

**TOWN OF SALEM**  
**AUDITED FINANCIAL**  
**STATEMENTS**

**DECEMBER 31, 2012**

A large, stylized, black monogram logo consisting of the letters 'JRF' in a bold, cursive font. The 'J' is a large, sweeping curve that starts high on the left and ends in a tail that curves back towards the center. The 'R' is a tall, vertical stroke with a curved top and a horizontal base. The 'F' is a tall, vertical stroke with a horizontal top bar and a horizontal base.

**JAMES R. FRECHETTE**

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**CERTIFIED PUBLIC ACCOUNTANT**

TOWN OF SALEM  
December 31, 2012  
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## **Independent Auditor's Report**

To the Town Board  
Town of Salem  
Salem, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salem, Wisconsin as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in table of contents.

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

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

### **Auditor Responsibility**

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

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

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

### **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 Town of Salem, Wisconsin as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the major special revenue funds and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salem, Wisconsin'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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



JAMES R. FRECHETTE  
CERTIFIED PUBLIC ACCOUNTANT

June 14, 2013  
Mukwonago, WI

**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Town of Salem financial performance provides an overview of the Town's financial activities for the year ended December 31, 2012.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Activities and the Fund financial statements provide information about the long term finances and the activities of the Town as a whole. Governmental activities reflect how services were financed in the short term and what balance remains for future spending. The Town's fund financial statements report the Town's operations in more detail than government-wide statements. The statement of net position and statement of activities provide information about the Town's most significant funds. Our analysis of the Town as a whole begins on page 13.

**Reporting the Town as a Whole**

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

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

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

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

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

**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities (continued)

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

- General Government includes the Town Board, Municipal Court, Town Hall, Clerk/Treasurer, Elections, Board of Review, Town Assessor, Audit Fees, Legal Fees, Engineering, Town Hall, Membership Dues, Advertising and Publications, Property and Liability Insurance, Debt payment.
- Public Safety includes the Public Safety Officer, Salem Fire and Rescue, Town Building Inspection, and Water Patrol.
- Public Works includes the Roads and Related facilities, Street Lighting, and Garbage/Recycling collection which is contracted.
- Health and Social Services includes Animal Control.
- Culture and Recreation Activities includes Parks and the Recreation program.
- Conservation and Development includes the Plan Commission and the Board of Review along with Land Development.
- Debt Service accounts for general government debt payments.
- Capital Outlay reports the capital projects underway in the Town.

Business-type activities: The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The business type activities include the Salem sewer utility and the stormwater utility. Rates for the sewer utilities are established and should be reviewed on an annual basis by the Salem Town Board. Rates for the stormwater utility are also established by the Town Board.

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

The fund financial statements provide detailed information about the most significant funds - not the Town as a whole. The Town's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds: Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the respective governmental funds' statements.

**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Governmental funds (continued)

The governmental funds include the General Fund, Park Fund, Debt Service Fund and Capital Projects Fund. All other governmental activities including Trails and Maintenance Fees are included in the non-major funds, special revenue. The General fund includes General Government, Public Safety, Public Works, Health and Human Services, Culture and Recreation, Conservation and Development. The Capital Projects Fund is used to account for capital equipment and infrastructure replacement projects and building projects. The Debt Service Fund is the fund in which payments of principal and interest are recorded.

Proprietary funds: When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provides more detail and additional information, such as cash flows. The proprietary funds include the Utility District and the Stormwater Utility.

**The Town as a Whole**

Government-wide Financial Analysis

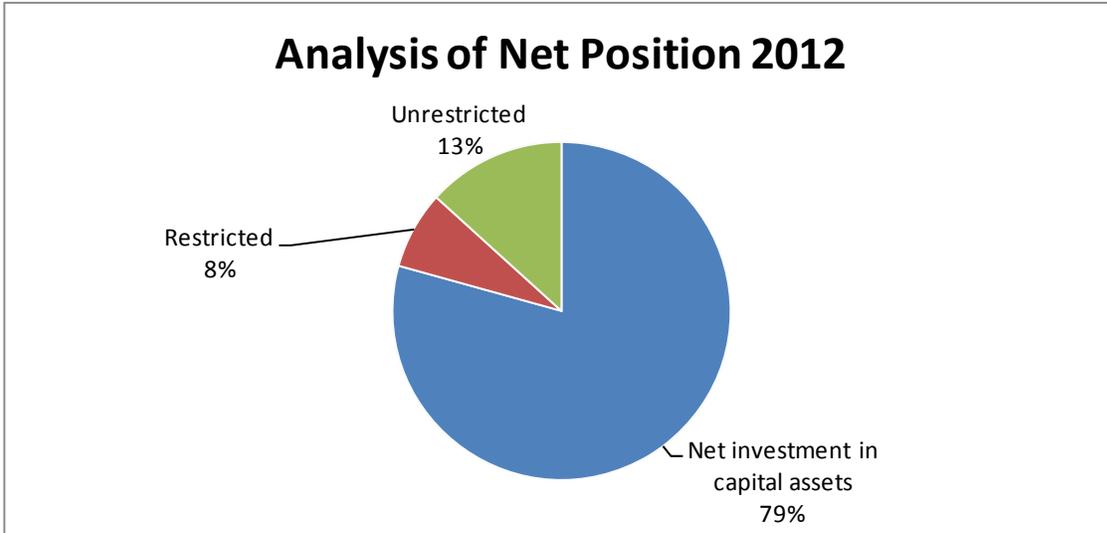
The condensed financial statements on the next two pages present the net position of the Town and changes in net position. These statements are presented with comparisons to 2011. Net position may serve over time as a useful indicator of a government's financial position. In 2012, the Town's assets exceeded liabilities by \$42,585,211.

The largest portion of the Town's net position (79 percent) reflects the Town's investment in capital assets less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to the citizens. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Town had 8 percent of net position that are restricted for a certain purpose. The remaining 13 percent is the category of unrestricted net position which may be used to meet the Town's ongoing obligations to citizens and creditors.

**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Government-wide Financial Analysis (continued)



**TOWN OF SALEM  
NET POSITION  
As of December 31, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 7,212,092	\$ 7,438,202	\$ 6,849,003	\$ 6,741,487	\$ 14,061,095	\$ 14,179,689
Capital assets	20,137,570	20,516,770	37,718,416	38,651,390	57,855,986	59,168,160
Total assets	27,349,662	27,954,972	44,567,419	45,392,877	71,917,081	73,347,849
Long-term liabilities outstanding	12,342,899	12,887,639	10,182,143	11,056,427	22,525,042	23,944,066
Other liabilities	5,783,043	5,713,775	1,023,785	1,110,981	6,806,828	6,824,756
Total liabilities	18,125,942	18,601,414	11,205,928	12,167,408	29,331,870	30,768,822
Net position:						
Net investment in capital assets	7,112,128	7,009,451	26,661,988	26,689,359	33,774,116	33,698,810
Restricted	713,206	697,669	2,449,013	3,094,866	3,162,219	3,792,535
Unrestricted	1,398,386	1,646,438	4,250,490	3,441,244	5,648,876	5,087,682
Total net position	<u>\$ 9,223,720</u>	<u>\$ 9,353,558</u>	<u>\$ 33,361,491</u>	<u>\$ 33,225,469</u>	<u>\$ 42,585,211</u>	<u>\$ 42,579,027</u>

The Town's total net position remained relatively the same increasing only by \$6,184. The governmental-type net position decrease was offset by a similar amount of increase in the business-type net position. In the governmental activities, new capital outlay was paid for partially with reserves in 2012 causing the decrease. In the business-type activities, the Stormwater Utility operations revenues exceeded expenses by \$168,158 resulting in an increase.

