

TOWN OF WASHINGTON

Annual Financial Report

December 31, 2015

TOWN OF WASHINGTON

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Washington
Washington Island, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the Town of Washington (Town) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town'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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Town of Washington as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Town Board
Town of Washington

Changes in Accounting Principles

As discussed in Note 1, the Town adopted the provisions of Governmental Accounting Standards Board Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* as of and for the year ended December 31, 2015. Our opinion is not modified with respected to these matters.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 36 through 37 and the schedules of proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Washington's basic financial statements. The supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management. The schedules of detailed revenues and expenditures and other financing use budgetary comparison, except the budget information itself, was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except the budget information itself, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of detailed budgetary comparison, except the budget information itself, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary information itself has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.


KerberRose SC
Certified Public Accountants
April 21, 2016

BASIC FINANCIAL STATEMENTS

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TOWN OF WASHINGTON

Statement of Net Position

As of December 31, 2015

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
Cash	\$ 957,379	\$ 41,823	\$ 999,202
Receivables:			
Accounts	41,148	-	41,148
Taxes	778,898	-	778,898
Customers	-	3,804	3,804
Internal Balances	47,970	(47,970)	-
Prepaid Expenses	10,616	948	11,564
Inventory	4,882	-	4,882
Restricted Cash	429,136	-	429,136
Net Pension Asset	87,766	-	87,766
Capital Assets:			
Construction in Progress	625,072	-	625,072
Capital Assets Not Being Depreciated	1,044,533	-	1,044,533
Other Capital Assets, Net of Depreciation	3,303,463	7,506	3,310,969
Total Assets	<u>7,330,863</u>	<u>6,111</u>	<u>7,336,974</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources Related to Pension	87,625	-	87,625
LIABILITIES			
Accounts Payable	68,481	-	68,481
Accrued Liabilities	30,861	151	31,012
Accrued Interest Payable	2,389	-	2,389
Long-Term Obligations:			
Due Within One Year	152,720	-	152,720
Due in More Than One Year	559,752	-	559,752
Total Liabilities	<u>814,203</u>	<u>151</u>	<u>814,354</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources Related to Pension	943	-	943
Taxes Levied for Subsequent Period	1,027,746	-	1,027,746
Total Deferred Inflows of Resources	<u>1,028,689</u>	<u>-</u>	<u>1,028,689</u>
NET POSITION			
Net Investment in Capital Assets	4,479,377	7,506	4,486,883
Restricted for Pension Benefit	174,448	-	174,448
Unrestricted (Deficit)	921,771	(1,546)	920,225
TOTAL NET POSITION	<u>\$ 5,575,596</u>	<u>\$ 5,960</u>	<u>\$ 5,581,556</u>

Component Unit

Fire and
Rescue Squad

\$ 43,549

-
-
-
-
-
-
-

43,549

-
-

-
-
-
-
-

-
-

-
-

43,549

\$ 43,549

TOWN OF WASHINGTON
Statement of Activities
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 224,875	\$ 5,400	\$ -	\$ -
Public Safety	320,614	885	108,576	-
Public Works	686,435	27,712	153,236	374,609
Health and Human Services	135,611	13,750	-	-
Culture, Recreation and Education	455,847	321,087	-	-
Interest and Fiscal Charges	15,254	-	-	-
Total Governmental Activities	<u>1,838,636</u>	<u>368,834</u>	<u>261,812</u>	<u>374,609</u>
BUSINESS-TYPE ACTIVITIES				
Utility District	47,785	25,241	-	-
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,886,421</u>	<u>\$ 394,075</u>	<u>\$ 261,812</u>	<u>\$ 374,609</u>
COMPONENT UNIT				
Fire and Rescue Squad	\$ 35,998	\$ -	\$ -	-

GENERAL REVENUES

Property Taxes, Levied for General Purposes
Other Taxes
State and Federal Aids not Restricted to Specific Functions
Interest and Investment Earnings
Donations
Rent
Miscellaneous

Total General Revenues

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR - RESTATED

NET POSITION - END OF YEAR

Program Revenues			Component Unit
Governmental Activities	Business-Type Activities	Total	Fire and Rescue Squad
\$ (219,475)	\$ -	\$ (219,475)	\$ -
(211,153)	-	(211,153)	-
(130,878)	-	(130,878)	-
(121,861)	-	(121,861)	-
(134,760)	-	(134,760)	-
(15,254)	-	(15,254)	-
<u>(833,381)</u>	<u>-</u>	<u>(833,381)</u>	<u>-</u>
-	(22,544)	(22,544)	-
<u>(833,381)</u>	<u>(22,544)</u>	<u>(855,925)</u>	<u>-</u>
-	-	-	(35,998)
1,022,990	-	1,022,990	-
20,887	-	20,887	-
31,641	-	31,641	-
6,935	10	6,945	-
235,119	-	235,119	-
31,293	-	31,293	-
4,822	-	4,822	43,603
<u>1,353,687</u>	<u>10</u>	<u>1,353,697</u>	<u>43,603</u>
520,306	(22,534)	497,772	7,605
<u>5,055,290</u>	<u>28,494</u>	<u>5,083,784</u>	<u>35,944</u>
<u>\$ 5,575,596</u>	<u>\$ 5,960</u>	<u>\$ 5,581,556</u>	<u>\$ 43,549</u>

