

TOWN OF SALEM, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2014

TOWN OF SALEM, WISCONSIN
December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Salem, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salem, Wisconsin ("the Town") as of and for the year ended December 31, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Town'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 Town'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 as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the Town of Salem's 2013 financial statements, and our report dated June 24, 2014, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Certified Public Accountants
Green Bay, Wisconsin
April 30, 2015

BASIC FINANCIAL STATEMENTS

TOWN OF SALEM, WISCONSIN
Statement of Net Position
December 31, 2014
(With Summarized Financial Information as of December 31, 2013)

	Governmental Activities	Business-type Activities	Totals	
			2014	2013
ASSETS				
Cash and investments	\$ 9,756,058	\$ 882,576	\$ 10,638,634	\$ 13,885,123
Receivables				
Taxes	16,801,796	-	16,801,796	17,172,096
Delinquent personal property taxes	24,842	-	24,842	28,775
Accounts, net	155,898	528,614	684,512	731,227
Special assessments	-	1,050,862	1,050,862	1,083,240
Internal balances	(454,686)	454,686	-	-
Due from other governments	139,535	468,329	607,864	577,853
Prepaid items	137,886	57,714	195,600	190,175
Restricted cash and investments	531,291	1,953,452	2,484,743	2,946,705
Capital assets, not being depreciated				
Land	5,197,689	376,185	5,573,874	4,847,148
Construction in progress	-	2,038,237	2,038,237	180,828
Capital assets, being depreciated				
Buildings and improvements	13,634,658	20,762,342	34,397,000	34,075,000
Machinery and equipment	4,037,733	4,598,384	8,636,117	8,606,257
Infrastructure	8,192,407	33,478,311	41,670,718	35,331,311
Accumulated depreciation	(4,279,972)	(21,914,876)	(26,194,848)	(24,653,037)
TOTAL ASSETS	53,875,135	44,734,816	98,609,951	95,002,701
LIABILITIES				
Accounts payable	278,384	73,551	351,935	508,608
Accrued liabilities	30,572	5,595	36,167	88,883
Accrued interest	200,889	46,699	247,588	255,579
Due to other governments	19,674,876	-	19,674,876	20,073,284
Deposits	103,000	16,800	119,800	808,120
Unearned revenues	1,018,670	-	1,018,670	980,995
Noncurrent liabilities				
Due within one year	1,005,015	927,052	1,932,067	1,876,953
Due in more than one year	13,431,249	9,808,296	23,239,545	23,732,188
TOTAL LIABILITIES	35,742,655	10,877,993	46,620,648	48,324,610
DEFERRED INFLOWS OF RESOURCES				
Property taxes	3,768,474	-	3,768,474	3,594,844
NET POSITION				
Net investment in capital assets	12,955,287	28,608,255	41,563,542	34,939,800
Restricted				
Debt service	-	7,813	7,813	48,257
Fire and rescue	125,321	-	125,321	125,321
Park land and facilities	362,721	-	362,721	329,944
Transportation system	43,249	-	43,249	40,000
Equipment replacement	-	1,953,452	1,953,452	2,443,634
Unrestricted	877,428	3,287,303	4,164,731	5,156,291
TOTAL NET POSITION	\$ 14,364,006	\$ 33,856,823	\$ 48,220,829	\$ 43,083,247

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

TOWN OF SALEM, WISCONSIN
Statement of Activities
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2014	2013
Primary Government								
Governmental Activities								
General government	\$ 1,015,666	\$ 279,105	\$ -	\$ -	\$ (736,561)	\$ -	\$ (736,561)	\$ (906,580)
Public safety	1,673,701	606,269	59,322	475	(1,007,635)	-	(1,007,635)	(825,298)
Public works	2,055,335	1,452,936	309,692	2,338,600	2,045,893	-	2,045,893	(488,695)
Health and human services	5,500	-	-	-	(5,500)	-	(5,500)	(5,500)
Culture and recreation	316,473	35,693	-	435,000	154,220	-	154,220	(328,485)
Conservation and development	78,161	24,591	-	-	(53,570)	-	(53,570)	(46,868)
Interest and fiscal charges	600,101	-	162,706	-	(437,395)	-	(437,395)	(473,481)
Total Governmental Activities	5,744,937	2,398,594	531,720	2,774,075	(40,548)	-	(40,548)	(3,074,907)
Business-type Activities								
Sewer utility	2,457,583	2,762,162	-	956,750	-	1,261,329	1,261,329	53,072
Total Primary Government	\$ 8,202,520	\$ 5,160,756	\$ 531,720	\$ 3,730,825	(40,548)	1,261,329	1,220,781	(3,021,835)
General Revenues								
Taxes, levied for general purposes					2,289,277	-	2,289,277	2,202,697
Taxes, levied for debt service					1,139,424	-	1,139,424	1,049,900
Taxes, levied for capital projects					173,100	-	173,100	173,100
Other taxes					48,423	-	48,423	47,774
Grants and contributions not restricted to specific programs					124,656	-	124,656	123,632
Interest					6,523	22,191	28,714	31,261
Miscellaneous					113,207	-	113,207	59,483
Total General Revenues					3,894,610	22,191	3,916,801	3,687,847
Change in Net Position					3,854,062	1,283,520	5,137,582	666,012
Cumulative Effect of Change in Accounting Principle					-	-	-	(167,974)
Net Position - January 1					10,509,944	32,573,303	43,083,247	42,585,209
Net Position - December 31					\$ 14,364,006	\$ 33,856,823	\$ 48,220,829	\$ 43,083,247

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

TOWN OF SALEM, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2014

(With Summarized Financial Information as of December 31, 2013)