**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

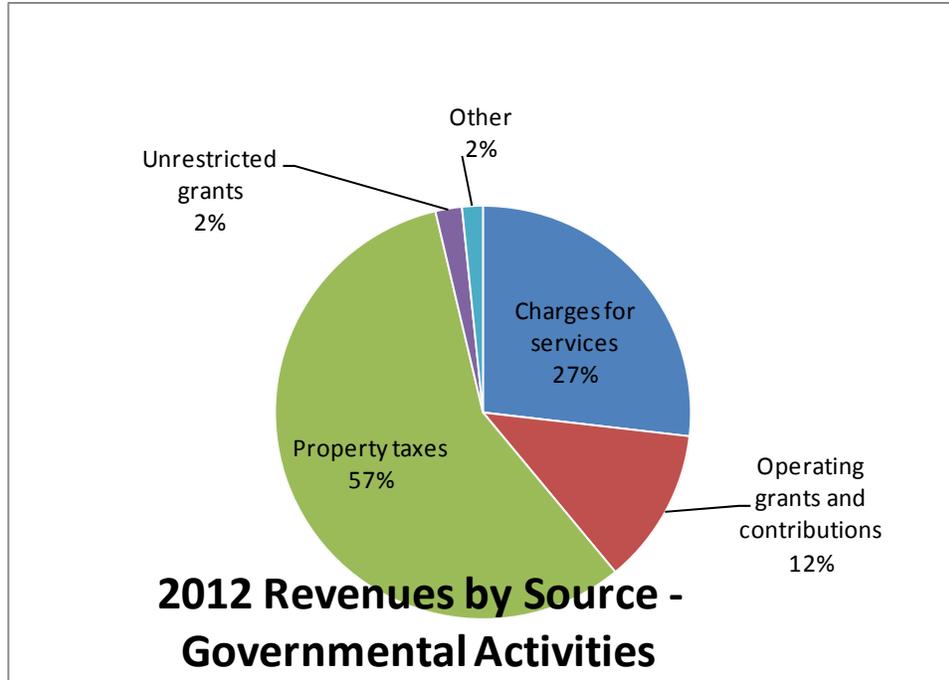
**TOWN OF SALEM  
CHANGES IN NET POSITION  
Year Ended December 31, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,600,136	\$ 1,546,231	\$ 2,849,582	\$ 2,794,723	\$ 4,449,718	\$ 4,340,954
Operating grants and contributions	724,740	742,013	-	-	724,740	742,013
Capital grants and contributions	25,153	46,526	82,600	80,744	107,753	127,270
General revenues:						
Property taxes	3,419,464	3,419,447	-	-	3,419,464	3,419,447
Other taxes	44,502	43,923	-	-	44,502	43,923
Grants and contributions not restricted to specific programs	123,407	161,040	-	-	123,407	161,040
Other	52,397	21,976	33,469	43,850	85,866	65,826
Total revenues	<u>5,989,799</u>	<u>5,981,156</u>	<u>2,965,651</u>	<u>2,919,317</u>	<u>8,955,450</u>	<u>8,900,473</u>
Expenses:						
General government	1,054,714	1,093,555	-	-	1,054,714	1,093,555
Public safety	1,552,944	1,564,310	-	-	1,552,944	1,564,310
Public works	2,282,254	2,071,541	-	-	2,282,254	2,071,541
Culture and recreation	428,927	391,177	-	-	428,927	391,177
Conservation and development	29,575	27,430	-	-	29,575	27,430
Capital outlay	-	-	-	-	-	-
Interest on long-term debt	607,269	737,875	-	-	607,269	737,875
Sewer Utility District	-	-	2,553,721	2,486,969	2,553,721	2,486,969
Stormwater	-	-	275,908	104,953	275,908	104,953
Total expenses	<u>5,955,683</u>	<u>5,885,888</u>	<u>2,829,629</u>	<u>2,591,922</u>	<u>8,785,312</u>	<u>8,477,810</u>
Increase in net assets before transfers	34,116	95,268	136,022	327,395	170,138	422,663
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	<u>34,116</u>	<u>95,268</u>	<u>136,022</u>	<u>327,395</u>	<u>170,138</u>	<u>422,663</u>
Net position beginning of year	<u>9,189,604</u>	<u>9,094,336</u>	<u>33,225,469</u>	<u>32,898,074</u>	<u>42,415,073</u>	<u>41,992,410</u>
Net position end of year	<u>\$ 9,223,720</u>	<u>\$ 9,189,604</u>	<u>\$ 33,361,491</u>	<u>\$ 33,225,469</u>	<u>\$ 42,585,211</u>	<u>\$ 42,415,073</u>

**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

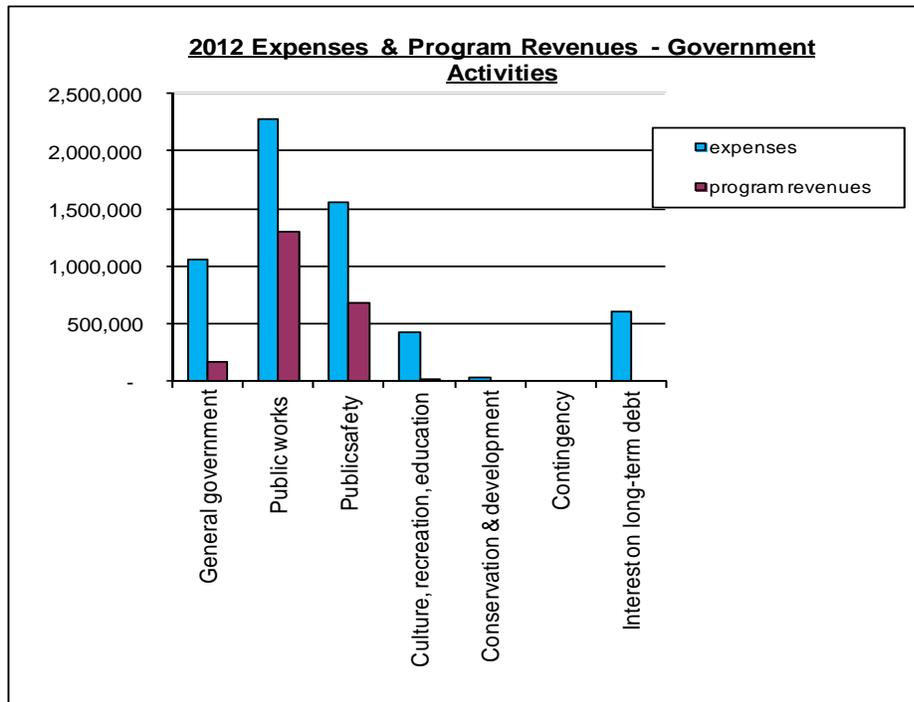
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**

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



**EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES**

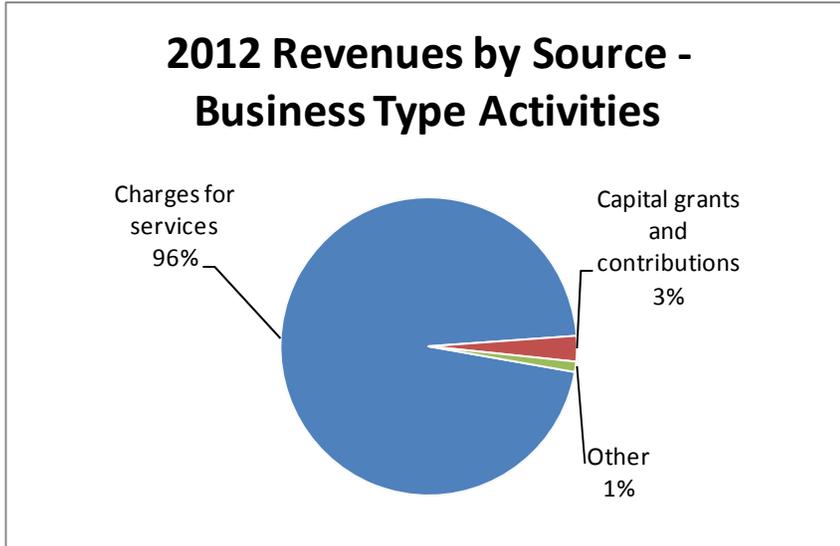
The following chart shows the portion of expenses by function that is covered by program revenues.