See Accompanying Notes

TOWN OF WASHINGTON

Balance Sheet

Governmental Fund

As of December 31, 2015

	<u>General</u>
ASSETS	
Cash	\$ 957,379
Accounts Receivable	41,148
Taxes Receivable	778,898
Restricted Cash	429,136
Prepaid Items	10,616
Inventory	4,882
Due from Other Fund	47,970
TOTAL ASSETS	<u><u>\$ 2,270,029</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 68,481
Accrued Liabilities	30,861
Total Liabilities	<u>99,342</u>
DEFERRED INFLOWS OF RESOURCES	
Taxes Levied for Subsequent Period	<u>1,027,746</u>
FUND BALANCE	
Nonspendable	
Prepaid Items	10,616
Inventory	4,882
Committed	
Landfill Escrow	35,678
Landfill Long-Term Closure	144,610
Assigned	
Archives	24,619
Dock	40,286
Red Barn	58,937
Community Center	39,531
Unassigned	783,782
Total Fund Balance	<u>1,142,941</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 2,270,029</u></u>

See Accompanying Notes

TOWN OF WASHINGTON

Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position
As of December 31, 2015

Total Fund Balance - Governmental Fund \$ 1,142,941

Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental fund balance because

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental Capital Assets	8,779,556	
Governmental Accumulated Depreciation	<u>(3,806,488)</u>	4,973,068

Amounts related to the pension plan that are not current financial resources and therefore are not reported in the fund financial statements.

174,448

Certain liabilities, including bonds and notes payable, are not due in the current period and are therefore not reported in the fund statements. Liabilities reported in the statement of net position that are not reported in the funds balance sheet:

General Debt	(391,506)	
Accrued Interest	(2,389)	
Vested Employee Benefits	(27,971)	
Post-Employment Benefits	(46,200)	
Closure and Post-Closure Costs	(144,610)	
Capital Lease	<u>(102,185)</u>	<u>(714,861)</u>

Total Net Position - Governmental Activities

\$ 5,575,596

TOWN OF WASHINGTON

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES			
Taxes	\$ 1,043,988	\$ -	\$ 1,043,988
Intergovernmental	677,329	-	677,329
Licenses and Permits	5,400	-	5,400
Fines and Forfeitures	885	-	885
Public Charges for Services	361,745	-	361,745
Miscellaneous	269,588	-	269,588
Total Revenues	<u>2,358,935</u>	<u>-</u>	<u>2,358,935</u>
EXPENDITURES			
Current:			
General Government	202,252	-	202,252
Public Safety	289,700	-	289,700
Public Works	569,011	-	569,011
Health and Human Services	135,611	-	135,611
Culture, Recreation and Education	392,755	-	392,755
Capital Outlay	789,749	-	789,749
Debt Service:			
Principal	-	107,066	107,066
Interest and Fiscal Charges	-	15,384	15,384
Total Expenditures	<u>2,379,078</u>	<u>122,450</u>	<u>2,501,528</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(20,143)</u>	<u>(122,450)</u>	<u>(142,593)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	122,450	122,450
Transfers Out	(122,450)	-	(122,450)
Total Other Financing Sources (Uses)	<u>(122,450)</u>	<u>122,450</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(142,593)	-	(142,593)
FUND BALANCES - BEGINNING	<u>1,285,534</u>	<u>-</u>	<u>1,285,534</u>
FUND BALANCES - ENDING	<u>\$ 1,142,941</u>	<u>\$ -</u>	<u>\$ 1,142,941</u>

See Accompanying Notes

TOWN OF WASHINGTON

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

Net Change In Fund Balances - Total Governmental Funds \$ (142,593)

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statement	789,749	
Depreciation expense reported in the statement of activities	<u>(237,280)</u>	
Amount by which capital outlays are more than depreciation in the current period.		552,469

The Town disposed of outdated equipment resulting in a reduction of capital assets and recapture of prior year depreciation expenses reported on the statement of activities as a net loss and has no effect on the governmental funds balance sheet.

The value of capital assets disposed of during the year	(10,900)	
The amount of depreciation recaptured for the year	<u>10,300</u>	
Amount by which disposals exceeded depreciation recapture		(600)

Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. In the current year, the amount paid is greater than the amount earned by

1,427

Closure and post-closure costs in governmental funds are reported as expenditures, but is reported as an increase in outstanding long-term debt in the statement of net position, and does not affect the statement of activities.

(7,021)

Post-employment benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. In the current year, the amount paid is

9,600

Amounts related to the pension plan that do not use current financial resources are not reported in the fund financial statements.