	General	Debt Service	Capital Improvements	Storm water Utility	Nonmajor Governmental Funds	Totals	
						2014	2013
ASSETS							
Cash and investments	\$ 8,899,559	\$ 53,991	\$ 586,787	\$ -	\$ 215,721	\$ 9,756,058	\$ 13,077,839
Receivables							
Taxes	16,801,796	-	-	-	-	16,801,796	17,172,096
Delinquent personal property taxes	24,842	-	-	-	-	24,842	28,775
Accounts, net	76,892	-	-	79,006	-	155,898	168,236
Due from other funds	467,183	-	-	91,921	-	559,104	88,685
Due from other governments	78,730	-	-	60,805	-	139,535	126,823
Prepaid items	91,262	-	9,325	37,299	-	137,886	151,142
Restricted cash and investments	-	-	125,321	-	405,970	531,291	495,265
TOTAL ASSETS	\$ 26,440,264	\$ 53,991	\$ 721,433	\$ 269,031	\$ 621,691	\$ 28,106,410	\$ 31,308,861
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 259,322	\$ -	\$ 19,000	\$ 62	\$ -	\$ 278,384	\$ 356,267
Accrued liabilities	29,113	-	-	1,459	-	30,572	70,119
Due to other governments	19,674,876	-	-	-	-	19,674,876	20,073,284
Due to other funds	546,607	-	-	467,183	-	1,013,790	509,312
Unearned revenue	1,018,670	-	-	-	-	1,018,670	980,995
Deposits	103,000	-	-	-	-	103,000	791,320
Total Liabilities	<u>21,631,588</u>	<u>-</u>	<u>19,000</u>	<u>468,704</u>	<u>-</u>	<u>22,119,292</u>	<u>22,781,297</u>
Deferred Inflows of Resources							
Taxes	3,768,474	-	-	-	-	3,768,474	3,594,844
Fund Balance							
Nonspendable							
Prepaid items	91,262	-	9,325	37,299	-	137,886	151,142
Delinquent personal property taxes	24,842	-	-	-	-	24,842	28,775
Delinquent special charges due from County	78,730	-	-	60,805	-	139,535	126,823
Restricted							
Debt service	-	53,991	-	-	-	53,991	48,257
Fire and rescue	-	-	125,321	-	-	125,321	125,321
Capital improvements	-	-	567,787	-	-	567,787	2,108,918
Park land and facilities	-	-	-	-	362,721	362,721	329,944
Transportation system	-	-	-	-	43,249	43,249	40,000
Assigned							
Subsequent year budget	137,000	-	-	-	-	137,000	321,589
Election equipment	20,000	-	-	-	-	20,000	-
Storm water	-	-	-	-	-	-	734,613
Trails	-	-	-	-	215,721	215,721	215,536
Unassigned (Deficit)							
General fund	688,368	-	-	-	-	688,368	701,802
Storm Water Utility	-	-	-	(297,777)	-	(297,777)	-
Total Fund Balance (Deficit)	<u>1,040,202</u>	<u>53,991</u>	<u>702,433</u>	<u>(199,673)</u>	<u>621,691</u>	<u>2,218,644</u>	<u>4,932,720</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 26,440,264	\$ 53,991	\$ 721,433	\$ 269,031	\$ 621,691	\$ 28,106,410	\$ 31,308,861

(Continued)

TOWN OF SALEM, WISCONSIN
Balance Sheet (Continued)
Governmental Funds
December 31, 2014
(With Summarized Financial Information as of December 31, 2013)

<u>Reconciliation to the Statement of Net Position</u>	2014	2013
Total Fund Balances as shown on previous page	\$ 2,218,644	\$ 4,932,720
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	26,782,515	21,206,030
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(14,349,028)	(15,276,555)
Capital leases payable	(45,987)	(91,345)
Premium on long-term debt	(41,249)	(46,241)
Accrued interest on long-term obligations	(200,889)	(214,665)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 14)	<u>\$ 14,364,006</u>	<u>\$ 10,509,944</u>

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

TOWN OF SALEM, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	General	Debt Service	Capital Improvements	Storm water Utility	Nonmajor Governmental Funds	Totals	
						2014	2013
Revenues							
Taxes	\$ 2,337,700	\$ 1,139,424	\$ 173,100	\$ -	\$ -	\$ 3,650,224	\$ 3,473,471
Intergovernmental	400,797	162,706	47,707	-	-	611,210	587,894
Licenses and permits	250,285	-	-	-	-	250,285	215,877
Fines and forfeits	39,436	-	-	-	-	39,436	34,457
Public charges for services	1,055,628	-	-	427,428	35,693	1,518,749	1,526,802
Intergovernmental charges for services	610,699	-	-	-	-	610,699	568,537
Miscellaneous	57,908	-	62,381	1,669	518	122,476	217,012
Total Revenues	4,752,453	1,302,130	283,188	429,097	36,211	6,803,079	6,624,050
Expenditures							
Current							
General government	987,733	-	-	-	-	987,733	1,118,548
Public safety	1,335,559	-	-	-	-	1,335,559	1,278,411
Public works	1,615,240	-	-	196,552	-	1,811,792	1,951,726
Health and human services	5,500	-	-	-	-	5,500	5,500
Culture and recreation	368,732	-	-	-	-	368,732	331,956
Conservation and development	404,887	-	-	-	-	404,887	72,024
Capital outlay	-	-	1,814,994	1,263,882	-	3,078,876	1,749,162
Debt service							
Principal	-	927,527	-	-	-	927,527	636,084
Interest and fiscal charges	-	618,869	-	-	-	618,869	628,707
Total Expenditures	4,717,651	1,546,396	1,814,994	1,460,434	-	9,539,475	7,772,118
Excess of Revenues Over (Under) Expenditures	34,802	(244,266)	(1,531,806)	(1,031,337)	36,211	(2,736,396)	(1,148,068)
Other Financing Sources (Uses)							
Long-term debt issued	-	-	-	-	-	-	3,670,000
Premium on debt issued	-	-	-	-	-	-	48,321
Payment to current noteholder	-	-	-	-	-	-	(645,000)
Sale of capital assets	22,320	-	-	-	-	22,320	-
Transfers in	-	250,000	-	-	-	250,000	-
Transfers out	(250,000)	-	-	-	-	(250,000)	-
Total Other Financing Sources (Uses)	(227,680)	250,000	-	-	-	22,320	3,073,321
Net Change in Fund Balances	(192,878)	5,734	(1,531,806)	(1,031,337)	36,211	(2,714,076)	1,925,253
Fund Balances - January 1	1,233,080	48,257	2,234,239	831,664	585,480	4,932,720	3,007,467
Fund Balances (Deficit) - December 31	\$ 1,040,202	\$ 53,991	\$ 702,433	\$ (199,673)	\$ 621,691	\$ 2,218,644	\$ 4,932,720