**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

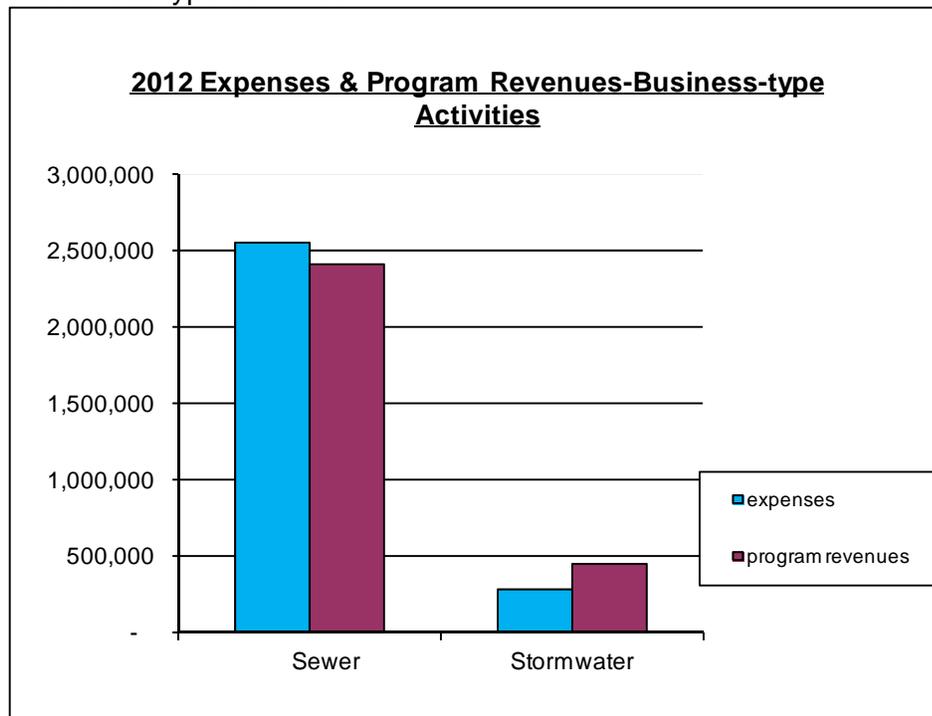
**REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES**

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



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

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



**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**The Town's Funds**

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

General Fund

The General Fund will close out in 2012 with a decrease in fund balance of \$66,401. Most revenue sources remained similar to the amounts received in 2011. Intergovernmental revenues were down by close to \$50,000 but the License and Permits revenues increased by \$50,000. Public Charges for Services increase \$40,000 from 2011.

Expenditures increased by approximately \$140,000 in 2012 over 2011. This increase can be explained by a decrease in General Government of \$40,000, an increase of Public Works of \$150,000 and additional increases of \$25,000 for Culture and Recreation as well as the use of the Contingency budget.

Park Fund

The Park fund is used for accumulation of park impact fees and the expenditure of those fees for park development costs. The Park Fund used \$354,592 of its reserves to purchase new park land for later development in 2011. In 2012, the expenses were related to small improvements and totaled only \$12,897. The impact fees doubled the amount that was collected in 2011 from \$11,000 in 2011 to \$22,000 in 2012.

Capital Projects Fund

The Capital Project fund was created to account for current and future capital assets. A capital improvement plan, established with the help of a financial advisor, provides a means to fund current and future capital expenditures. In 2012, capital outlay expenditures included road paving in the amount of \$188,854 and the purchase of five vehicles financed by a capital lease. At the end of 2012, the Capital Projects fund had a net position amount of \$186,258 set aside for future projects. The Town's plan is to replenish this fund to continue with capital improvement projects such as street repaving and equipment replacement for the long term.

**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Debt Service Fund

The Town has created a Debt Service Fund to isolate the debt service tax levy and payments. With the completion of the fire/rescue building, the debt payments will remain steady at about \$1.2 million for 19 years forward.

Enterprise Funds

Salem Sewer Utility and Storm Water funds are enterprise funds and as such are required to follow GASB statement #34. All of the enterprise funds account for contributed capital as revenue received in the year the capital asset is recognized.

Sewer Utility District Fund

The Sewer Utility has overseen a number of projects designed to improve the sewer system. The \$3.6 million equalization basin project and major repairs to the digester equipment were completed in 2010. Both the wet weather flow (\$1.8 million) and the plant renovations (\$1.1 million) were projects that were completed in 2010. These projects were funded by Clean Water Fund notes and the sewer replacement fund.

The sewer revenues increased approximately \$30,000 to those in 2011 as rates stayed at the same level as 2011 but the customer base grew. The Utility initiated a master plan in 2012 which increased expenses by a one-time amount of \$100,000. The Sewer Fund experienced a net decrease in net position of \$32,136. Net operating income was over \$150,000 but not enough to cover interest expense. Capital contributions of \$82,600 helped to mitigate the loss. The Town will need to review its rate structure with this in mind.

Stormwater Utility Fund

The Stormwater Utility fund was created as a proprietary fund to record the charges for service and the operation and maintenance expenses of the newly established Stormwater Utility district in 2010. This utility is administered by the Town and overseen by the Town of Salem Board. Charges are billed quarterly with the Sewer billing. Revenues billed in 2012 increased by \$4,000 compared to 2011. The Board approved projects in 2012 that included replacements of culverts and improvements to a detention pond.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town created an administrator position in 2009 to oversee the growth of the Town and the related projects as well as the day-to-day operations including the areas of financial services, public works, public safety, capital projects, sewer and storm water utilities and communication with the Town Board.

The administrator has reorganized the budget process with a published budget book and a chart of accounts that will improve reporting. With this reorganization, the fire and rescue operations were combined into the General Fund in 2010 to better coordinate this operation within the Town.

**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GENERAL FUND BUDGETARY HIGHLIGHTS** (continued)

The administrator has also made a priority of improving the fiscal reporting of the Town and the internal controls of the operations. The administrator goal is to communicate the fiscal status of the Town on a monthly basis. Policies and procedures are being written and improved in order to strengthen internal controls.

To improve efficiencies, the administrator implemented the use of lockboxes at the bank to collect the utility bills. This has saved manual entry of receipts at the Town hall. The collections are now posted to the Town's general ledger system by uploading an electronic file from the bank.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Position

At the end of December 2012, the Town had \$58.9 million invested in capital assets including buildings, parks, vehicles, equipment and infrastructure.

A summary report of capital assets is as follows:

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Construction in Progress	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Land	4,345,521	4,345,521	290,189	290,189	4,635,710	4,635,710
Buildings & Improvements	13,562,658	13,562,658	57,426,930	57,412,211	70,989,588	70,974,869
Equipment	3,890,568	3,752,764	-	-	3,890,568	3,752,764
Infrastructure	1,478,206	1,478,206	-	-	1,478,206	1,478,206
Total Capital Assets	23,276,953	23,139,149	57,717,119	57,702,400	80,994,072	80,841,549
Less: Accumulated Depreciation	(3,139,383)	(2,622,379)	(19,998,703)	(19,051,010)	(23,138,086)	(21,673,389)
Total Net Capital Assets	\$ 20,137,570	\$ 20,516,770	\$ 37,718,416	\$ 38,651,390	\$ 57,855,986	\$ 59,168,160

Debt

At the end of the year, the Town's outstanding debt totaled \$25,469,350. No additional debt was issued in 2012.

Debt Outstanding at 12/31/2011	\$ 25,469,350
Principal Retired in 2012	(1,525,284)
Debt Outstanding at 12/31/2012	<u>\$ 23,944,066</u>

**TOWN OF SALEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The Town, along with the nation, continues to recover from the economic recession. The reduction in State shared revenues and the reduction in revenues generated by building permits, impact fees, connection fees and interest earnings continue to challenge the financial status of the Town of Salem. A self imposed 0% increase in the tax levy for 2012 and a state mandated 0% tax increase for fiscal year 2012 and 2013 has and will challenge the budget process even more. The Town, having withdrawn from the Teamsters Pension Fund, will incur a withdrawal liability that will be addressed further in 2013.

