

TOWN OF WASHINGTON

Annual Financial Report

December 31, 2011

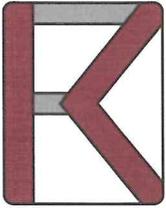
TOWN OF WASHINGTON

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INDEPENDENT AUDITORS' REPORT



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Washington
Washington Island, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the Town of Washington (Town), as of and for the year ended December 31, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component units and the aggregate remaining fund information of the Town of Washington as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Town adopted the provisions of Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of and for the year ended December 31, 2011.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

To the Town Board
Town of Washington

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Washington's financial statements as a whole. The combining schedules of internal general fund and detailed budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules of internal general fund are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The detailed budgetary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


KERBER, ROSE & ASSOCIATES, S.C.
Certified Public Accountants
April 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2011

As management of the Town of Washington (Town), we offer readers of the Town's basic financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended December 31, 2011.

Financial Highlights

- The assets of the Town exceeded its liabilities as of December 31, 2011, by \$6,011,051 (*net assets*). Of this amount, \$1,812,664 may be used to meet the government's ongoing obligations to citizens and creditors (*unrestricted net assets*).
- As of December 31, 2011, the Town's governmental funds reported combined ending fund balances of \$1,857,043. Approximately 44 percent of this total, or \$817,906, is available for spending at the government's discretion (*unassigned fund balance*).
- As of December 31, 2011, the unassigned fund balance for the general fund was \$817,906.
- The Town's total general obligation debt decreased by \$56,830.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, health and human services and culture recreation and education. The business-type activities of the Town include the utility district. The Town includes two separate legal entities in its report, Fire Department and Rescue Squad. Although legally separate, these "component units" are important because the Town is financially accountable for them.

The government-wide financial statements can be found on pages 9 - 12 of this report.

TOWN OF WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

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

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

The Town maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 13 - 15 of this report.

Proprietary Funds

Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the utility district, which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

TOWN OF WASHINGTON
 Management's Discussion and Analysis
 For the Year Ended December 31, 2011

Fiduciary Funds (Not included in government-wide statements)

Agency funds are used to account for assets held by the Town as an agent for other government units.

The basic fiduciary fund financial statement can be found on page 20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 - 35 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's budget. The Town adopts an annual appropriation budget for its general fund. This *required supplementary information* can be found immediately following the notes to the financial statements.

This report also contains *supplementary information*. This includes detailed budget to actual information for the general fund and combining statements for the internal general fund. The supplementary information can be found on pages 40 to 51.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the Town, assets exceeded liabilities by \$6,011,051 at the close of 2011.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 2,995,402	\$ 3,087,865	\$ 97,926	\$ 79,177	\$ 3,093,328	\$ 3,167,042
Capital Assets	4,207,557	4,306,328	2,392	2,668	4,209,949	4,308,996
Total Assets	<u>7,202,959</u>	<u>7,394,193</u>	<u>100,318</u>	<u>81,845</u>	<u>7,303,277</u>	<u>7,476,038</u>
Long-Term Liabilities						
Outstanding	142,386	187,654	-	-	142,386	187,654
Other Liabilities	1,138,359	1,115,229	11,481	2,526	1,149,840	1,117,755
Total Liabilities	<u>1,280,745</u>	<u>1,302,883</u>	<u>11,481</u>	<u>2,526</u>	<u>1,292,226</u>	<u>1,305,409</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	4,195,995	4,249,498	2,392	2,668	4,198,387	4,252,166
Unrestricted	1,726,219	1,841,812	86,445	76,651	1,812,664	1,918,463
Total Net Assets	<u>\$ 5,922,214</u>	<u>\$ 6,091,310</u>	<u>\$ 88,837</u>	<u>\$ 79,319</u>	<u>\$ 6,011,051</u>	<u>\$ 6,170,629</u>

The largest portion of the Town's net assets (approximately 70 percent) reflects its investment in capital assets (e.g., land, improvements, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to 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 remaining balance of unrestricted net assets \$1,812,664 may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Government-Wide Financial Analysis (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues						
Charges for Services	\$ 296,024	\$ 277,014	\$ 32,959	\$ 32,283	\$ 328,983	\$ 309,297
Operating Grants and Contributions	142,284	141,648	-	-	142,284	141,648
Capital Grants and Contributions	-	149,678	-	-	-	149,678
General Revenues						
Property Taxes	1,039,939	993,195	-	-	1,039,939	993,195
Intergovernmental Revenues not Restricted to Specific Programs	33,360	28,914	-	-	33,360	28,914
Other	151,002	288,078	102	148	151,104	288,226
Total Revenues	<u>1,662,609</u>	<u>1,878,527</u>	<u>33,061</u>	<u>32,431</u>	<u>1,695,670</u>	<u>1,910,958</u>
Expenses:						
General Government	210,726	183,127	-	-	210,726	183,127
Public Safety	345,030	415,774	-	-	345,030	415,774
Public Works	646,054	587,564	-	-	646,054	587,564
Health and Human Services	158,789	165,107	-	-	158,789	165,107
Culture, Recreation and Education	468,936	435,011	-	-	468,936	435,011
Interest and Fiscal Charges	2,170	2,717	-	-	2,170	2,717
Utility District	-	-	23,543	30,403	23,543	30,403
Total Expenses	<u>1,831,705</u>	<u>1,789,300</u>	<u>23,543</u>	<u>30,403</u>	<u>1,855,248</u>	<u>1,819,703</u>
(Decrease) Increase in Net Assets	(169,096)	89,227	9,518	2,028	(159,578)	91,255
Net Assets – Beginning of Year	<u>6,091,310</u>	<u>6,002,083</u>	<u>79,319</u>	<u>77,291</u>	<u>6,170,629</u>	<u>6,079,374</u>
Net Assets – End of Year	<u>\$ 5,922,214</u>	<u>\$ 6,091,310</u>	<u>\$ 88,837</u>	<u>\$ 79,319</u>	<u>\$ 6,011,051</u>	<u>\$ 6,170,629</u>