(179)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year		107,066
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Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues. In the current year, the amount of interest accrued is less than interest paid by

137

Change in Net Position - Governmental Activities **\$ 520,306**

TOWN OF WASHINGTON

Statement of Net Position

Proprietary Fund

As of December 31, 2015

	<u>Utility District</u>
CURRENT ASSETS	
Cash	\$ 41,823
Accounts Receivable	3,804
Prepaid Expenses	948
Total Current Assets	<u>46,575</u>
NON-CURRENT ASSETS	
Capital Assets, Net of Depreciation	7,506
Total Assets	<u>54,081</u>
LIABILITIES	
Accrued Liabilities	151
Due to Other Fund	47,970
Total Liabilities	<u>48,121</u>
NET POSITION	
Investment in Capital Assets	7,506
Unrestricted (Deficit)	(1,546)
Total Net Position	<u>\$ 5,960</u>

TOWN OF WASHINGTON
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2015

	Utility District
OPERATING REVENUES	
Public Charges for Services	\$ 25,241
OPERATING EXPENSES	
General and Administrative	46,894
Depreciation Expense	891
Total Operating Expenses	47,785
OPERATING LOSS	(22,544)
NONOPERATING REVENUES	
Interest Income	10
CHANGE IN NET POSITION	(22,534)
NET POSITION - BEGINNING OF YEAR	28,494
NET POSITION - END OF YEAR	\$ 5,960

TOWN OF WASHINGTON
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

	Utility District
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from User Charges	\$ 23,837
Cash Payments to Suppliers	(64,692)
Cash Payments to Employees	(6,622)
Net Cash Flows From Operating Activities	(47,477)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Municipality	47,970
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	10
NET INCREASE IN CASH	503
CASH - BEGINNING OF YEAR	41,320
CASH - END OF YEAR	\$ 41,823
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating Loss	\$ (22,544)
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities:	
Depreciation	891
Changes in Assets and Liabilities:	
Accounts Receivable	(1,404)
Prepaid Expenses	(948)
Accounts Payable	(23,472)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (47,477)

TOWN OF WASHINGTON

Statement of Net Position

Fiduciary Fund

As of December 31, 2015

	<u>Agency - Tax Collection Fund</u>
ASSETS	
Restricted Cash	\$ 655,205
Taxes Receivable	<u>2,050,796</u>
Total Assets	<u>2,706,001</u>
 LIABILITIES	
Due to Other Taxing Units	<u>2,706,001</u>
 NET POSITION	<u><u>\$ -</u></u>

See Accompanying Notes

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Town of Washington (Town) is presented to assist in understanding the Town's financial statements. The financial statements and notes are representations of the Town's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements, except for the implementation of new accounting standards as explained later within this footnote. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the Town is discussed below.

REPORTING ENTITY

The Town of Washington is incorporated, and is governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town. The Town has identified the Fire and Rescue Squad as discretely presented component unit.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included as program revenues are reported instead as general revenues.

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

FUND FINANCIAL STATEMENTS

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major proprietary funds are reported as separate columns in the fund financial statements.

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 utility district fund are charges to customers for services. Operating expenses for the fund includes the cost of administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS (Continued)

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 Town or meets the following criteria:

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

Governmental Funds

Governmental funds are identified as either general or debt service based upon the following guidelines.

General Fund

The general fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal, interest, and related costs.

Business-Type Activities

Enterprise Funds

Enterprise funds may be used to account for activities where a fee is charged to external users for goods and services. Enterprise activities must include operations (a) that are financed with debt that is secured solely by the pledge of the net revenues of the fund, (b) where laws or regulations require that the costs of the activity be recovered with fees and charges, or (c) where the fees and charges are priced in a way designed to recover the costs of the activity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

Major Funds

The Town reports the following major governmental funds:

General Fund - Accounts for the Town's primary operating activities.

Debt Service Fund - Accounts for the principal and interest payments on debt.

The Town reports the following major proprietary fund:

Utility District Fund - Accounts for the Town's utility operating activities.

Fiduciary Funds

The Town reports the following agency fund:

Tax Collection - Accounts for the assets held for other taxing entities

Component Unit

The Town reports the following component unit:

Discretely Projected Component Unit:

Fire and Rescue Squad - Accounts for the operating activities of the fire department and ambulance service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets, current liabilities, and current deferred inflows of resources) or economic resources (all assets, liabilities, and deferred inflows of resources). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The fiduciary fund has no measurement focus and uses the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CASH

For the purposes of the statement of cash flows, cash deposits with a maturity of three months or less from the date of purchase are considered to be cash equivalents.