The Town continues to plan for the future and the maintenance of its infrastructure. A long term plan for the Sewer Utility will be presented in May of 2013. The Sewer Utility Plan will outline the capital improvement needs of the utility and propose a maintenance and replacement schedule. The sewer plan will also look at long term user rates to support identified improvements.

The Town upgraded its financial software system to the most current version. The Town needs to add an accounts receivable and budget preparation module to further improve billing and financial integration.

The Town of Salem also needs to address the ongoing issues of street maintenance, street resurfacing, and equipment replacement. Street resurfacing and equipment replacement was removed from the 2010 budget as a cost saving measure. The long term impact of this decision has to be reviewed and a plan to improve the Town's infrastructure and replace its equipment should be a priority. A plan to address this situation may require an increase in the property tax levy or assuming additional debt.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact the Town of Salem at 9814 Antioch Road, PO Box 443, Salem, WI, 53168.

Patrick Casey  
Town Administrator  
Town of Salem, Wisconsin

## **BASIC FINANCIAL STATEMENTS**

TOWN OF SALEM  
STATEMENT OF NET POSITION  
December 31, 2012

<b><u>ASSETS</u></b>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets:			
Cash and Investments	\$ 1,103,428	\$ 1,382,648	\$ 2,486,076
Taxes Receivable	5,682,502		5,682,502
Accounts Receivable	171,284	569,757	741,041
Due from (to) Other Funds	(729,366)	729,366	0
Due from Other Governments		512,647	512,647
Prepayments	103,064	88,944	192,008
Noncurrent Assets:			
Cash and Investments - Restricted	713,206	2,449,013	3,162,219
Special Assessments Receivable		1,116,628	1,116,628
Capital Assets	23,276,953	57,717,119	80,994,072
Less: Accumulated Depreciation	(3,139,383)	(19,998,703)	(23,138,086)
Unamortized Debt Issuance Costs	167,974	0	167,974
<b>Total Assets</b>	<b><u>27,349,662</u></b>	<b><u>44,567,419</u></b>	<b><u>71,917,081</u></b>
 <b><u>LIABILITIES</u></b>			
Current Liabilities:			
Accounts Payable	338,675	50,143	388,818
Deposits	78,500	16,800	95,300
Accrued Salaries and Benefits	75,124	19,994	95,118
Accrued Interest Payable	198,381	62,564	260,945
Deferred Revenue	4,409,819		4,409,819
Notes and Bonds Payable - Current	636,084	704,082	1,340,166
Revenue Bonds Payable - Current		170,203	170,203
Capital Leases Payable Current	46,459		46,459
Noncurrent Liabilities:			
Notes and Bonds Payable	12,251,555	9,825,191	22,076,746
Capital Leases Payable	91,345		91,345
Revenue Bonds Payable		356,951	356,951
<b>Total Liabilities</b>	<b><u>18,125,942</u></b>	<b><u>11,205,928</u></b>	<b><u>29,331,870</u></b>
 <b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	7,112,128	26,661,988	33,774,116
Restricted for:			
Capital Projects	186,258		186,258
Park	441,400		441,400
Maintenance Impact Fees	38,555		38,555
Debt Service	46,993	7,798	54,791
Equipment Replacement		2,441,215	2,441,215
Unrestricted	1,398,386	4,250,490	5,648,876
<b>Total Net Position</b>	<b><u>\$ 9,223,720</u></b>	<b><u>\$ 33,361,491</u></b>	<b><u>\$ 42,585,211</u></b>

The notes to the financial statements are an integral part of this statement.

TOWN OF SALEM  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 1,054,714	\$ 164,882	\$ 0	\$ 0	\$ (889,832)	\$ 0	\$ (889,832)
Public Safety	1,552,944	389,885	294,136		(868,923)		(868,923)
Public Works	2,282,254	1,044,569	250,912	2,506	(984,267)		(984,267)
Culture and Recreation	428,927	800	1,525	22,647	(403,955)		(403,955)
Conservation and Development	29,575				(29,575)		(29,575)
Interest on Long-Term Debt	607,269		178,167		(429,102)		(429,102)
Total Governmental Activities	<u>5,955,683</u>	<u>1,600,136</u>	<u>724,740</u>	<u>25,153</u>	<u>(3,605,654)</u>	<u>0</u>	<u>(3,605,654)</u>
<b>Business-type Activities:</b>							
Sewer Utility District	2,553,721	2,406,463	0	82,600		(64,658)	(64,658)
Stormwater Utility	275,908	443,119				167,211	
Total Support Services	<u>2,829,629</u>	<u>2,849,582</u>	<u>0</u>	<u>82,600</u>	<u>0</u>	<u>102,553</u>	<u>(64,658)</u>
Total Primary Government	<u>\$ 8,785,312</u>	<u>\$ 4,449,718</u>	<u>\$ 724,740</u>	<u>\$ 107,753</u>	<u>(3,605,654)</u>	<u>102,553</u>	<u>(3,670,312)</u>
<b>General Revenues:</b>							
Property Taxes					3,419,464	0	3,419,464
Mobile Home Fees					44,502		44,502
State Aids - Unrestricted					123,407		123,407
Interest on Investments					12,302	33,469	45,771
Other					40,095		40,095
<b>Transfers</b>					<u>0</u>	<u>0</u>	<u>0</u>
Total General Revenues and Transfers					<u>3,639,770</u>	<u>33,469</u>	<u>3,673,239</u>
Change in Net Position					34,116	136,022	170,138
Net Position - Beginning of Year					9,189,604	33,225,469	42,415,073
Net Position - End of Year					<u>\$ 9,223,720</u>	<u>\$ 33,361,491</u>	<u>\$ 42,585,211</u>

The notes to the financial statements are an integral part of this report.

**TOWN OF SALEM**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2012**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 888,109	\$ 0	\$ 0	\$ 215,319	\$ 1,103,428
Taxes Receivable	4,459,502	173,100	1,049,900		5,682,502
Accounts Receivable	171,284				171,284
Prepayments	103,064				103,064
Cash and Investments - Restricted		186,258	46,993	479,955	713,206
<b>TOTAL ASSETS</b>	<b>\$ 5,621,959</b>	<b>\$ 359,358</b>	<b>\$ 1,096,893</b>	<b>\$ 695,274</b>	<b>\$ 7,773,484</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 338,676	\$ 0	\$ 0	\$ 0	\$ 338,676
Deposits	78,500				78,500
Accrued Salaries and Fringes	75,124				75,124
Deferred Revenue	3,186,819	173,100	1,049,900		4,409,819
Due to Other Funds	729,366				729,366
<b>Total Liabilities</b>	<b>4,408,485</b>	<b>173,100</b>	<b>1,049,900</b>	<b>0</b>	<b>5,631,485</b>
Fund Balances:					
Nonspendable for:					
Prepayments	103,064				103,064
Restricted for:					
Parks				441,400	441,400
Capital Projects		186,258			186,258
Maintenance Fees				38,555	38,555
Debt Service			46,993		46,993
Assigned for:					
Subsequent Year Budget	277,876				277,876
Trails				215,319	215,319
Unassigned	832,534				832,534
<b>Total Fund Balances</b>	<b>1,213,474</b>	<b>186,258</b>	<b>46,993</b>	<b>695,274</b>	<b>2,141,999</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,621,959</b>	<b>\$ 359,358</b>	<b>\$ 1,096,893</b>	<b>\$ 695,274</b>	<b>\$ 7,773,484</b>

The notes to the financial statements are an integral part of this statement.