(Continued)

TOWN OF SALEM, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	2014	2013
<u>Reconciliation to the Statement of Activities</u>		
Net change in fund balances - total governmental funds	\$(2,714,076)	\$ 1,925,253
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay expenditures in governmental fund statements	3,078,876	1,638,152
Capital assets reported as current expenditures in governmental fund statements	334,906	-
Contributed capital assets	2,773,600	-
Depreciation is reported in the government-wide statements.	(610,897)	(569,692)
Debt issued provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal retired	927,527	1,281,084
Capital lease payments	45,358	46,459
Debt issued	-	(3,670,000)
Debt premium amortization	4,992	(46,241)
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.	13,776	(16,284)
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 15)	<u>\$ 3,854,062</u>	<u>\$ 588,731</u>

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

TOWN OF SALEM, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
Revenues					
Taxes	\$ 2,329,877	\$ 2,329,877	\$ 2,337,700	\$ 7,823	\$ 2,250,471
Intergovernmental	393,217	393,217	400,797	7,580	393,764
Licenses and permits	218,800	218,800	250,285	31,485	215,877
Fines and forfeits	31,900	31,900	39,436	7,536	34,457
Public charges for services	1,042,150	1,042,150	1,055,628	13,478	1,082,742
Intergovernmental charges for services	559,390	559,390	610,699	51,309	568,537
Miscellaneous	31,400	31,400	57,908	26,508	48,302
Total Revenues	4,606,734	4,606,734	4,752,453	145,719	4,594,150
Expenditures					
Current					
General government	1,028,118	1,028,118	987,733	40,385	1,118,548
Public safety	1,472,876	1,472,876	1,335,559	137,317	1,278,411
Public works	1,684,944	1,684,944	1,615,240	69,704	1,768,104
Health and human services	7,500	7,500	5,500	2,000	5,500
Culture and recreation	369,667	369,667	368,732	935	331,956
Conservation and development	43,629	43,629	404,887	(361,258)	72,024
Total Expenditures	4,606,734	4,606,734	4,717,651	(110,917)	4,574,543
Excess of Revenues Over Expenditures	-	-	34,802	34,802	19,607
Other Financing Sources (Uses)					
Sale of capital assets	-	-	22,320	22,320	-
Transfers out	(250,000)	(250,000)	(250,000)	-	-
Total Other Financing Sources (Uses)	(250,000)	(250,000)	(227,680)	22,320	-
Net Change in Fund Balance	(250,000)	(250,000)	(192,878)	57,122	19,607
Fund Balance - January 1	1,233,080	1,233,080	1,233,080	-	1,213,473
Fund Balance - December 31	\$ 983,080	\$ 983,080	\$ 1,040,202	\$ 57,122	\$ 1,233,080

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

TOWN OF SALEM, WISCONSIN
Statement of Net Position
Proprietary Fund - Sewer Utility
December 31, 2014
(With Summarized Financial Information as of December 31, 2013)

	2014	2013
ASSETS		
Current assets		
Cash and investments	\$ 882,576	\$ 807,284
Receivables		
Accounts	528,614	562,991
Special assessment	1,050,862	1,083,240
Due from other funds	454,686	420,627
Due from other governments	468,329	451,030
Prepaid items	57,714	39,033
Total Current Assets	3,442,781	3,364,205
Noncurrent assets		
Restricted assets		
Cash and investments	1,953,452	2,451,440
Capital assets, not being depreciated		
Land	376,185	376,185
Construction in progress	2,038,237	146,700
Capital assets, being depreciated		
Buildings	20,762,342	20,512,342
Machinery and equipment	4,598,384	4,591,981
Infrastructure	33,478,311	32,510,231
Less: Accumulated depreciation	(21,914,876)	(20,955,962)
Total Capital Assets, Net of Accumulated Depreciation	36,924,161	36,658,592
Total Noncurrent Assets	41,292,035	39,632,917
TOTAL ASSETS	44,734,816	42,997,122
LIABILITIES		
Current Liabilities		
Accounts payable	73,551	152,341
Accrued payroll	5,595	18,764
Deposits	16,800	16,800
Current portion of general obligation debt	745,760	728,408
Accrued interest payable	45,731	39,007
Total Current Liabilities	887,437	955,320
Current Liabilities Payable from Restricted Assets:		
Revenue bonds	181,292	175,660
Accrued interest payable	968	1,907
Total Current Liabilities Payable from Restricted Assets:	182,260	177,567
Noncurrent Liabilities		
General obligation debt	9,803,276	9,103,366
Revenue bonds	-	181,291
Premium on long-term debt	5,020	6,275
Total Noncurrent Liabilities	9,808,296	9,290,932
TOTAL LIABILITIES	10,877,993	10,423,819
NET POSITION		
Net investment in capital assets	28,608,255	26,992,752
Restricted for		
Debt service	7,813	7,806
Equipment replacement	1,953,452	2,443,634
Unrestricted	3,287,303	3,129,111
TOTAL NET POSITION	\$ 33,856,823	\$ 32,573,303

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

TOWN OF SALEM, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund - Sewer Utility
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	2014	2013
Operating Revenues		
Charges for services	\$ 2,533,909	\$ 2,352,602
Other	228,253	138,074
Total Operating Revenues	<u>2,762,162</u>	<u>2,490,676</u>
Operating Expenses		
Operation and maintenance	1,237,824	1,204,474
Depreciation	958,914	957,259
Total Operating Expenses	<u>2,196,738</u>	<u>2,161,733</u>
Operating Income	<u>565,424</u>	<u>328,943</u>
Nonoperating Revenues (Expenses)		
Interest income	22,191	24,209
Interest expense	(260,845)	(275,871)
Total Nonoperating Revenues (Expenses)	<u>(238,654)</u>	<u>(251,662)</u>
Income Before Contributions	326,770	77,281
Capital Contributions	<u>956,750</u>	<u>-</u>
Change in Net Position	1,283,520	77,281
Net Position - January 1	<u>32,573,303</u>	<u>32,496,022</u>
Net Position - December 31	<u>\$ 33,856,823</u>	<u>\$ 32,573,303</u>