ACCOUNTS RECEIVABLE

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

INVENTORY

Inventory is recorded at cost, which approximates market, using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventory of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CAPITAL ASSETS

Government-Wide Statements

Capital assets, which include land, buildings and improvements, machinery and equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$1,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Governmental Activities Years</u>	<u>Business-Type Activities Years</u>
Buildings and Improvements	20 - 50	-
Machinery and Equipment	5 - 20	5 - 20
Infrastructure	7 - 20	-

Fund Financial Statements

Capital assets, used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

COMPENSATED ABSENCES

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation is accrued when incurred in the government-wide statements. A liability for this amount is reported in the governmental funds in the fund financial statements only if they have matured. There is no accrual for sick leave because this amount is not paid out at termination and the liability is uncertain.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position of the governmental activities and balance sheet report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. Accordingly, deferred outflows of resources related to pension is reported in the governmental activities statement of net position. The deferred outflows related to pension are explained further in Note 11.

In addition to liabilities, the statement of net position of the governmental activities and balance sheet report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has two deferred inflows of resources, which arise under the full accrual basis of accounting. Accordingly, taxes levied for subsequent period and deferred inflows of resources related to pension are reported in the statement of net position of the governmental activities. In addition, the taxes levied for subsequent period is reported in the governmental fund statements. The deferred inflows related to pension are explained further in Note 11.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LONG-TERM OBLIGATIONS

The accounting treatment of long-term debt depends on whether it is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, capital leases, and closure and post-closure costs.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. In governmental funds, debt issuance costs are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

INTERFUND TRANSACTIONS

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are reported as a nonspendable in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

EQUITY CLASSIFICATIONS

Government-Wide Statements

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

- 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.
- Restricted net position – Consists of net amounts 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.
- Unrestricted net position – Is the net amount that does not meet the definition of "restricted" or "net investment in capital assets."

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EQUITY CLASSIFICATIONS (Continued)

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

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period. The Town Board is the decision-making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance represents amounts constrained by the Town Board for a specific intended purpose. The Town has not delegated that authority to others. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

The Town, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The Town has set a minimum fund balance reserve of 25% of the current levy value. Based on the current levy value, the amount is \$255,748.

USE OF ESTIMATES

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

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The Town implemented Governmental Accounting Standards Board Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the year ended December 31, 2015. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability/asset for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability/asset is the government-wide statement and is computed differently in the current year, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In addition, Statement No. 71 eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing Statement No. 68. It requires that when a government is transitioning to the new pension standard that it recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation.

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 2 - CASH

The Town maintains funds available for use by the governmental and business-type funds. These accounts are displayed on the statement of net position and balance sheet as "Cash." In addition, the Agency Fund uses a separate and distinct account.

The Town is authorized to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- 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, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics Authority.
- Bonds or securities guaranteed by the federal government.
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust.
- Any security maturing in seven years or less and having the highest or second highest rating category of a 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.

Additional restrictions could arise from local charters, ordinances, resolutions and grant regulations of the Town.

At December 31, 2015, the bank balance of cash was \$1,973,925. The Town maintains its cash accounts at two financial institutions. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts) and up to \$250,000 for the combined amount of all interest and non-interest bearing demand deposit accounts.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2015, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted below.

As of December 31, 2015, the Town had the following:

Fully Insured Deposits	\$ 513,333
Collateralized	<u>1,460,592</u>
Total	<u><u>\$ 1,973,925</u></u>

The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit at December 31, 2015.

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 3 - RESTRICTED ASSETS

Restricted assets on December 31, 2015 consisted of cash totaling \$1,084,341 held for the following purposes:

<u>Fund</u>		<u>Purpose</u>
General Fund	\$ 248,848	Tax revenues to be used for subsequent years expenditures
General Fund	<u>180,288</u>	Reserves for landfill escrow and long-term closure
	<u>429,136</u>	
Agency Fund	<u>655,205</u>	Advance tax collections to be paid over to other taxing districts.
Total Restricted Assets	<u>\$ 1,084,341</u>	

NOTE 4 - PROPERTY TAXES

Property taxes consist of taxes on real estate and personal property. They are levied during December and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable in full on or before January 31. Real estate taxes are payable in full by January 31, or in two equal installments on or before January 31 and July 31. Real estate taxes not paid by January 31 are assumed by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Town.

The County bills and collects on behalf of the Town, its property taxes, taxes for the School District of Washington Island, Northeast Wisconsin Technical College and the State of Wisconsin and these are deposited in accounts held by the Town.

Under 2011 Wisconsin Act 32, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit.

NOTE 5 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFER

Interfund receivable and payable between individual funds of the Town as of December 31, 2015 is detailed below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Utility District	<u>\$ 47,970</u>	Year End Cash Flow Timing

Interfund transfer for the year ended December 31, 2015 is as follows:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service Fund	General Fund	<u>\$ 122,450</u>	Annual Debt Service Payments