TOWN OF SALEM  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET POSITION  
As of December 31, 2012

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

Total Fund Balances - Governmental Funds	\$	2,141,999
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This includes:		
Capital Assets		23,276,953
Accumulated Depreciation		(3,139,383)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These include:		
Notes and Bonds Payable		(12,887,638)
Capital Leases Payable		(137,804)
Accrued Interest on Long-Term Debt		(198,381)
Unamortized Debt Discount and Expense		167,974
Net Position of Governmental Activities	\$	<u><u>9,223,720</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SALEM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2012

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 2,288,959	\$ 130,700	\$ 1,049,900	\$ 0	\$ 3,469,559
Intergovernmental	381,022		178,167		559,189
License and Permits	232,793				232,793
Fire and Rescue	549,307				549,307
Forfeitures and Penalties	34,704				34,704
Public Charges for Services	1,084,083			25,153	1,109,236
Miscellaneous	33,022	717		1,271	35,010
<b>TOTAL REVENUES</b>	<b>4,603,890</b>	<b>131,417</b>	<b>1,228,067</b>	<b>26,424</b>	<b>5,989,798</b>
<b>EXPENDITURES</b>					
Current:					
General Government	1,046,999	0	0	0	1,046,999
Public Safety	1,200,911				1,200,911
Public Works	1,889,196				1,889,196
Culture and Recreation	404,539				404,539
Conservation and Development	29,575				29,575
Contingency	56,671				56,671
Capital Outlay		329,478		12,897	342,375
Debt Service:					
Principal			619,680		619,680
Interest and Other			599,927		599,927
<b>TOTAL EXPENDITURES</b>	<b>4,627,891</b>	<b>329,478</b>	<b>1,219,607</b>	<b>12,897</b>	<b>6,189,873</b>
Excess of Revenues Over (Under) Expenditures	(24,001)	(198,061)	8,460	13,527	(200,075)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Capital Leases	0	137,804	0	0	137,804
Transfers In (Out)	(42,400)	42,400	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(42,400)</b>	<b>180,204</b>	<b>0</b>	<b>0</b>	<b>137,804</b>
Net Change in Fund Balances	(66,401)	(17,857)	8,460	13,527	(62,271)
Fund Balances - Beginning	1,278,823	204,115	38,533	681,747	2,203,218
Fund Balances - Ending	<u>\$ 1,212,422</u>	<u>\$ 186,258</u>	<u>\$ 46,993</u>	<u>\$ 695,274</u>	<u>\$ 2,140,947</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SALEM  
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, 2012

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

Net change in fund balances - total governmental funds	\$	(61,219)
The issuance of long-term debt is reported in the governmental funds as a other financing source, but has no effect on the statement of activities. (net of issuance costs)		(137,804)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is recorded as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. These include:		
Principal Paid on Long-Term Loans		619,680
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays		137,804
Depreciation on Fixed Assets		(517,004)
Payment of interest on long-term debt is reported in the governmental funds as an expenditure when paid, but is recorded in the statement of activities as incurred.		
Interest Paid on Long-Term Debt		599,427
Interest Incurred for the Year		(592,265)
Amortization Incurred for the Year		(14,503)
Change in net position of governmental activities	\$	34,116

The notes to the financial statements are an integral part of this statement.

TOWN OF SALEM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND

For The Year Ended December 31, 2012

	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,287,972	\$ 2,287,972	\$ 2,288,959	\$ 987
Intergovernmental	388,277	388,277	381,022	(7,255)
License and Permits	180,688	180,688	232,793	52,105
Fire and Rescue	520,619	520,619	549,307	28,688
Forfeitures and Penalties	47,000	47,000	34,704	(12,296)
Public Charges for Services	1,038,800	1,038,800	1,084,083	45,283
Miscellaneous	17,000	17,000	33,022	16,022
<b>TOTAL REVENUES</b>	<b>4,480,356</b>	<b>4,480,356</b>	<b>4,603,890</b>	<b>123,534</b>
<b>EXPENDITURES</b>				
Current:				
General Government	1,085,779	1,085,779	1,047,593	38,186
Public Safety	1,361,797	1,361,797	1,199,265	162,532
Public Works	1,884,466	1,884,466	1,889,196	(4,730)
Culture and Recreation	396,154	396,154	404,539	(8,385)
Conservation and Development	29,665	29,665	29,575	90
Contingency	20,000	20,000	56,671	(36,671)
<b>TOTAL EXPENDITURES</b>	<b>4,777,861</b>	<b>4,777,861</b>	<b>4,626,839</b>	<b>151,022</b>
Excess of Revenues Over (Under) Expenditures	(297,505)	(297,505)	(22,949)	274,556
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfer In	0	0	0	0
Operating Transfer (Out)	(42,400)	(42,400)	(42,400)	0
Total Other Financing Sources (Uses)	(42,400)	(42,400)	(42,400)	0
Net Change in Fund Balances	(339,905)	(339,905)	(65,349)	274,556
Fund Balance - Beginning	1,278,823	1,278,823	1,278,823	0
Fund Balance - Ending	\$ 938,918	\$ 938,918	\$ 1,213,474	\$ 274,556

The notes to the financial statements are an integral part of this statement.

TOWN OF SALEM  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

December 31, 2012

	Business-Type Activities - Enterprise Funds		
	Utility District	Stormwater Utility	Totals Current Year
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 801,426	\$ 581,222	\$ 1,382,648
Special Assessments Receivable	1,116,628	0	1,116,628
Accounts Receivable	473,201	96,556	569,757
Due from Other Funds	609,715	119,651	729,366
Due from Other Governments	478,450	34,197	512,647
Prepayments	42,321	46,623	88,944
Total Current Assets	3,521,741	878,249	4,399,990
Noncurrent Assets:			
Cash and Investments	2,449,013	0	2,449,013
Capital Assets	57,717,119	0	57,717,119
Less: Accumulated Depreciation	(19,998,703)	0	(19,998,703)
Total Noncurrent Assets	40,167,429	0	40,167,429
 Total Assets	43,689,170	878,249	44,567,419
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	40,074	10,068	50,142
Accrued Salaries and Benefits	17,282	2,712	19,994
Deposits	16,800	0	16,800
Total Current Liabilities	74,156	12,780	86,936
Current Liabilities Payable from Restricted Assets:			
General Obligation Notes and Bonds	704,082	0	704,082
Revenue Bonds Payable	170,203	0	170,203
Accrued Interest Payable	62,564	0	62,564
Total Current Liabilities Payable from Restricted Assets	936,849	0	936,849
Noncurrent Liabilities:			
General Obligation Notes and Bonds Payable	9,825,192	0	9,825,192
Revenue Bonds Payable	356,951	0	356,951
Total Noncurrent Liabilities	10,182,143	0	10,182,143
 Total Liabilities	11,193,148	12,780	11,205,928
<b>NET POSITION</b>			
Net Investment in Capital Assets	26,661,988	0	26,661,988
Restricted for:			
Equipment Replacement	2,441,215	0	2,441,215
Debt Service	7,798	0	7,798
Unrestricted	3,385,021	865,469	4,250,490
 Total Net Position	\$ 32,496,022	\$ 865,469	\$ 33,361,491

The notes to the financial statements are an integral part of this statement.

