <u>6,898,189</u> |

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

G. Net Position and Fund Balances (continued)

Government-Wide Financial Statement Net Position (continued)

Business-type Activities

Business-type net position consists of the following:

Net Investment in Capital Assets:

| | |
|--|------------------|
| Land | \$ 92,861 |
| Other capital assets net of accumulated depreciation | 11,756,386 |
| Less: related long-term debt, net of unamortized debt issuance costs | (8,700,000) |
| Less: unamortized debt premium | <u>(129,177)</u> |

Net Investment in Capital Assets \$ 3,020,070

Unrestricted 1,310,456

Total Business-type Net Position \$ 4,330,526

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

3. Detail Notes on Transaction Classes and Accounts (continued)

G. Net Position and Fund Balances (continued)

Fund Financial Statements

Governmental fund balances consist of the following:

Major Funds:

General Fund:

Nonspendable:

| | | | |
|------------------------------|----|--------|--|
| Long-term advance receivable | \$ | 35,000 | |
| Prepaid expenses | | 25,426 | |
| | | | |

Subtotal 60,426

Restricted:

AED equipment 500

Committed:

| | | | |
|-----------------------|--|-----------|--|
| Facility improvements | | 1,220,434 | |
| Unassigned | | 837,802 | |
| | | | |

Total General Fund \$ 2,119,162

Capital Projects Fund:

Restricted:

| | | | |
|------------------|----|--------|--|
| Capital projects | \$ | 31,546 | |
| | | | |

Nonmajor Governmental Funds:

Restricted:

| | | | |
|--------------------------------|----|---------|--|
| Land acquisition | \$ | 3,040 | |
| Cemetery | | 271,258 | |
| Genesee Lakes Utility District | | 29,494 | |
| Impact fees | | 65,659 | |
| | | | |

Subtotal \$ 369,451

Unassigned (340)

Total nonmajor governmental funds \$ 369,111

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

4. Other Notes

A. Defined Benefit Pension Plan

Plan Description

The Wisconsin Retirement System (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 before July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS.

Vesting

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

Benefits Provided

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

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

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

WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

4. Other Notes (continued)

A. Defined Benefit Pension Plan (continued)

Post-Retirement Adjustments (continued)

The Core and Variable annuity adjustments granted during recent years are as follows:

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

Contributions

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

During the reporting period, the WRS recognized \$102,782 in contributions from the employer.

Contribution rates as of December 31, 2015 are:

| <u>Employee Category</u> | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General | 6.8% | 6.8% |
| Executives & Elected Officials | 7.7% | 7.7% |
| Protective with Social Security | 6.8% | 9.5% |
| Protective without Social Security | 6.8% | 13.1% |

Pension Liabilities, Pension Expense and Deferred Outflows of Resources

At December 31, 2015, the Village reported an asset of \$258,250 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The 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, 2014, the Village's proportion was 0.0105%, which was a decrease of 0.0004% from its proportion measured as of December 31, 2013.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

4. Other Notes (continued)

A. Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources (continued)

For the year ended December 31, 2015, the Village recognized pension expense of \$98,197.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 37,438 | \$ --- |
| Changes in assumptions | --- | --- |
| Net difference between projected and actual earnings on pension plan investments | 125,057 | --- |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | --- | 11,953 |
| Employer contributions subsequent to the measurement date | 99,888 | --- |
| Total | \$ 262,383 | \$ 11,953 |

The amount of \$99,888 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------|---|--|
| 2016 | \$ 31,962 | \$ (2,219) |
| 2017 | 31,962 | (2,219) |
| 2018 | 31,962 | (2,219) |
| 2019 | 31,962 | (2,219) |
| 2020 | 31,962 | (2,219) |
| Thereafter | 2,685 | (858) |

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

4. Other Notes (continued)

A. Defined Benefit Pension Plan (continued)

Actuarial Assumptions

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

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

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

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

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:

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

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

4. Other Notes (continued)

A. Defined Benefit Pension Plan (continued)

Actuarial Assumptions (Continued)

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

Sensitivity of the Village's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District'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 asset | \$728,569 | \$ (258,250) | \$ (1,037,600) |

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

Payables to the pension plan at December 31, 2015 were \$14,741. This represents contributions earned as of December 31, 2015, but for which payment was not remitted to the pension plan until subsequent to year-end.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Financial Statements
December 31, 2015

4. Other Notes (continued)

B. Risk Management

The Village is exposed to various risks of loss related to torts; theft of; damage to, or destruction of assets; and errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There are no significant reductions in coverage compared to the prior year.

C. Contingent Liabilities

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 of the Village 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.

D. Police Contract

Starting in 2011, the Village began providing police services to a local municipality. The Village received \$343,000 in the current year related to these services. In 2016, the services will provide approximately \$352,261 in revenues for the Village.

E. Commitments

During 2015 the Village entered into a contract for park facilities in the amount of \$209,957. As of December 31, 2015 \$192,520 has been expensed relating to this contract.