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 6 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land and Improvements	\$ 873,033	\$ 171,500	\$ -	\$ 1,044,533
Construction in Progress	250,464	374,608	-	625,072
Total Capital Assets not Being Depreciated	<u>1,123,497</u>	<u>546,108</u>	<u>-</u>	<u>1,669,605</u>
Other Capital Assets:				
Buildings and Improvements	3,461,818	200,092	-	3,661,910
Machinery and Equipment	1,794,261	43,549	(10,900)	1,826,910
Infrastructure	1,621,131	-	-	1,621,131
Total Capital Assets Being Depreciated	<u>6,877,210</u>	<u>243,641</u>	<u>(10,900)</u>	<u>7,109,951</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,583,857)	(82,735)	-	(1,666,592)
Machinery and Equipment	(1,418,002)	(73,686)	10,300	(1,481,388)
Infrastructure	(577,649)	(80,859)	-	(658,508)
Total Accumulated Depreciation	<u>(3,579,508)</u>	<u>(237,280)</u>	<u>10,300</u>	<u>(3,806,488)</u>
Total Capital Assets Being Depreciated, Net of Depreciation	<u>3,297,702</u>	<u>6,361</u>	<u>(600)</u>	<u>3,303,463</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,421,199</u>	<u>\$ 552,469</u>	<u>\$ (600)</u>	<u>\$ 4,973,068</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets being Depreciated:				
Property and Equipment	\$ 13,368	\$ -	\$ -	\$ 13,368
Less Accumulated Depreciation	<u>(4,971)</u>	<u>(891)</u>	<u>-</u>	<u>(5,862)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,397</u>	<u>\$ (891)</u>	<u>\$ -</u>	<u>\$ 7,506</u>

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the Town as follows:

Governmental	
General Government	\$ 21,640
Public Safety	30,778
Public Works	121,883
Culture, Recreation and Education	62,979
Total Depreciation Expense for Governmental Activities	<u>\$ 237,280</u>

NOTE 7 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2015:

	<u>Outstanding</u> <u>1/1/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding</u> <u>12/31/15</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General Obligation Debt:					
Note	\$ 454,299	\$ -	\$ 62,793	\$ 391,506	\$ 66,765
Capital Leases	146,458	-	44,273	102,185	48,384
Closure and Post-Closure					
Costs	137,589	7,021	-	144,610	-
Retirement Benefits	55,800	-	9,600	46,200	9,600
Compensated Absences	29,398	27,971	29,398	27,971	27,971
Governmental Activity					
Long-Term Liabilities	<u>\$ 823,544</u>	<u>\$ 34,992</u>	<u>\$ 146,064</u>	<u>\$ 1,103,978</u>	<u>\$ 152,720</u>

	<u>Date of</u> <u>Issuance</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Original</u> <u>Indebtedness</u>	<u>Outstanding</u> <u>12/31/2015</u>
Governmental Activities:					
Bank Note	10/23/2012	10/23/2017	2.90%	\$ 650,000	\$ 391,506
Capital Lease	1/3/2013	1/3/2018	2.05%	236,600	102,185
Total Governmental Activity					
Long-Term Liabilities					<u>\$ 493,691</u>

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 7 - LONG-TERM OBLIGATIONS (Continued)

Debt service requirements to maturity are as follows:

	Governmental Activities		
	Principal	Interest	Total
2016	\$ 115,149	\$ 15,025	\$ 130,174
2017	374,352	12,089	386,441
2018	4,190	9	4,199
Total	\$ 493,691	\$ 27,123	\$ 520,814

The 2015 equalized valuation of the Town as certified by the Wisconsin Department of Revenue is \$290,161,400. The legal debt limit and margin of indebtedness as of December 31, 2015, in accordance with Section 67.03 of the Wisconsin Statutes follow:

Debt Limit (5% of 290,161,400)	\$ 14,508,070
Deduct long-term debt applicable to debt margin	493,691
Remaining Margin of Indebtedness Available	\$ 14,014,379

NOTE 8 - ENVIRONMENTAL MATTERS

The Town was contacted by the DNR concerning its closed non-combustible landfill site that was used by the Town where underground water contamination was detected. In 1996, as part of an Administrative Order issued by the Wisconsin Department of Natural Resources, the Town has installed and is currently monitoring two groundwater wells in the area. The Town continues the implementation of a long-term groundwater monitoring plan.

The estimated annual monitoring cost for natural attenuation is \$3,000. The present value of total operation and maintenance costs for the next forty years has been estimated at \$144,610. This estimate is subject to changes from deflation, inflation, technology, or changes in laws and regulations.

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 9 - OPERATING LEASES

The Town is the lessee of a copier and land under operating leases. Presented below is a schedule of future minimum lease payments at December 31, 2015:

<u>Year Ending</u>	<u>Amount</u>
2016	\$ 16,094
2017	15,379
2018	15,775
2019	16,184
2020	16,604
Thereafter	181
	<u>\$ 80,217</u>

Rent expense for the operating leases for the year ended December 31, 2015 was \$46,051.