TOWN OF SALEM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET POSITION - PROPRIETARY FUNDS  
For the Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds		Totals Current Year
	Utility District	Stormwater Utility	
<b><u>REVENUES</u></b>			
Charges for Services	\$ 2,398,357	\$ 443,119	\$ 2,841,476
Other Operating Revenues	8,106	0	8,106
 Total Operating Revenues	 <u>2,406,463</u>	 <u>443,119</u>	 <u>2,849,582</u>
<b><u>EXPENSES</u></b>			
Operation and Maintenance	1,300,415	275,908	1,576,323
Depreciation	947,693	0	947,693
Total Operating Expenses	<u>2,248,108</u>	<u>275,908</u>	<u>2,524,016</u>
 Operating Income (Loss)	 158,355	 167,211	 325,566
<b><u>Nonoperating Revenues (Expenses):</u></b>			
Interest Income	32,522	947	33,469
Interest Expense	(305,613)	0	(305,613)
 Total Nonoperating Revenues (Expenses)	 <u>(273,091)</u>	 <u>947</u>	 <u>(272,144)</u>
Income Before Contributions and Transfers	(114,736)	168,158	53,422
Capital Contributions	82,600	0	82,600
Transfers In	0	0	0
Transfers (Out)	0	0	0
 Change in Net Position	 <u>(32,136)</u>	 <u>168,158</u>	 <u>136,022</u>
Net Position - Beginning	32,528,158	697,311	33,225,469
Net Position - Ending	\$ <u><u>32,496,022</u></u>	\$ <u><u>865,469</u></u>	\$ <u><u>33,361,491</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF SALEM  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds		Totals
	Utility District	Stormwater Utility	
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from Customers	\$ 2,409,933	\$ 449,289	\$ 2,859,222
Payments to Suppliers/Employees	(1,472,435)	(350,779)	(1,823,214)
Net Cash Flows from Operating Activities	<u>937,498</u>	<u>98,510</u>	<u>1,036,008</u>
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Deposits	0	0	0
Net Cash Flows from Noncapital Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Proceeds from Capital Debt	0	0	0
Capital Contributions	82,600	0	82,600
Special Assessments Received	72,203	0	72,203
Purchases of Capital Assets	(14,719)	0	(14,719)
Principal Paid on Capital Debt	(905,603)	0	(905,603)
Interest Paid on Capital Debt	(311,876)	0	(311,876)
Net Cash Flow from Capital and Related Financing Activities	<u>(1,077,395)</u>	<u>0</u>	<u>(1,077,395)</u>
<b><u>Cash Flow From Investing Activities:</u></b>			
Interest Income	32,522	947	33,469
Net Cash Flow from Investing Activities	<u>32,522</u>	<u>947</u>	<u>33,469</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(107,375)	99,457	(7,918)
Cash and Cash Equivalents - January 1	3,357,814	481,765	3,839,579
Cash and Cash Equivalents - December 31 \$	<u><u>3,250,439</u></u>	<u><u>581,222</u></u>	<u><u>3,831,661</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SALEM  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2012

	Business-Type Activities - Enterprise Funds		Totals
	Utility District	Stormwater Utility	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ 158,355	\$ 167,211	\$ 325,566
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	947,693	0	947,693
(Increase) Decrease in Accounts Receivable	78,660	16,522	95,182
(Increase) Decrease in Due From Other Funds	(141,018)	(38,148)	(179,166)
(Increase) Decrease in Due From Other Governments	(75,190)	(10,352)	(85,542)
(Increase) Decrease in Prepayments	28,512	(46,623)	(18,111)
Increase (Decrease) in Accounts Payable	(61,738)	9,951	(51,787)
Increase (Decrease) in Accrued Liabilities	2,224	(51)	2,173
Total Adjustments	779,143	(68,701)	710,442
Net Cash Provided by Operating Activities	\$ 937,498	\$ 98,510	\$ 1,036,008
<b><u>Noncash Investing, Capital, and Financing Activities:</u></b>			
Capital Contributions by Developers	\$ 0	\$ 0	

The Notes to the Financial Statements are an Integral Part of this Statement.

TOWN OF SALEM  
STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

December 31, 2012

		Agency Funds	
		<u>          </u>	Tax Collection Fund
			<u>          </u>
<b><u>ASSETS</u></b>			
Cash and Investments	\$	6,087,351	
Taxes Receivable		<u>13,773,779</u>	
		<u><u>19,861,130</u></u>	
<b><u>LIABILITIES</u></b>			
Due to Other Taxing Units	\$	<u>19,861,130</u>	
<b><u>NET POSITION</u></b>			
Net Position	\$	<u><u>          0</u></u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of Salem, Wisconsin is a municipality governed by a town chairman and a four-member town board.

The financial statements of the Town of Salem have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the town are described below:

This report includes all of the funds of the Town of Salem.

**B. Government-wide and Fund Financial Statements**

***Government-wide statements***

The Government-wide financial statements (i.e., statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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 segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

***Fund Financial statements***

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

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. The town reports the following major governmental and business-type funds:

**Governmental Funds**

*General Fund* is the town's primary operating fund. It accounts for all financial resources of the town, except those required to be accounted for in another fund.

*Capital Projects Fund* accounts for the proceeds from long-term debt and expenditures of debt proceeds for capital projects.

*Debt Service Fund* accounts for the accumulation for and payment of all long-term obligations of the governmental funds.

**Enterprise Funds**

*Utility District* accounts for the transactions of the town's sewer utility.

*Stormwater Utility* accounts for the transactions of the town's stormwater utility.

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

The town also reports the following non-major governmental funds:

- Trails Fund
- Maintenance Fees Fund
- Park Fund

Additionally, the town reports the following fund types that are not included in the government-wide financial statements:

The *Tax Collection Agency Fund* accounts for assets received from taxpayers held for distribution to other taxing units.

### **C. Measurement Focus and Basis of Accounting**

#### ***Government-wide 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 and fiduciary fund financial statements. 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. Taxes receivable for the following year are recognized as receivables and deferred revenues. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule are charges between the town's utility district and stormwater utility and the town's governmental activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

#### ***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 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 government 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.

Property taxes, state aids, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

**D. Assets, Liabilities, and Net Position or Equity**

Deposits and Investments

The town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes permit the town to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. Agency issues, high grade commercial paper, and the State Treasurer's Investment Pool. Available balances in the debt service fund may be invested in municipal obligations, U.S. Government obligations, and the State Treasurer's Investment Pool. Investments are reported at fair value unless the difference between amortized costs and fair value are immaterial.

The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company. The Investment pool is managed by the State of Wisconsin Investment Board with oversight by a Board of Trustees as authorized in Wisconsin Statutes Chapter 25.

Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the town, taxes are collected for the state, county, school district, and technical college district. Property taxes levied for town purposes as well as other governmental units are recorded as "Taxes Receivable" in the fund statements. The town portion of the levy is shown as "Deferred Revenue" and the other governmental units portion is shown as "Due to Other Taxing Units". The town share is recognized as revenue in the following year when the services financed by the levy are provided. Taxes collected in advance of the year for which they are levied are shown as reduction of the taxes receivable balance at December 31. The lien date and levy date are both in December 2012. Due dates for collection of taxes are January 31, 2013 and July 31, 2013.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. An allowance for uncollectible rescue billings in the General Fund has been established in the amount of \$52,627 and an allowance for uncollectible town invoices in the amount of \$18,408 has been established at December 31, 2012. No allowance for uncollectible accounts has been provided for any other receivables since such allowance would not be material.

Inventories and Prepayments

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, land improvements, equipment, and infrastructure 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 more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets prior to January 1, 2004 have not been capitalized.

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciable capital assets of the town are depreciated using the straight line method over the following estimated useful lives:

<u>Assets:</u>	<u>Years</u>
Buildings and Improvements	20-50
Equipment	10-20
Infrastructure	40

In the fund financial statements, governmental fund fixed assets are accounted for as capital outlay expenditures in the year purchased. No depreciation is recorded in the governmental fund financial statements. Fixed assets in the proprietary funds are accounted for the same way as in the government-wide statements.

#### Compensated Absences

Under terms of employment, town employees are granted vacations and sick leave (casual days) in varying amounts. All vested vacation and sick leave pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

Benefits are recorded as expenditures in the fund statements as paid while recorded in the statement of activities as earned. All employee vacations must be taken in the year earned. In addition, all full-time employees earn five casual days per year. All unused casual days are accrued at year end and paid to the employee in the subsequent year. The total vacation pay accrual is immaterial at December 31, 2012. The liability was calculated based upon rate of pay in effect at December 31, 2012.

#### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds or notes using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

In the fund statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 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 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.