Key elements of this increase are as follows:

Governmental activities revenues decreased by \$215,918 primarily due to the combined effect of an increase in charge for services for public works, an increase in property taxes, a decrease in capital grants and contributions from the revenue received for the airport improvements, and miscellaneous revenue from a decrease in investment income.

Charges for services increased because there was an increase of county road maintenance performed in the current year.

Governmental activities expenses increased by \$42,405 primarily due to increases in public works because of highway maintenance. General government also increased due to higher insurance premiums and election expense. Culture, recreation and education increased due to more scholarships being paid out. Public safety expenses decreased due to a large depreciation recapture expense in the prior year from asset disposals.

TOWN OF WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, the Town's governmental funds reported combined ending fund balances of \$1,857,043. Approximately 44 percent or \$817,906 constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 8 percent or \$141,524 constitutes assigned fund balance and 8 percent or \$147,096 constitutes committed fund balance. Approximately 40 percent or \$750,517 of the fund balance is nonspendable to indicate that it is not available for new spending because it has already been spent for inventory that benefit periods beyond the end of the current year or it is comprised of Washington Island Foundation funds.

The fund balance of the general fund decreased by \$101,075 in fiscal year 2011.

Proprietary Fund

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Net assets of the utility district at the end of 2011 amounted to \$88,837. Unrestricted net assets amounted to \$86,445, and net assets invested in capital assets amounted to \$2,392. The total increase in net assets was \$9,518.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for revenue was an increase to intergovernmental and miscellaneous revenues. For expenditures there was an increase to general government, public safety, health and human services, and culture, recreation and education and capital outlay.

During the year, budgeted revenues were less than actual revenues by \$35,199 primarily in intergovernmental revenues as a result of the additional funding for highway improvements. Miscellaneous revenues also increased due to more donations received during the year. Actual expenditures were less than budgeted expenditures by \$67,802 primarily due to smaller than anticipated expenditures for public works and culture, recreation and education that were much less than the budgeted amounts primarily due to highway maintenance, waste disposal and recreation center expenses.

TOWN OF WASHINGTON
Management's Discussion and Analysis
For the Year Ended December 31, 2011

Capital Asset and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$4,209,949 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, machinery and equipment, and infrastructure.

TOWN OF WASHINGTON'S CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 873,033	\$ 873,033	\$ -	\$ -	\$ 873,033	\$ 873,033
Buildings and Improvement	3,038,974	3,010,859	-	-	3,038,974	3,010,859
Machinery and Equipment	1,727,529	1,679,011	2,760	2,760	1,730,289	1,681,771
Infrastructure	1,492,537	1,492,537	-	-	1,492,537	1,492,537
Total Capital Assets	<u>7,132,073</u>	<u>7,055,440</u>	<u>2,760</u>	<u>2,760</u>	<u>7,134,833</u>	<u>7,058,200</u>
Less Accumulated Depreciation	<u>2,924,516</u>	<u>2,749,112</u>	<u>368</u>	<u>92</u>	<u>2,924,884</u>	<u>2,749,204</u>
Capital Assets Net of Depreciation	<u>\$ 4,207,557</u>	<u>\$ 4,306,328</u>	<u>\$ 2,392</u>	<u>\$ 2,668</u>	<u>\$ 4,209,949</u>	<u>\$ 4,308,996</u>

For further details on capital asset activity, refer to Note 5 of the Notes to Basic Financial Statements.

Long-Term Debt

At the end of the current fiscal year, the Town has total debt outstanding of \$142,386. There was no outstanding general obligation debt at the end of the year.

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
General Obligation Debt:		
Notes	\$ -	\$ 17,630
Commissioners of Public Lands	-	39,200
Total General Obligation Debt	<u>\$ -</u>	<u>\$ 56,830</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the Town is \$16,190,240 which significantly exceeds the Town's current outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- The economic condition and outlook of the Town has remained fairly stable based on a relatively healthy mix of tourism, service industry, retail and farming activities which support the tax base.

These factors were considered in preparing the Town's budget for the 2012 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Valerie Carpenter, Town Clerk/Treasurer, P.O. Box 220, Washington Island, WI 54246.