The Town is the lessor of land and a portion of its building under an operating lease. Presented below is a schedule of future minimum lease revenues at December 31, 2015:

<u>Year Ending</u>	<u>Amount</u>
2016	\$ 28,645
2017	5,499
2018	5,554
2019	5,610
2020	5,666
Thereafter	16,913
	<u>\$ 67,887</u>

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 10 - NET POSITION

Government-wide Statements

Net position reported on the government-wide statement of net position at December 31, 2015 includes the following:

Net Investment in Capital Assets	
Net Capital Assets	\$ 4,980,574
Less: Related Long-Term Debt Outstanding	<u>(493,691)</u>
Net Investment in Capital Assets	<u>4,486,883</u>
Restricted for Pension Benefit	<u>174,448</u>
Unrestricted	<u>920,225</u>
Total Net Position	<u>\$ 5,581,556</u>

NOTE 11 - BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 11 - BENEFIT PENSION PLAN (Continued)

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

The WRS also provides death and disability benefits for employees.

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

<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 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 \$34,080 in contributions from the Town.

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

At December 31, 2015, the Town reported an asset of \$87,766 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension asset 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 Town's proportion of the net pension asset was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Town's proportion was 0.00357314%, which was an decrease of 0.00000827% from its proportion measured as of December 31, 2013.

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 11 - BENEFIT PENSION PLAN (Continued)

For the year ended December 31, 2015, the Town recognized pension expense of \$34,226.

At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual experiences	\$ 12,723	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investment	42,501	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	943
Employer contributions subsequent to the measurement date	32,401	-
Total	<u>\$ 87,625</u>	<u>\$ 943</u>

The \$32,401 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 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:

<u>Year ended December 31,</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 10,862	\$ 175
2017	10,862	175
2018	10,862	175
2019	10,862	175
2020	10,862	175
Thereafter	914	68

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 11 - 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 (asset) for December 31, 2014 is based upon a roll-forward of the asset 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)%

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability (asset). 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 (asset).

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 11 - BENEFIT PENSION PLAN (Continued)

Sensitivity of the Town's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Town'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:

	<u>1% Decrease to Discount Rate (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase To Discount Rate (8.20%)</u>
Town's proportionate share of the net pension liability (asset)	\$247,603	(\$87,766)	(\$352,627)

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

The Town is required to remit the monthly required contribution for both the employee and Town portions by the last day of the following month. The amount due to WRS as of December 31, 2015 is \$12,700.

NOTE 12 - FIRE DEPARTMENT RETIREMENT

The Washington Island Fire Department has enrolled in a length of service award program, a program developed by the State of Wisconsin. This is a defined contribution plan.

Upon completion of 10 years of service, participants will be 50 percent vested. An additional 5 percent vesting will be accumulated for each subsequent year of service. Upon completion of 20 years of service, participants will be fully vested.

The contribution for 2015 was \$12,339.

NOTE 13 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Town purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in any of the past three years.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

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

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 14 - COMMITMENTS AND CONTINGENCIES (Continued)

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

The Town has two open contract as of December 31, 2015. One in the amount of \$135,000 to help subsidize the wages of the doctor at the medical clinic for 2016. Another in the amount of \$16,300 for appraisal dredging through 2017.

The Town is currently involved in a lawsuit with the State of Wisconsin Department of Workforce Development – Equal Rights Division (ERD) on two discrimination charges. A merit hearing in front of ERD administrative law judge is set for August 23 and 24, 2016. The potential loss would be approximately \$78,000 and recovery of attorney fees.

NOTE 15 - COMPONENT UNIT

The Fire and Rescue Squad (Organization) is included as a component unit in discrete column on the statement of net position and the statement of activities. The Organization provides services to the Town of Washington. The Organization utilizes the full accrual basis of accounting. The following additional disclosures are considered necessary for a fair presentation.

Cash

At December 31, 2015, the bank balance of cash was \$43,549. The Organization maintains its cash accounts at one financial institution. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Organization deposits may not be returned. The Organization does not have a deposit policy for custodial credit risk.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts) and up to \$250,000 for the combined amount of all interest and non-interest bearing demand deposit accounts.

As of December 31, 2015 the Organization has the following deposits:

Fully Insured Deposits	<u>\$ 43,549</u>
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NOTE 16 - UPCOMING ACCOUNTING POUNDCEMENT

The GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 defines fair value, how fair value is measured, what assets and liabilities should be measured at fair value, and what information about fair value should be reported in the notes to the financial statements. Additionally, GASB Statement No. 72 utilizes a three-level hierarchy for measuring fair value. The Town is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending December 31, 2016.

TOWN OF WASHINGTON
Notes to Basic Financial Statements
December 31, 2015

NOTE 17 - RESTATEMENT OF BEGINNING NET POSITION

The restatement of net position in the government-wide financial statements was the result of implementing Governmental Accounting Standards Board Statements No. 68 and No. 71 which required governmental entities to recognize their pension benefit obligation as an asset for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

Net Position - As of December 31, 2014	\$ 4,880,664
Pension Asset	140,545
Pension Plan - Contributions After Measurement Date	<u>34,081</u>
Net Position - As Restated December 31, 2014	<u>\$ 5,055,290</u>

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WASHINGTON
Schedules of Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions
Wisconsin Retirement System
Last 10 Fiscal Years*

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

	2015
Town's proportion of the net pension liability (asset)	0.00357314%
Town's proportionate share of the net pension liability (asset)	\$ (87,766)
Town's covered-employee payroll	\$ 446,003
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-19.68%
Plan fiduciary net position as a percentage fo the total pension liability (asset)	102.74%

Schedule of Employer Contributions

	2015
Contractually required contributions	\$ 34,080
Contributions in relation to the contractually required contributions	(34,080)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 446,003
Contributions as a percentage of covered-employee payroll	7.64%

*The amounts presented for each year were determined as of the previous calendar year-end. Presented data is all that is available for 2015. Ten years of data will be accumulated beginning with 2015.