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

TOWN OF SALEM, WISCONSIN
Statement of Cash Flows
Proprietary Fund - Sewer Utility
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	2014	2013
Cash Flows from Operating Activities		
Cash received from customers	\$ 2,745,184	\$ 2,617,395
Cash payments to suppliers	(773,974)	(530,550)
Cash payments to employees	(574,494)	(556,888)
Net Cash Provided by Operating Activities	<u>1,396,716</u>	<u>1,529,957</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(2,159,269)	(420,320)
Long-term debt issued	1,445,671	390,000
Long-term debt paid	(904,068)	(1,257,704)
Interest paid on long-term debt	(256,315)	(291,246)
Special assessments received	32,378	33,388
Net Cash Used by Capital and Related Financing Activities	<u>(1,841,603)</u>	<u>(1,545,882)</u>
Cash Flows from Investing Activities		
Interest income received	22,191	24,209
Change in Cash and Cash Equivalents	<u>(422,696)</u>	<u>8,284</u>
Cash and Cash Equivalents - Beginning of Year	<u>3,258,724</u>	<u>3,250,440</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,836,028</u>	<u>\$ 3,258,724</u>
Reconciliation to Statement of Net Position		
Cash and cash equivalents in current assets	\$ 882,576	\$ 807,284
Cash and cash equivalents in restricted assets	1,953,452	2,451,440
Total Cash and Cash Equivalents	<u>\$ 2,836,028</u>	<u>\$ 3,258,724</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 565,424	\$ 328,943
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	958,914	957,259
Changes in assets and liabilities		
Accounts receivable	34,377	(89,790)
Due from other funds	(34,059)	189,089
Due from other governments	(17,299)	27,420
Prepaid items	(18,681)	3,288
Accounts payable	(78,790)	112,266
Accrued and other current liabilities	(13,169)	1,482
Net Cash Provided by Operating Activities	<u>\$ 1,396,717</u>	<u>\$ 1,529,957</u>
Noncash Investing, Capital and Financing Activities		
Capital contributions	<u>\$ 956,750</u>	<u>\$ -</u>

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

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Salem, Wisconsin ("the Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (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:

1. Reporting Entity

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

A legal separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financial accountable if it appoints a majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a primary government if all of the following criteria are met:

- a. the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents;
- b. the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization;
- c. the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

The Town has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. Government-wide and Fund 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 non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental and proprietary funds. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

GENERAL FUND

This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

DEBT SERVICE FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term debt other than enterprise funds.

CAPITAL IMPROVEMENTS FUND

This fund accounts for capital projects and equipment replacement with financing generally provided by grants and long-term debt proceeds.

STORM WATER UTILITY FUND

This fund accounts for fees collected to address drainage problems, runoff, water quality, and water quantity issues throughout the Town.

The Town reports the following major enterprise fund:

SEWER UTILITY FUND

This fund accounts for the operation of the Town's sewer utility to Town residents and businesses.

3. Measurement Focus and Basis of Accounting

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. 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*. 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.

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund is charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Property Taxes Receivables

Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes are levied on the assessed value as of the January 1. In addition to property taxes for the Town, taxes are collected for and remitted to the state and county governments as well as local school districts and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other governments in the basic financial statements.

Property tax calendar - 2014 tax roll	
Levy date	December, 2014
Real estate tax collection due dates:	
Payment in full or first installment due	January 31, 2015
Second installment due to Kenosha County	July 31, 2015
Personal property taxes, special assessments, and special charges due in full	January 31, 2015

Kenosha County remits payment to the Town for its share of delinquent real estate taxes while delinquent personal property taxes remain the collection responsibility of the Town and are reported as receivables in the financial statements. Delinquent special assessments and user charges placed on the tax roll are held in trust by Kenosha County and remitted with interest to the Town when paid. The amount due on delinquent special assessments and user charges are reported in due from other governments in the basic financial statements.

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Accounts Receivables

Accounts receivable have been shown net of an allowance for doubtful accounts in the basic financial statements. An allowance of \$81,572 was recorded against EMS receivables. No provision for uncollectible accounts receivable has been made in the accompanying enterprise fund financial statements because the utilities have the right by law to place delinquent bills on the tax roll.

d. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

e. Inventories

Inventories are recorded at lower of cost or market, using the first-in, first-out method. Inventories consist 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.

Inventories 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.

f. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items 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.

g. Capital Assets

Capital assets, which include property, plant, 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 at least \$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.

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>	Governmental Activities	Business-type Activities
	Years	
Buildings and improvements	20 - 50	20 - 50
Machinery and equipment	10 - 20	5 - 40
Infrastructure	40	40 - 100

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied.

i. Compensated Absences

Under terms of employment, employees are granted sick leave and vacation in varying amounts. Only benefits considered to be vested are disclosed in these statements. All vacation and sick leave is expensed when incurred in the government-wide and proprietary fund financial statements. The Town does not accrue for compensated absences such as sick leave and vacation because they expire at the end of the year and do not carry over to the subsequent year. The only exception to this rule is if an employee is terminated during the year. They are entitled to receive the benefits earned prior to the end of the year.

j. 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 are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial 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. Premiums received on debt issuances are 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.

k. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Town Board. These constraints can only be removed or changed by the Town Board using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of Town management. The Town Board has not authorized management to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The Town has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend down policy, GASB Statement No. 54 indicates that restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

The General Fund will be balanced with property tax, only after all other revenue sources and expenditure reductions have been exhausted. A minimum of 17% of operating expenses (two months of operating expenditures) shall be maintained as undesignated reserve. Currently, 17% of the general fund expenditures are \$802,001. The General Fund unassigned fund balance is \$688,368. Any amounts over 25% shall be re-appropriated to other funds that have not yet met their reserve requirements. If the balance falls below the minimum fund balance in any given year funds shall be reserved in the following budget year to replenish the fund balance to meet the minimum requirement.