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

Equity Classifications

Equity in the government-wide financial statements is reflected in three components:

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes, land contracts, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consists of net position with restrictions placed on their use either by external groups or state and federal law.
- Unrestricted net position – All other net position that do not meet the definition of the other two.

Equity in the Fund financial statements is reflected in the following categories:

- Nonspendable Fund Balance – This includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The town shall report inventories, prepaid items, long-term receivables, and other amounts legally or contractually required to be maintained intact as nonspendable.
- Restricted Fund Balance – This includes amounts limited by external parties, laws or regulations, constitutional provisions or enabling legislation. The town shall report amounts as restricted that can be spent only for specific purposes stipulated by constitution, external source providers, or through legislation. When both restricted and unrestricted resources are available for use, it is town policy to use unrestricted resources first, then restricted resources as they are needed.
- Committed Fund Balance – This includes amounts that are committed for specific purposes by formal action of the Town Board.
- Assigned Fund Balance – This includes amounts that are intended to be used for specific purposes but are neither restricted nor formally committed. Intent can be expressed by the Board or by an individual or subordinate high level body to which the Town Board has delegated authority. The town board has not delegated authority to assign fund balance for a specific intended purpose.
- Unassigned Fund Balance – This includes any remaining amounts in the General Fund that are not classified as nonspendable, restricted, committed, or assigned. In other funds, the unassigned classification shall be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. Budgetary Information

A budget for the General Fund was adopted on a basis consistent with generally accepted accounting principles. The budget was adopted in compliance with all material state statutes.

Budgetary information as presented in the fund financial statements is derived from:

- A public hearing to obtain taxpayer comments on the proposed budget
- The annual operating budget as originally adopted by the town board
- Individual amendments to the original budget as approved by the town board during the year.

Budget appropriations lapse at year-end unless specifically carried over to the next year.

TOWN OF SALEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 December 31, 2012

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2012, expenditures exceeded budgeted amounts in the following funds:

The General Fund had excess expenditures for Public Works (\$4,730), Culture and Recreation (\$8,385), and Contingency (\$36,671). These overexpenditures were funded by available fund balance and by other functions in which budgeted amounts were in excess of actual expenditures.

C. DNR Replacement Fund

The Wisconsin Department of Natural Resources required the creation of an equipment replacement fund as a condition of receiving a grant for the sewer utility. The equipment replacement fund has been established and the balance at December 31, 2012 was \$ 2,441,215.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A - CASH AND INVESTMENTS**

The town's deposits include checking accounts, savings accounts, and money market accounts. The town's investments consisted of deposits in the State Treasurer's Investment Pool.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2012, \$0 of the government's bank balance of \$6,227,655 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	0
Total	\$	0

Differences between bank balance and book balance represent deposits in transit and outstanding checks.

The FDIC insurance is in the amount of \$250,000. Depository insurance is also provided by the State Deposit Guarantee Fund of the State of Wisconsin. The coverage is limited to \$400,000 above the applicable insurance provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available. As a result, this coverage was not considered in computing the above amount.

State Statutes authorize the town to invest in various types of investments as per Wisconsin Statute 66.04(2) and 67.11(2). During 2012, the town's investments consisted entirely of amounts in the State Treasurer's Investment Pool. The balance at December 31, 2012 was \$5,507,292.

Total cash and investments at December 31, 2012 consist of the following:

Deposits	\$	6,227,654
Investments – State Investment Pool		5,507,292
Petty Cash		700
Total Cash and Investments	\$	11,735,646
Total per financial statements:		
Cash and Investments – Current	\$	2,486,076
Cash and Investments – Restricted		3,162,219
Agency Fund – Tax Collection Fund		6,087,351
Total	\$	11,735,646

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

**B – RESTRICTED ASSETS**

The following represent the balances of restricted assets as of December 31, 2012:

Governmental activities:			
Park impact fees	\$	441,400	
Maintenance fees		38,555	
Debt Service Fund		46,993	
Capital Projects		186,258	
Business-type activities:			
Department of Natural Resources Equipment Replacement Fund		2,441,215	
Special Redemption Fund		7,798	
Total	\$	3,162,219	

**C - CAPITAL ASSETS**

<b>Governmental activities:</b>	<u>Balance</u>		<u>Additions</u>		<u>Removals</u>		<u>Balance</u>
	<u>1-01-2012</u>						<u>12-31-2012</u>
Land	\$ 4,345,521	\$	0	\$	0	\$	4,345,521
Buildings & Improvements	13,562,658		0		0		13,562,658
Equipment	3,752,764		137,804		0		3,890,568
Infrastructure	1,478,206		0		0		1,478,206
<b>Totals</b>	<b>23,139,149</b>		<b>137,804</b>		<b>0</b>		<b>23,276,953</b>
Less: Accumulated Depreciation for:							
Buildings & Improvements	1,092,202		250,924		0		1,343,126
Equipment	1,340,893		229,428		0		1,570,321
Infrastructure	189,284		36,652		0		225,936
<b>Total Accumulated Depreciation</b>	<b>2,622,379</b>		<b>517,004</b>		<b>0</b>		<b>3,139,383</b>
<b>Governmental Activities Capital Assets – Net</b>	<b>\$ 20,516,770</b>	<b>\$</b>	<b>(379,200)</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>20,137,570</b>
<b>Business-type activities:</b>	<u>Balance</u>		<u>Additions</u>		<u>Removals</u>		<u>Balance</u>
	<u>1-01-2012</u>						<u>12-31-2012</u>
Land – Utility District	\$ 290,189	\$	0	\$	0	\$	290,189
Utility District Infrastructure	57,412,211		14,719		0		57,426,930
<b>Totals</b>	<b>57,702,400</b>		<b>14,719</b>		<b>0</b>		<b>57,717,119</b>
Less: Accumulated Depreciation for:							
Utility District	19,051,010		947,693		0		19,998,703
<b>Total Accumulated Depreciation</b>	<b>19,051,010</b>		<b>947,693</b>		<b>0</b>		<b>19,998,703</b>
<b>Governmental Activities Capital Assets – Net</b>	<b>\$ 38,651,390</b>	<b>\$</b>	<b>(923,974)</b>	<b>\$</b>	<b>0</b>	<b>\$</b>	<b>37,718,416</b>

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

Land and construction work in progress of governmental funds are not depreciated. Depreciation expense was charged to the following governmental functions as follows:

General Government	\$	7,121
Public Safety		350,859
Public Works		147,533
Culture and Recreation		11,491
Total Depreciation of Governmental Activities	\$	517,004

Land and construction work in progress of business-type funds are also not depreciated. Depreciation expense was charged to the following business-type functions as follows:

Utility District	\$	947,693
Stormwater Utility		0
Total Depreciation of Business-type activities	\$	947,693

**E – INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility District	General Fund	\$ 609,715
Stormwater Utility	General Fund	119,651
		\$ 729,366

**F - LONG-TERM OBLIGATIONS**

Long-term obligations of the town are as follows:

**Governmental Activities:**

	<u>Balance 1-1-2012</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance 12-31-2012</u>		<u>Amounts Due Within One Year</u>
General Obligation:									
Notes & Bonds	\$ 13,507,319	\$	0	\$	619,680	\$	12,887,639	\$	636,084
Totals	\$ 13,507,319	\$	0	\$	619,680	\$	12,887,639	\$	636,084

**Business-Type Activities:**

	<u>Balance 1-1-2012</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance 12-31-2012</u>		<u>Amounts Due Within One Year</u>
General Obligation:									
Notes and Bonds	\$ 567,006	\$	0	\$	76,825	\$	490,181	\$	80,126
Environmental Improvement Fund:									
General Obligation	10,647,072		0		607,980		10,039,092		623,956
Revenue bonds	747,953		0		220,799		527,154		170,203
Totals	\$ 11,962,031	\$	0	\$	905,604	\$	11,056,427	\$	874,285

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the town. Business-type activities debt is payable from user fees of those funds.