TOWN OF WASHINGTON
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
REVENUES		
Taxes	\$ 1,037,990	\$ 1,037,990
Intergovernmental	277,545	281,367
Licenses and Permits	4,360	4,360
Fines and Forfeitures	200	200
Public Charges for Services	370,010	370,010
Miscellaneous	133,692	135,142
Total Revenues	<u>1,823,797</u>	<u>1,829,069</u>
EXPENDITURES		
Current		
General Government	237,429	237,429
Public Safety	319,358	310,484
Public Works	679,086	676,086
Health and Human Services	135,700	135,700
Culture, Recreation and Education	493,562	462,659
Capital Outlay	-	228,573
Total Expenditures	<u>1,865,135</u>	<u>2,050,931</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(41,338)</u>	<u>(221,862)</u>
OTHER FINANCING USE		
Transfer Out	<u>(75,286)</u>	<u>(75,286)</u>
NET CHANGE IN FUND BALANCE	(116,624)	(297,148)
FUND BALANCE - BEGINNING	<u>1,285,534</u>	<u>1,285,534</u>
FUND BALANCE - ENDING	<u>\$ 1,168,910</u>	<u>\$ 988,386</u>

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 1,043,988	\$ 5,998
677,329	395,962
5,400	1,040
885	685
361,745	(8,265)
269,588	134,446
<u>2,358,935</u>	<u>529,866</u>
202,252	35,177
289,700	20,784
569,011	107,075
135,611	89
392,755	69,904
789,749	(561,176)
<u>2,379,078</u>	<u>(328,147)</u>
<u>(20,143)</u>	<u>201,719</u>
<u>(122,450)</u>	<u>(47,164)</u>
(142,593)	154,555
<u>1,285,534</u>	<u>-</u>
<u>\$ 1,142,941</u>	<u>\$ 154,555</u>

BUDGETARY PROCESS

The Town follows these procedures in establishing the budgetary data:

- During October, Town management submits to the Town Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Town Board action.
- Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- During the year, formal budgetary integration is employed as a management control device for the general fund.
- Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.

BASIS OF ACCOUNTING

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

INDIVIDUAL FUNDS DISCLOSURES

Excess Expenditures Over Budget

The following had an excess of expenditures over budget for the year ended December 31, 2015:

Capital Outlay	<u>\$ 561,176</u>
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DEFINED BENEFIT PENSION PLAN

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

Changes of assumptions. There were no changes in the assumptions.

SUPPLEMENTARY INFORMATION

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TOWN OF WASHINGTON
Schedule of Detailed Revenues - Budgetary Comparison
General Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>	
	<u>Original</u>	<u>Final</u>
REVENUES		
TAXES		
General Property Taxes	\$ 1,022,990	\$ 1,022,990
Room Taxes	15,000	15,000
Interest and Penalties on Taxes	-	-
Total Taxes	<u>1,037,990</u>	<u>1,037,990</u>
INTERGOVERNMENTAL		
State Shared Revenues	16,723	16,723
State Fire Insurance Dues	7,000	7,000
Exempt Computer Aid	120	120
Highway Safety - Federal	-	3,822
Airport Grant	-	-
Police Training	320	320
Police - County	100,000	100,000
State Highway Aids	126,637	126,637
Highway - County	10,000	10,000
Recycling - County	4,000	4,000
Parks - County	1,500	1,500
Municipal Services	1,020	1,020
Forest Cropland/Managed Forest	10,225	10,225
Total Intergovernmental	<u>277,545</u>	<u>281,367</u>
LICENSES AND PERMITS		
Business and Occupational Licenses	4,130	4,130
Nonbusiness Licenses	230	230
Total Licenses and Permits	<u>4,360</u>	<u>4,360</u>
FINES, FORFEITURES AND PENALTIES		
Law and Ordinance Violations	<u>200</u>	<u>200</u>

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 1,022,990	\$ -
20,887	5,887
111	111
<u>1,043,988</u>	<u>5,998</u>
17,477	754
8,256	1,256
116	(4)
3,822	-
374,609	374,609
320	-
100,000	-
126,637	-
18,688	8,688
4,088	88
9,268	7,768
1,419	399
12,629	2,404
<u>677,329</u>	<u>395,962</u>
4,935	805
465	235
<u>5,400</u>	<u>1,040</u>
<u>885</u>	<u>685</u>