A minimum of 17% of operating expenses shall be maintained as a reserve in the sewer utility and storm water utility fund, in addition a sufficient reserve shall be maintained to satisfy bond requirements and Department of Natural Resources loan, depreciation and capital improvement requirements. Seventeen percent of operating expenses for the sewer utility and storm water utility funds are \$373,445 and \$33,414 respectively. The sewer utility unrestricted net position is \$3,287,303 and the storm water utility fund balance (deficit) is \$(199,673).

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed 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 - Net position that is neither classified as restricted nor as net investment in capital assets.

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

6. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. No later than October 1, 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.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. 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.
- c. During the year, formal budgetary integration is employed as a management control device for the Town's funds.
- d. 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 by two-thirds vote. No budget amendments were approved during the year 2014.
- e. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2014.

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts of the Town's governmental funds had actual expenditures in excess of budget appropriations for the year ended December 31, 2014 as follows:

Funds	Function	Excess Expenditures
General fund	Conservation and development	\$ 361,258
Debt service fund	Principal and interest	1,149
Capital improvements fund	Capital outlay	305,924
Storm water utility fund	Capital outlay	708,882

Excess expenditures of the general fund were financed by budgetary savings of other functions and additional revenues. The debt service fund and capital improvements fund issued long-term debt in 2013 which resulted in additional debt retirements and capital improvements above the 2014 budget. The capital improvements consisted of primarily road improvements.

3. Deficit Fund Balance

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. As of December 31, 2014, the Storm Water Utility fund held a deficit of \$199,673. The deficit is anticipated to be funded with future storm water user fees.

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Town maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed in the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the Town's cash and investments totaled \$13,123,377 on December 31, 2014, as summarized below:

Petty cash	\$ 700
Deposits with financial institutions	8,841,046
Investments	4,281,631
	<u>\$ 13,123,377</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 10,638,634
Restricted cash and investments	2,484,743
	<u>\$ 13,123,377</u>

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and investments of the Town are subject to various risks. Presented below is a discussion of the specific risks and the Town's policy related to the risk.

Deposits With Financial Institutions

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State

Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

On December 31, 2014, \$617,187 of the Town's deposits with financial institutions was in excess of federal and state depository insurance limits and uncollateralized. Bank deposits of \$7,508,529 in excess of federal and state depository insurance limits were collateralized by securities held by the financial institutions but not in the Town's name.

Investments

The Town has investments in the Wisconsin local government investment pool of \$4,281,631 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2014, the fair value of the Town's share of the LGIP's assets was substantially equal to the carrying value.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Town does not have an additional credit risk policy. The Town's investment in the Wisconsin local government investment pool is not rated.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Restricted Assets

Restricted assets on December 31, 2014 totaled \$2,484,743 and consisted of cash and investments held for the following purposes:

Restricted Cash and Investments	
Governmental funds/governmental activities	
Fire/rescue donation	\$ 125,321
Park impact fees	362,721
Transportation system impact fees	43,249
Subtotal	531,291
Proprietary fund/business-type activities	
Plant and equipment replacement fund	1,945,639
Special redemption fund	7,813
Subtotal	1,953,452
Total	\$ 2,484,743

3. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,470,963	\$ 726,726	\$ -	\$ 5,197,689
Construction in progress	34,128	-	34,128	-
Total capital assets, not being depreciated	4,505,091	726,726	34,128	5,197,689
Capital assets, being depreciated:				
Buildings and improvements	13,562,658	100,000	28,000	13,634,658
Machinery and equipment	4,014,276	23,457	-	4,037,733
Infrastructure	2,821,080	5,371,327	-	8,192,407
Subtotals	20,398,014	5,494,784	28,000	25,864,798
Less accumulated depreciation				
Buildings and improvements	1,614,612	272,736	28,000	1,859,348
Machinery and equipment	1,786,000	232,152	-	2,018,152
Infrastructure	296,463	106,009	-	402,472
Subtotals	3,697,075	610,897	28,000	4,279,972
Total capital assets, being depreciated, net	16,700,939	4,883,887	-	21,584,826
Governmental activities capital assets, net	\$ 21,206,030	\$ 5,610,613	\$ 34,128	26,782,515
Less related long-term debt outstanding				13,827,228
Net investment in capital assets				\$ 12,955,287

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 376,185	\$ -	\$ -	\$ 376,185
Construction in progress	146,700	1,891,537	-	2,038,237
Total capital assets, not being depreciated	522,885	1,891,537	-	2,414,422
Capital assets, being depreciated:				
Buildings and improvements	20,512,342	250,000	-	20,762,342
Machinery and equipment	4,591,981	6,403	-	4,598,384
Infrastructure	32,510,231	968,080	-	33,478,311
Subtotals	57,614,554	1,224,483	-	58,839,037
Less accumulated depreciation				
Buildings and improvements	8,280,551	535,180	-	8,815,731
Machinery and equipment	4,395,033	352,633	-	4,747,666
Infrastructure	8,280,378	71,101	-	8,351,479
Subtotals	20,955,962	958,914	-	21,914,876
Total capital assets, being depreciated, net	36,658,592	265,569	-	36,924,161
Business-type activities capital assets, net	\$ 37,181,477	\$ 2,157,106	\$ -	39,338,583
Less related long-term debt outstanding				10,730,328
Net investment in capital assets				\$ 28,608,255
Governmental activities				
General government				\$ 27,933
Public safety				361,599
Public works, including infrastructure				208,624
Culture and recreation				12,741
Total depreciation expense - governmental activities				\$ 610,897

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Interfund Receivable/Payables, Advance and Transfers

Interfund receivables and payables between individual funds of the Town, as reported in the fund financial statements, as of December 31, 2014 are detailed below:

	Interfund Receivables	Interfund Payables
Governmental Funds		
General fund	\$ 467,183	\$ 546,607
Stormwater fund	91,921	467,183
Enterprise Fund		
Sewer Utility	454,686	-
Totals	<u>\$ 1,013,790</u>	<u>\$ 1,013,790</u>

Interfund receivables and payables relate to delinquent user charges placed on the 2014 tax roll and collected from customers with property tax collections, along with the temporary advance for deficit cash. All interfunds are expected to be paid within one year.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2014:

	Outstanding 1/1/14	Issued	Retired	Outstanding 12/31/14	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 10,425,000	\$ -	\$ 215,000	\$ 10,210,000	\$ 220,000
Notes	4,851,555	-	712,527	4,139,028	739,028
Total General Obligation Debt	15,276,555	-	927,527	14,349,028	959,028
Debt premium	46,241	-	4,992	41,249	-
Capital lease	91,345	-	45,358	45,987	45,987
Governmental activities Long-term obligations	\$ 15,414,141	\$ -	\$ 977,877	\$ 14,436,264	\$ 1,005,015
Business-type activities:					
General Obligation Debt					
Notes	\$ 416,636	\$ -	\$ 88,057	\$ 328,579	\$ 88,579
Wisconsin Environmental Improvement Fund	9,415,138	1,445,671	640,352	10,220,457	657,181
Total General Obligation Debt	9,831,774	1,445,671	728,409	10,549,036	745,760
Debt premium	6,275	-	1,255	5,020	-
Revenue Bonds					
Wisconsin Environmental Improvement Fund	356,951	-	175,659	181,292	181,292
Business-type activities Long-term obligations	\$ 10,195,000	\$ 1,445,671	\$ 905,323	\$ 10,735,348	\$ 927,052

Total interest paid during the year on long-term debt totaled \$874,684.

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt and Note Anticipation Notes

General obligation debt currently outstanding is detailed as follows:

Bonds

\$10,740,000 issued 05/26/10 under the Build America Bond program; \$220,000 to \$910,000 due annually through 2030; interest 2.50% to 5.50%	<u>\$ 10,210,000</u>
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Notes

\$2,025,000 issued 06/03/08; \$210,000 to \$240,000 due annually through 2018; interest 3.15% to 3.60%	900,000
\$4,060,000 issued 07/25/13; \$305,000 to \$600,000 due annually through 2023; interest 1.00% to 2.55%	3,515,000
\$400,000 State Trust Fund Loan issued 10/06/05; \$52,607 due in 2015; interest 4.00%	<u>52,607</u>
Total Notes	<u><u>4,467,607</u></u>

Wisconsin Environmental Improvement Fund

\$259,774 authorized 05/26/99, \$205,302 issued; \$11,758 to \$13,091 due annually through 2019; interest 2.722%	\$ 62,077
\$760,132 authorized 02/26/97, \$760,132 issued; \$50,124 to \$51,627 due annually through 2016; interest 2.998%	101,751
\$614,980 authorized 09/27/00, \$556,120 issued; \$31,274 to \$36,202 due annually through 2020; interest 2.97%	202,138
\$1,139,950 authorized 11/28/01, \$1,092,733 issued; \$61,729 to \$72,640 due annually through 2021; interest 2.75%	469,429
\$5,855,983 authorized 12/26/07, \$5,831,013 issued; \$282,764 to \$378,686 due annually through 2027; interest 2.464%	4,271,638
\$4,930,393 authorized 03/25/09, \$4,682,147 issued; \$219,533 to \$309,141 due annually through 2028; interest 2.668%	3,667,753
\$2,546,888 authorized 05/28/14, \$1,445,671 issued; \$59,658 to \$95,111 due annually from 2016 through 2034; interest 3.00%	<u>1,445,671</u>
Total Wisconsin Environmental Improvement Fund	<u><u>10,220,457</u></u>

Total Outstanding General Obligation Debt	<u><u>\$ 24,898,064</u></u>
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TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$24,898,064 on December 31, 2014 are as detailed below:

Year Ended December 31	Governmental Activities			Business-Type Activities		
	Principal	Interest	Totals	Principal	Interest	Totals
2015	\$ 959,028	\$ 588,856	\$ 1,547,884	\$ 745,760	\$ 260,432	\$ 1,006,192
2016	985,000	562,709	1,547,709	814,113	241,789	1,055,902
2017	1,020,000	533,531	1,553,531	780,234	221,436	1,001,670
2018	1,050,000	499,500	1,549,500	798,444	201,388	999,832
2019	885,000	465,625	1,350,625	737,130	181,659	918,789
2020-2024	4,545,000	1,782,892	6,327,892	3,526,430	629,818	4,156,248
2025-2029	3,995,000	803,699	4,798,699	2,695,084	191,822	2,886,907
2030-2034	910,000	25,025	935,025	451,840	30,266	482,106
	<u>\$ 14,349,028</u>	<u>\$ 5,261,837</u>	<u>\$ 19,610,865</u>	<u>\$ 10,549,036</u>	<u>\$ 1,958,611</u>	<u>\$ 12,507,647</u>

Year Ended December 31	Total General Obligation Debt		
	Principal	Interest	Totals
2015	\$ 1,704,788	\$ 849,288	\$ 2,554,076
2016	1,799,113	804,498	2,603,611
2017	1,800,234	754,967	2,555,201
2018	1,848,444	700,888	2,549,332
2019	1,622,130	647,284	2,269,414
2020-2024	8,071,430	2,412,710	10,484,140
2025-2029	6,690,084	995,521	7,685,606
2030	1,361,840	55,291	1,417,131
	<u>\$ 24,898,064</u>	<u>\$ 7,220,448</u>	<u>\$ 32,118,512</u>

Build America Bonds

The general obligation debt issued on 5/26/10 qualifies as Build America Bonds, as described in Section 54AA of the Internal Revenue Code. The interest on the debt is taxable as set forth in the regulations. The Town is eligible to receive a 35% subsidy of the annual interest payment from the Federal government. In order to receive this subsidy it is necessary for the Town to file a claim form annually.

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2014 was \$24,674,302 as follows:

Equalized valuation of the Town	\$ 990,367,500
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	49,518,375
Total outstanding general obligation debt applicable to debt limitation	\$ 24,898,064
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>53,991</u>
Net outstanding general obligation debt applicable to debt limitation	<u>24,844,073</u>
Legal Margin for New Debt	<u>\$ 24,674,302</u>

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Revenue Bonds

Revenue bonds currently outstanding are detailed as follows:

Revenue Bonds

Revenue bonds outstanding as of December 31, 2014 follows:

State of Wisconsin Environmental Improvement Fund

\$2,624,495 authorized 12/13/95, \$2,618,585 issued; \$181,292 due in 2015;
interest 3.206%

\$ 181,292

Total Outstanding Revenue Bonds

\$ 181,292

Annual principal and interest maturities of the outstanding revenue bonds of \$181,292 on December 31, 2014 are as detailed below:

Year Ended December 31	Business-Type Activities		
	Principal	Interest	Totals
2015	\$ 181,292	\$ 2,906	\$ 184,198

Utility Revenues Pledged

The Town has pledged future utility district customer revenues, net of specified operating expenses, to repay the utility district revenue bonds. Proceeds from the bonds provided financing for the construction or acquisition of capital assets. The bonds are payable solely from utility district customer net revenues and are payable through 2015. The total principal and interest remaining to be paid on the bonds is \$184,198. Principal and interest paid for the current year and total customer net revenues were \$184,288 and \$1,546,528 respectively.