F. Prior-Period Adjustment

Certain adjustments have been made to the December 31, 2014 governmental activities net position. Accordingly, an adjustment was made during the year ended December 31, 2015 to decrease the governmental activities net capital assets as of December 31, 2014. The purpose of the entry was to remove capital assets that were improperly capitalized in prior years. As a result, an adjustment of \$504,095 was made to decrease the December 31, 2014 net position and to decrease net capital assets.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SUMMIT
Summit, Wisconsin

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2015

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|----------------------------|-------------------------|---------------------------|---------------------------------------|
| Revenues: | | | | |
| Taxes | \$ 1,473,462 | \$ 1,473,462 | \$ 1,476,911 | \$ 3,449 |
| Operating grants and contributions: | | | | |
| Intergovernmental | 349,259 | 349,259 | 392,903 | 43,644 |
| Other | 6,000 | 6,000 | 11,618 | 5,618 |
| Licenses and permits | 125,710 | 125,710 | 194,685 | 68,975 |
| Fines, forfeitures and penalties | 40,130 | 40,130 | 41,732 | 1,602 |
| Public charges for services | 433,830 | 433,830 | 471,972 | 38,142 |
| Intergovernmental charges for services | 437,580 | 437,580 | 433,530 | (4,050) |
| Investment income | 8,100 | 8,100 | 4,085 | (4,015) |
| Other revenues | 6,200 | 6,200 | 9,629 | 3,429 |
| Total revenues | <u>2,880,271</u> | <u>2,880,271</u> | <u>3,037,065</u> | <u>156,794</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 663,824 | 698,824 | 666,116 | 32,708 |
| Public safety | 1,403,703 | 1,403,703 | 1,353,372 | 50,331 |
| Public works | 837,469 | 837,469 | 748,415 | 89,054 |
| Health and human services | 34,010 | 34,010 | 33,477 | 533 |
| Culture, recreation and education | 264,897 | 264,897 | 15,279 | 249,618 |
| Capital outlay | --- | --- | 140,863 | (140,863) |
| Total expenditures | <u>3,203,903</u> | <u>3,238,903</u> | <u>2,957,522</u> | <u>281,381</u> |
| Excess (deficiency) of revenues over (under) expenditures | (323,632) | (358,632) | 79,543 | 438,175 |
| Other Financing Sources (Uses): | | | | |
| Debt issued | --- | --- | 3,201 | 3,201 |
| Sales of property | --- | --- | 20,963 | 20,963 |
| Transfer in | 25,632 | 25,632 | 4,280 | (21,352) |
| Transfer out | (35,000) | (35,000) | (3,870) | 31,130 |
| Total other financing sources (uses) | <u>(9,368)</u> | <u>(9,368)</u> | <u>24,574</u> | <u>33,942</u> |
| Net change in fund balance | (333,000) | (368,000) | 104,117 | 472,117 |
| Fund Balance - Beginning of Year | <u>2,015,045</u> | <u>2,015,045</u> | <u>2,015,045</u> | <u>---</u> |
| Fund Balance - End of Year | <u>\$ 1,682,045</u> | <u>\$ 1,647,045</u> | <u>\$ 2,119,162</u> | <u>\$ 472,117</u> |

See independent auditors' report.

VILLAGE OF SUMMIT

Summit, Wisconsin

Schedule of Proportionate Share of the Net Pension Asset

For the Year Ended December 31, 2015

Wisconsin Retirement System
Last 10 Fiscal Years

| | <u>2015</u> |
|--|--------------------|
| Village's proportion of the net pension asset | 0.011% |
| Village's proportionate share of the net pension asset | 258,250 |
| Village's covered-employee payroll | 1,144,847 |
| Net pension asset as a percentage of covered payroll | 22.56% |
| Plan fiduciary net position as a percentage of total pension asset | 102.74% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the

GASB Pronouncement 68 required the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

Schedule of Employer Contributions

For the Year Ended December 31, 2015

Wisconsin Retirement System
Last 10 Fiscal Years*

| | <u>2015</u> |
|---|--------------------|
| Contractually required contributions | 102,782 |
| Contributions in relation to the contractually required contributions | 102,782 |
| Contribution deficiency (excess) | --- |
| Village's covered-employee payroll | 1,144,847 |
| Contributions as a percentage of covered-employee payroll | 8.98% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the

GASB Pronouncement 68 required the presentation of the last 10 prior fiscal years completed under this pronouncement. The fiscal years completed prior to the enactment of this pronouncement are not required to be presented in this schedule.

See Independent Auditors' Report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Notes to Required Supplementary Information
December 31, 2015

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 1. C.

The Village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the fund level of expenditure.

B. Excess Expenditures Over Appropriations

| <u>Department</u> | <u>Budgeted Expenditures</u> | <u>Actual Expenditures</u> | <u>Excess Expenditures Over Budget</u> |
|----------------------|------------------------------|----------------------------|--|
| General Fund: | | | |
| Capital outlay | \$ --- | \$ 140,863 | \$ 140,863 |

The Village controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the Village's year-end budget to actual report.