TOWN OF WASHINGTON
Schedule of Detailed Revenues - Budgetary Comparison - Continued
General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts	
	Original	Final
PUBLIC CHARGES FOR SERVICES		
Airport	\$ 5,000	\$ 5,000
Sewage Service	59,840	59,840
Refuse and Garbage Collection	8,000	8,000
Cemetery	3,000	3,000
Jacobsen Museum	6,000	6,000
Recreation Center	277,770	277,770
Welcome Center	400	400
Jackson Harbor	10,000	10,000
Total Public Charges for Services	370,010	370,010
MISCELLANEOUS		
Interest and Investment Income	1,500	1,500
Rent	30,630	30,630
Donations	98,942	100,392
Other Revenues	2,620	2,620
Total Miscellaneous	133,692	135,142
TOTAL REVENUES	\$ 1,823,797	\$ 1,829,069

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 5,031	\$ 31
-	(59,840)
22,681	14,681
13,750	10,750
16,790	10,790
281,242	3,472
780	380
21,471	11,471
<u>361,745</u>	<u>(8,265)</u>
6,824	5,324
31,293	663
226,655	126,263
4,816	2,196
<u>269,588</u>	<u>134,446</u>
<u>\$ 2,358,935</u>	<u>\$ 529,866</u>

TOWN OF WASHINGTON

Schedule of Detailed Expenditures and Other Financing Use - Budgetary Comparison

General Fund

For the Year Ended December 31, 2015

	Budgeted Amounts	
	Original	Final
EXPENDITURES AND OTHER FINANCING USE		
GENERAL GOVERNMENT		
Legislative	\$ 19,952	\$ 19,952
Legal	7,000	7,000
Clerk/Treasurer and Elections	143,634	143,634
Assessor	10,000	10,000
Auditing	11,500	11,500
Insurance	19,355	19,355
Town Hall	24,428	24,428
Miscellaneous	1,560	1,560
Total General Government	237,429	237,429
PUBLIC SAFETY		
Law Enforcement	189,685	189,685
Fire Protection	124,853	115,979
Emergency	4,820	4,820
Total Public Safety	319,358	310,484
PUBLIC WORKS		
Town Shop	29,900	29,900
Highway	365,731	362,731
Waste Disposal	151,900	151,900
Airport	19,215	19,215
Street Lighting	2,500	2,500
Sewage Service	59,840	59,840
Highway Construction	50,000	50,000
Total Public Works	679,086	676,086
HEALTH AND HUMAN SERVICES		
Public Health	135,200	135,200
Cemetery	500	500
Total Health and Human Services	135,700	135,700

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 17,136	\$ 2,816
12,939	(5,939)
117,048	26,586
9,719	281
11,253	247
9,619	9,736
20,095	4,333
4,443	(2,883)
<u>202,252</u>	<u>35,177</u>
181,301	8,384
104,038	11,941
4,361	459
<u>289,700</u>	<u>20,784</u>
21,644	8,256
343,262	19,469
178,557	(26,657)
16,494	2,721
3,039	(539)
-	59,840
6,015	43,985
<u>569,011</u>	<u>107,075</u>
135,200	-
411	89
<u>135,611</u>	<u>89</u>

TOWN OF WASHINGTON

Schedule of Detailed Expenditures and Other Financing Use - Budgetary Comparison - Continued

General Fund

For the Year Ended December 31, 2015

	Budgeted Amounts	
	Original	Final
CULTURE, RECREATION AND EDUCATION		
Art and Nature Center	\$ 2,000	\$ 2,000
Archives	16,742	16,742
Community Center	67,500	46,359
Community Van	10,000	200
Jackson Harbor	23,000	23,000
Jacobsen Museum	13,725	13,725
Library	400	400
Welcome Center - Marketing	21,075	21,075
Red Barn	43,700	43,700
Parks	22,450	22,488
Recreation Center	272,970	272,970
Total Culture, Recreation and Education	493,562	462,659
CAPITAL OUTLAY		
General Government	-	104,022
Public Safety	-	4,846
Public Works	-	-
Culture and Recreation	-	119,705
Total Capital Outlay	-	228,573
OTHER FINANCING USE		
Transfer Out	75,286	75,286
TOTAL EXPENDITURES AND OTHER FINANCING USE	\$ 1,940,421	\$ 2,126,217

<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
\$ 138	\$ 1,862
22,472	(5,730)
55,049	(8,690)
230	(30)
20,646	2,354
12,570	1,155
331	69
25,324	(4,249)
12,946	30,754
23,263	(775)
<u>219,786</u>	<u>53,184</u>
<u>392,755</u>	<u>69,904</u>
188,928	(84,906)
8,801	(3,955)
374,608	(374,608)
<u>217,412</u>	<u>(97,707)</u>
<u>789,749</u>	<u>(561,176)</u>
<u>122,450</u>	<u>(47,164)</u>
<u>\$ 2,501,528</u>	<u>\$ (375,311)</u>

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