Capital Leases

The Town is obligated under various leases accounted for as capital leases that were used to finance the acquisition of five vehicles with a cost basis of \$137,804. Presented below is a schedule of future minimum lease payments required under the capital leases, and the present value of the net minimum lease payments at December 31, 2014:

<u>Year Ended</u>	
2015	\$ 46,624
Less: Amount representing interest	637
Present value of future minimum lease payments	<u>\$ 45,987</u>

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible Town employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire, are eligible to participate in the WRS. 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 (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. 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.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General category, including Teachers, 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.

Contribution rates for 2014 were:

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

The payroll for Town of Salem employees covered by the WRS for the year ended December 31, 2014 was \$1,430,599; the employer's total payroll was \$1,848,206. The total required contribution for the year ended December 31, 2014 was \$209,154, which consisted of \$109,012, or 7.62% of payroll from the employer and \$100,142, or 7.00% of payroll from employees. Total contributions for the years ended December 31, 2013 and 2012 were \$182,297 and \$166,050, 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. Final average earnings are the average of the employee's three highest year's 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 WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

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

TOWN OF SALEM, WISCONSIN
Notes to Basic Financial Statements
December 31, 2014

NOTE D - OTHER INFORMATION (Continued)

2. Other Pension Plan

In 2011, the Town of Salem withdrew from a pension plan for union employees and was assessed a withdrawal liability in the amount of \$2,344,207. Monthly required installments of \$10,094 began on January 1, 2012 and are payable through December 31, 2031. As of December 31, 2014, the total future payments due under the withdrawal liability total \$2,002,340; however, this liability is not currently recorded as the Town is in negotiations on a lump sum settlement.

3. Contingencies

- a. The Town participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.
- b. From time to time, the Town is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel 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.

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Town completes an annual review of its insurance coverage to ensure adequate coverage.

5. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2014 and 2015 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2014 budget was 0.70%. The actual limit for the Town for the 2015 budget was 0.66%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

6. Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Village 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, 2015.

SUPPLEMENTARY INFORMATION

TOWN OF SALEM, WISCONSIN
Detailed Comparison of Budgeted and Actual Revenues - General Fund
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)	2013
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 2,281,775	\$ 2,281,775	\$ 2,281,775	\$ -	\$ 2,196,470
Mobile home	45,000	45,000	48,300	3,300	47,672
Other taxes	3,102	3,102	7,625	4,523	6,329
Total Taxes	2,329,877	2,329,877	2,337,700	7,823	2,250,471
Intergovernmental					
Shared revenue	120,443	120,443	121,821	1,378	120,820
Tax exempt computer aid	800	800	879	79	886
Water patrol	8,074	8,074	14,156	6,082	8,074
Highway aids	250,000	250,000	249,936	(64)	249,995
Recycling	12,000	12,000	12,049	49	12,063
Payment in lieu of taxes	1,900	1,900	1,956	56	1,926
Total Intergovernmental	393,217	393,217	400,797	7,580	393,764
Licenses and Permits					
Operators	6,000	6,000	6,112	112	7,304
Cable television	95,900	95,900	89,651	(6,249)	94,094
Liquor	16,000	16,000	14,091	(1,909)	15,737
Other licenses	10,100	10,100	9,793	(307)	10,081
Building	75,000	75,000	116,618	41,618	75,266
Other permits	15,800	15,800	14,020	(1,780)	13,395
Total Licenses and Permits	218,800	218,800	250,285	31,485	215,877
Fines and Forfeits					
Court costs and fines	31,900	31,900	39,436	7,536	34,457
Public Charges for Services					
General government	5,000	5,000	16,451	11,451	7,090
Planning and zoning fees	8,500	8,500	11,900	3,400	8,175
Building inspection fees	2,050	2,050	2,500	450	2,350
Highway	5,000	5,000	2,952	(2,048)	1,828
Garbage, recycling and yard waste	1,012,100	1,012,100	1,012,520	420	1,012,721
Razing	-	-	-	-	41,818
Dog pound fees	1,000	1,000	390	(610)	325
Rental	8,500	8,500	8,915	415	8,435
Total Public Charges for Services	1,042,150	1,042,150	1,055,628	13,478	1,082,742
Intergovernmental Charges for Services					
EMS	270,600	270,600	316,149	45,549	303,757
Fire	288,790	288,790	294,550	5,760	264,780
Total Intergovernmental Charges for Services	559,390	559,390	610,699	51,309	568,537
Miscellaneous					
Interest	5,000	5,000	2,823	(2,177)	3,489
Rent	-	-	-	-	1,500
Other	26,400	26,400	55,085	28,685	43,313
Total Miscellaneous	31,400	31,400	57,908	26,508	48,302
Total Revenues	\$ 4,606,734	\$ 4,606,734	\$ 4,752,453	\$ 145,719	\$ 4,594,150