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

Governmental funds debt at December 31, 2012 is comprised of the following individual issues:

Issue	Issue Dates	Interest Rates	Maturity Dates	Balances 12-31-2012
General Obligation:				
State Trust Fund Loan	10-6-05	4.00%	3-15-15	\$ 112,639
Note	3-1-06	3.45-4.00%	3-1-16	830,000
Note	6-3-08	2.60-3.60%	3-1-18	1,305,000
Refunding Bonds	5-26-10	1.375-5.500%	3-1-30	<u>10,640,000</u>
Total Governmental Funds Debt				<u>\$ 12,887,639</u>

Business-type debt at December 31, 2012 is comprised of the following individual issues:

Issue	Issue Dates	Interest Rates	Maturity Dates	Balances 12-31-2012
Utility District:				
Revenue Bond	12-13-95	3.206%	5-1-15	\$ 527,154
General Obligation Note	2-26-97	2.998%	5-1-16	197,665
General Obligation Note	5-26-99	2.722%	5-1-19	84,665
General Obligation Note	9-27-00	2.97%	5-1-20	262,005
General Obligation Note	11-28-01	2.75%	5-1-21	587,974
State Trust Fund Loan	10-6-05	4.00%	3-15-15	39,191
General Obligation Note	12-26-07	2.464%	5-1-27	4,816,930
State Trust Fund Loan	9-16-08	4.25%	3-15-18	450,990
General Obligation Note	3-25-09	2.668%	5-1-28	<u>4,089,853</u>
Total Business-type Debt				<u>\$ 11,056,427</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the town may not exceed five percent of the equalized value of taxable property within the town. The debt limit for general obligation debt as of December 31, 2012 was \$49,318,020. The general obligation debt outstanding at December 31, 2012 was \$23,416,912.

Aggregate cash flow requirements for the retirement of long-term principal and interest on December 31, 2012 follows:

**Governmental Activities:**

Year Ended December 31	Principal	Interest	Total
2013	\$ 636,084	\$ 580,068	\$ 1,216,152
2014	657,527	559,929	1,217,456
2015	679,028	537,699	1,216,727
2016	700,000	512,804	1,212,804
2017	725,000	487,076	1,212,076
2018-2022	3,210,000	2,015,612	5,225,612
2023-2027	3,665,000	1,201,636	4,866,636
2028-2032	2,615,000	219,028	2,834,028
Totals	<u>\$ 12,887,639</u>	<u>\$ 6,113,852</u>	<u>\$ 19,001,491</u>

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

**Business-type Activities:**

Year Ended December 31	Principal	Interest	Total
2013	\$ 874,285	\$ 286,697	\$ 1,160,982
2014	899,510	261,164	1,160,674
2015	925,487	234,876	1,160,363
2016	750,983	210,832	961,815
2017	718,819	190,385	909,204
2018-2022	3,344,378	663,513	4,007,891
2023-2027	3,233,824	251,905	3,485,729
2028-2032	309,141	4,124	313,265
Totals	\$ 11,056,427	\$ 2,103,496	\$ 13,159,923

**G – CAPITAL LEASES**

The Town of Salem has entered into a lease agreement dated December 6, 2012 as lessee for financing the acquisition of five vehicles totaling \$137,804. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date of the lease.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012 were as follows:

<u>Date Payment Due</u>	<u>Amount</u>
1-6-2013	\$ 46,624
1-6-2014	46,624
1-6-2015	46,624
Total minimum lease payments	139,872
Less: Amount representing interest	2,068
Present value of minimum lease payments	\$ 137,804

**H – WITHDRAWAL FROM PENSION FUND**

In 2011, the Town of Salem withdrew from a pension plan for union employees. Under terms of the Town withdrawing from the pension plan, the Town was assessed a withdrawal liability. The town received a withdrawal liability in the amount of \$2,344,207. Monthly required installments of \$10,094 commencing on January 1, 2012 and ending December 31, 2031 are required by the pension plan. Payments are to continue until the amount of the liability has been fully paid. This amount has not been reflected in the financial statements at December 31, 2012 and will be reflected in 2013 pending negotiations on final liability amount.

**NOTE 5 – OTHER INFORMATION**

**A - DEFINED BENEFIT PENSION PLAN**

As of January 1, 2012, the Town joined the Wisconsin Retirement System. All eligible Town of Salem employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 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. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

The payroll for Town of Salem employees covered by the WRS for the year ended December 31, 2012 was \$1,335,652; the employer's total payroll was \$1,755,039. The total required contribution for the year ended December 31, 2012 was \$166,050, which consisted of \$87,246, or 6.5% of payroll from the employer and \$78,804, or 5.9% of payroll from employees. Total contributions for the years ended December 31, 2011 and 2010 were \$0 and \$0, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. The final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The town had no prior service liability at December 31, 2012.

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the State Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI. 53707-7931.

## **B – RISK MANAGEMENT**

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

## **C – COMMITMENTS AND CONTINGENCIES**

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 the terms of the grants. Management believes such disallowances, if any, would be immaterial

TOWN OF SALEM  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2012

**D – BUILD AMERICA BONDS**

The Town had borrowed a \$10,740,000 Taxable General Obligation Refunding Bonds in 2010 for the purpose of refunding the \$3,535,000 Note Anticipation Notes dated October 1, 2009 and the \$7,025,000 Note Anticipation Notes dated March 24, 2010. The note anticipation notes were used to fund the highway/fire building project. The borrowing is qualified to be “Build America Bonds” within the meaning of Subsection 54AA(g) of the Internal Revenue Code of 1986, as amended and the applicable regulations promulgated under the Code so that the Town may claim refundable credits with respect to each interest payment on the borrowing. The amount of the refundable credit payment is determined by multiplying the interest payment that is payable by the town on an interest payment date by 35%. This amount is paid from the United States Department of the Treasury to the Town. The amount refunded in 2012 was \$178,167.

**SUPPLEMENTAL INFORMATION**

TOWN OF SALEM  
 COMBINING BALANCE SHEET -  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2012

	<u>Trails Fund</u>	<u>Park Fund</u>	<u>Maintenance Fees Fund</u>	<u>Total Nonmajor Funds</u>
<b>ASSETS</b>				
Cash and Investments	\$ 215,319	\$ 0	\$ 0	\$ 215,319
Cash and Investments-Restricted		441,400	38,555	479,955
<b>TOTAL ASSETS</b>	<u>\$ 215,319</u>	<u>\$ 441,400</u>	<u>\$ 38,555</u>	<u>\$ 695,274</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Vouchers Payable	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:				
Restricted	0	441,400	38,555	479,955
Assigned	215,319	0	0	215,319
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 215,319</u>	<u>\$ 441,400</u>	<u>\$ 38,555</u>	<u>\$ 695,274</u>

TOWN OF SALEM  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2012

	<u>Trails Fund</u>	<u>Park Fund</u>	<u>Maintenance Fees Fund</u>	<u>Total Nonmajor Funds</u>
REVENUES				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Public Charges for Services		22,647	2,506	25,153
Miscellaneous	359	854	58	1,271
<b>TOTAL REVENUES</b>	<u>359</u>	<u>23,501</u>	<u>2,564</u>	<u>26,424</u>
EXPENDITURES				
Capital Outlay:				
Culture and Recreation	0	12,897	0	12,897
<b>TOTAL EXPENDITURES</b>	<u>0</u>	<u>12,897</u>	<u>0</u>	<u>12,897</u>
Excess of Revenues Over (Under) Expenditures	<u>359</u>	<u>10,604</u>	<u>2,564</u>	<u>13,527</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Long-Term Debt				0
Operating Transfer In (Out)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	359	10,604	2,564	13,527
Fund Balances - Beginning	214,960	430,796	35,991	681,747
<b>Fund Balances - Ending</b>	<u>\$ 215,319</u>	<u>\$ 441,400</u>	<u>\$ 38,555</u>	<u>\$ 695,274</u>