The excess expenditures were funded by lower expenditures in other areas.

C. Wisconsin Retirement System

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

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF SUMMIT

Summit, Wisconsin

Combing Balance Sheet
Nonmajor Governmental Funds

December 31, 2015

| | Special Revenue Funds | | | | | Permanent Fund | Total Nonmajor Funds |
|---------------------------------------|-----------------------|---|------------------|--------------------------------|----------------------------|-------------------|----------------------|
| | Debt Service Fund | Land Acquisition and Capital Improvements | Impact Fees | Genesee Lakes Utility District | Summit Utility District #3 | Cemetery Fund | |
| Assets: | | | | | | | |
| Cash and investments | \$ 138,087 | \$ 3,040 | \$ 65,659 | \$ --- | \$ --- | \$ 396,891 | \$ 603,677 |
| Receivables: | | | | | | | |
| Taxes | 148,765 | --- | --- | 3,969 | 20,605 | --- | 173,339 |
| Due from other funds | --- | --- | --- | 29,494 | --- | --- | 29,494 |
| Total Assets | 286,852 | 3,040 | 65,659 | 33,463 | 20,605 | 396,891 | 806,510 |
| Liabilities: | | | | | | | |
| Due to other funds | --- | --- | --- | --- | 340 | 125,633 | 125,973 |
| Deferred Inflows of Resources: | | | | | | | |
| Tax roll revenue | 286,852 | --- | --- | 3,969 | 20,605 | --- | 311,426 |
| Fund Balance (Deficit): | | | | | | | |
| Restricted | --- | 3,040 | 65,659 | 29,494 | --- | 271,258 | 369,451 |
| Unassigned | --- | --- | --- | --- | (340) | --- | (340) |
| Total Fund Balance (Deficit) | \$ --- | \$ 3,040 | \$ 65,659 | \$ 29,494 | \$ (340) | \$ 271,258 | \$ 369,111 |

See independent auditors' report.

VILLAGE OF SUMMIT
Summit, Wisconsin

Combing Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2015

| | <u>Special Revenue Funds</u> | | | | | <u>Permanent Fund</u> | <u>Total Nonmajor Funds</u> |
|--|------------------------------|--|--------------------|---------------------------------------|-----------------------------------|-----------------------|-----------------------------|
| | <u>Debt Service Fund</u> | <u>Land Acquisition and Capital Improvements</u> | <u>Impact Fees</u> | <u>Genesee Lakes Utility District</u> | <u>Summit Utility District #3</u> | <u>Cemetery Fund</u> | |
| Revenues: | | | | | | | |
| Taxes | \$ 174,780 | \$ --- | \$ --- | \$ 3,969 | \$ 20,605 | \$ --- | \$ 199,354 |
| Operating grants and contributions: | | | | | | | |
| Other | --- | --- | --- | --- | --- | 1,000 | 1,000 |
| Public charges for services | --- | --- | 7,384 | --- | --- | 8,400 | 15,784 |
| Investment income | --- | --- | 45 | --- | --- | 4,280 | 4,325 |
| Total revenues | <u>174,780</u> | <u>---</u> | <u>7,429</u> | <u>3,969</u> | <u>20,605</u> | <u>13,680</u> | <u>220,463</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| Public works | --- | --- | --- | --- | 20,605 | --- | 20,605 |
| Health and human services | --- | --- | --- | --- | --- | 10,595 | 10,595 |
| Capital outlay | --- | --- | 46,000 | --- | --- | --- | 46,000 |
| Debt Service: | | | | | | | |
| Principal | 162,644 | --- | --- | --- | --- | --- | 162,644 |
| Interest and fiscal charges | 16,006 | --- | --- | --- | --- | --- | 16,006 |
| Total Expenditures | <u>178,650</u> | <u>---</u> | <u>46,000</u> | <u>---</u> | <u>20,605</u> | <u>10,595</u> | <u>255,850</u> |
| Excess (deficiency) of revenues over (under) expenditures | (3,870) | --- | (38,571) | 3,969 | --- | 3,085 | (35,387) |
| Other Financing Uses: | | | | | | | |
| Transfers in | 3,870 | --- | --- | --- | --- | --- | 3,870 |
| Transfers out | --- | --- | --- | --- | --- | (4,280) | (4,280) |
| Total other financing uses | <u>3,870</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>(4,280)</u> | <u>(410)</u> |
| Net change in fund balance | --- | --- | (38,571) | 3,969 | --- | (1,195) | (35,797) |
| Fund Balance (Deficiti), beginning of year | --- | 3,040 | 104,230 | 25,525 | (340) | 272,453 | 404,908 |
| Fund Balance (Deficit) - end of year | <u>\$ ---</u> | <u>\$ 3,040</u> | <u>\$ 65,659</u> | <u>\$ 29,494</u> | <u>\$ (340)</u> | <u>\$ 271,258</u> | <u>\$ 369,111</u> |

See independent auditors' report.