TOWN OF SALEM, WISCONSIN
Detailed Comparison of Budgeted and Actual Expenditures - General Fund
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)	2013
	Original	Final			
Expenditures					
General Government					
Elected officials	\$ 56,443	\$ 56,443	\$ 50,326	\$ 6,117	\$ 54,661
Judicial	21,129	21,129	16,914	4,215	16,953
Boards and commissions	7,700	7,700	3,236	4,464	5,106
Administrator	96,183	96,183	96,793	(610)	97,489
Legal expense	52,000	52,000	30,687	21,313	36,136
Town clerk	76,344	76,344	78,323	(1,979)	76,354
Elections	46,648	46,648	39,285	7,363	11,574
Town treasurer	57,947	57,947	60,627	(2,680)	55,256
Town hall and contractual services	377,724	377,724	383,341	(5,617)	527,688
Insurance	206,500	206,500	217,048	(10,548)	217,433
Contingency	29,500	29,500	11,153	18,347	19,898
Total General Government	1,028,118	1,028,118	987,733	40,385	1,118,548
Public Safety					
Public safety	93,489	93,489	99,033	(5,544)	107,030
Water patrol	35,401	35,401	30,655	4,746	43,520
Fire department	1,239,524	1,239,524	1,091,450	148,074	1,028,496
Building inspection	104,462	104,462	114,421	(9,959)	99,365
Total Public Safety	1,472,876	1,472,876	1,335,559	137,317	1,278,411
Public Works					
Highway department	896,044	896,044	839,369	56,675	940,080
Street lights	45,000	45,000	45,323	(323)	41,877
Garbage collection	483,535	483,535	525,671	(42,136)	563,936
Recycling charges	260,365	260,365	204,877	55,488	222,211
Total Public Works	1,684,944	1,684,944	1,615,240	69,704	1,768,104
Health and Human Services					
Animal control	7,500	7,500	5,500	2,000	5,500
Culture and Recreation					
Library	324,153	324,153	324,153	-	310,437
Parks	45,514	45,514	44,579	935	21,519
Total Culture and Recreation	369,667	369,667	368,732	935	331,956
Conservation and Development					
Conservation and development	38,629	38,629	395,482	(356,853)	52,399
Sharing center contribution	5,000	5,000	5,000	-	-
Miscellaneous	-	-	4,405	(4,405)	19,625
Total Conservation and Development	43,629	43,629	404,887	(361,258)	72,024
Total Expenditures	\$ 4,606,734	\$ 4,606,734	\$ 4,717,651	\$ (110,917)	\$ 4,574,543

TOWN OF SALEM, WISCONSIN

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2014

(With Summarized Financial Information as of December 31, 2013)

	Special Revenue Funds			Total Nonmajor Governmental Funds	
	Trails Fund	Park Fund	Maintenance Fee Fund	2014	2013
ASSETS					
Cash and investments	\$ 215,721	\$ -	\$ -	\$ 215,721	\$ 215,536
Restricted cash and investments	-	362,721	43,249	405,970	369,944
TOTAL ASSETS	<u>\$ 215,721</u>	<u>\$ 362,721</u>	<u>\$ 43,249</u>	<u>\$ 621,691</u>	<u>\$ 585,480</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances					
Restricted					
Park land and facilities	-	362,721	-	362,721	329,944
Transportation system	-	-	43,249	43,249	40,000
Assigned					
Pedestrian and bicycle trails	215,721	-	-	215,721	215,536
Total Fund Balances	<u>215,721</u>	<u>362,721</u>	<u>43,249</u>	<u>621,691</u>	<u>585,480</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 215,721</u>	<u>\$ 362,721</u>	<u>\$ 43,249</u>	<u>\$ 621,691</u>	<u>\$ 585,480</u>

TOWN OF SALEM, WISCONSIN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	Special Revenue Funds			Total Nonmajor Governmental Funds	
	Trails Fund	Park Fund	Maintenance Fee Fund	2014	2013
Revenues					
Public charges for services	\$ -	\$ 32,480	\$ 3,213	\$ 35,693	\$ 15,962
Miscellaneous	185	297	36	518	686
Total Revenues	185	32,777	3,249	36,211	16,648
Expenditures					
Capital outlay					
Culture and recreation	-	-	-	-	126,442
Excess of Revenues Over Expenditures	185	32,777	3,249	36,211	(109,794)
Net Change in Fund Balances	185	32,777	3,249	36,211	(109,794)
Fund Balances - January 1	215,536	329,944	40,000	585,480	695,274
Fund Balances - December 31	\$ 215,721	\$ 362,721	\$ 43,249	\$ 621,691	\$ 585,480

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Town Board
Town of Salem, Wisconsin

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Salem, Wisconsin's basic financial statements, and have issued our report dated April 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Salem, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Salem, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Salem, Wisconsin's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as items 2014-001 to be a material weakness.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Salem, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Salem, Wisconsin's Response to Findings

Town of Salem, Wisconsin's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Town of Salem, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Salem, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Salem, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
April 30, 2015

TOWN OF SALEM, WISCONSIN
 Schedule of Findings and Responses
 For the Year Ended December 31, 2014

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
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2014-001 Segregation of Duties

Condition: A limited number of Town employees perform the majority of the accounting functions for the Town of Salem. Currently, one employee is responsible for processing payroll transactions and maintaining personnel records and another is responsible for processing disbursement transactions and maintaining check records. Furthermore, we noted that there is no approval on time cards by the department heads for payroll transactions. Finally, all invoices should be coded to the appropriate account and approved by the department head and not the employee involved in the processing disbursement transactions.

Criteria: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.

Cause: The lack of segregation of duties is due to the limited number of employees and the size of Town's operations.

Effect: Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction. Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.

Recommendation: We recommend the Town complete a review of all financial transaction processes to identify tasks that could be reassigned to other Town personnel and in the process creates time efficiencies. At a minimum, we recommend the following for expenditure transactions:

- The Town administrator reviews payroll registers and personnel record changes to mitigate the risk of unauthorized changes or errors. This review could be for every payroll or unannounced reviews. The review should be documented with the administrator's initials and date on the payroll register. In addition, the Town administrator should review and approve all department head time sheets. This should also be documented with the administrator's initials and date on the time sheets.
- The department heads should code each invoice to the appropriate account number and approve the invoice with a signature or initial and date. We also recommend that the Town administrator and the applicable department heads review the check register before payment to verify accuracy of the invoice transactions.

Finally, we recommend the Town board to continue to monitor all transactions and the financial records of the Town.

Management Response: The Town employs an accounting firm to provide oversight and technical assistance throughout the year; however, management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.

TOWN OF SALEM, WISCONSIN
Schedule of Findings and Responses (continued)
For the Year Ended December 31, 2014

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under government auditing standards generally accepted in the United States of America for the year ended December 31, 2014.