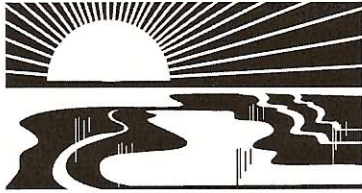


TOWN OF LINN
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016

TOWN OF LINN
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For the Year Ended December 31, 2016

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Patrick W. Romenesko, S.C.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

To the Town Board
Town of Linn
Walworth County, Wisconsin

I have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Town of Linn, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Linn'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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of the Town of Linn as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1A, the financial statements present only the general and agency funds, and do not purport to, and do not present fairly the financial position of the Town of Linn, as of December 31, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on page 28 be presented to supplement the basic financial statements. Such information, although not 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to the my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Management has omitted 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

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

This supplemental information is the responsibility of management and was derived from and relate 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



PATRICK W. ROMENESKO, S.C.
CERTIFIED PUBLIC ACCOUNTANT

Lake Geneva, Wisconsin
April 17, 2017

TOWN OF LINN
BALANCE SHEET AND STATEMENT OF NET POSITION
DECEMBER 31, 2016

| | <u>General Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Net Position</u> |
|-----------------------------------------------------------------------|-------------------------|---------------------------------|--------------------------------------|
| <u>Assets</u> | | | |
| Cash and investments | \$ 3,806,129 | \$ - | \$ 3,806,129 |
| Taxes receivable | 2,534,438 | - | 2,534,438 |
| Accounts receivable | 19,837 | - | 19,837 |
| Special assessments receivable | 32,519 | - | 32,519 |
| Prepayments | 7,442 | - | 7,442 |
| Capital assets, net of accumulated depreciation | - | 7,114,112 | 7,114,112 |
| Total assets | <u>6,400,365</u> | <u>7,114,112</u> | <u>13,514,477</u> |
| <u>Deferred Outflows of Resources</u> | | | |
| Deferred outflows related to pension | - | 493,766 | 493,766 |
| Total assets and deferred outflows of resources | <u>6,400,365</u> | <u>7,607,878</u> | <u>14,008,243</u> |
| <u>Liabilities</u> | | | |
| Accounts payable | 107,603 | - | 107,603 |
| Accrued wages payable | 42,399 | - | 42,399 |
| Long-term liabilities: | | | |
| Due after one year | - | 125,156 | 125,156 |
| Total liabilities | <u>150,002</u> | <u>125,156</u> | <u>275,158</u> |
| <u>Deferred Inflows of Resources</u> | | | |
| Property taxes | 2,534,438 | - | 2,534,438 |
| Special assessments | 37,252 | (37,252) | - |
| Deferred inflows related to pension | - | 176,047 | 176,047 |
| Total deferred inflows of resources | <u>2,571,690</u> | <u>138,795</u> | <u>2,710,485</u> |
| <u>Fund Balances/Net Position</u> | | | |
| Fund balances: | | | |
| Nonspendable | 7,442 | (7,442) | - |
| Assigned | 2,327,928 | (2,327,928) | - |
| Unassigned | 1,343,303 | (1,343,303) | - |
| Total fund balances | <u>3,678,673</u> | <u>(3,678,673)</u> | <u>-</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 6,400,365</u> | | |
| Net position: | | | |
| Invested in capital assets | | 7,114,112 | 7,114,112 |
| Restricted for pension benefits | | 234,066 | 234,066 |
| Unrestricted | | 3,674,422 | 3,674,422 |
| Total net position | | <u>\$ 11,022,600</u> | <u>\$ 11,022,600</u> |

See accompanying notes to financial statements.

TOWN OF LINN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | Net (Expense) Revenue and Changes in Net Position | |
|----------------------------------------------------------------|-------------------------|---------------------------------|---------------------------------------------------|------------------------------------------------------------|-------------------------------------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | | |
| General government | \$ 341,497 | \$ 23,575 | \$ 4,248 | \$ - | \$ (313,674) |
| Police | 785,613 | 42,936 | 20,724 | 50 | (721,903) |
| Fire protection | 357,491 | 8,190 | 40,489 | - | (308,812) |
| Rescue squad | 49,398 | 2,069 | 2,000 | - | (45,329) |
| Building inspection | 76,548 | - | 95,745 | - | 19,197 |
| Other public safety | 63,543 | 30 | 25,296 | - | (38,217) |
| Transportation | 813,920 | - | 195,129 | - | (618,791) |
| Health and sanitation | 361,184 | 365,564 | 10,077 | - | 14,457 |
| Leisure, conservation and development | 127,586 | 122,083 | - | 50 | (5,453) |
| Nondepartmental and general | 108,074 | - | - | - | (108,074) |
| Total | <u>\$ 3,084,854</u> | <u>\$ 564,447</u> | <u>\$ 393,708</u> | <u>\$ 100</u> | <u>(2,126,599)</u> |
| General revenues: | | | | | |
| Property taxes levied for general purposes | | | | | 2,174,093 |
| Other taxes | | | | | 121 |
| Intergovernmental revenues not restricted to specific programs | | | | | 25,058 |
| Franchise taxes | | | | | 33,291 |
| Gain on sale of town property and insurance recoveries | | | | | 12,066 |
| Investment income | | | | | 7,454 |
| Total general revenues and transfers | | | | | <u>2,252,083</u> |
| Change in net position | | | | | 125,484 |
| Net position - beginning | | | | | <u>10,897,116</u> |
| Net position - ending | | | | | <u>\$ 11,022,600</u> |

See accompanying notes to financial statements.

TOWN OF LINN
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Original and Final Budget | Actual Amounts | Variance with Budget |
|----------------------------------------------|---------------------------------|---------------------|----------------------------|
| <u>Revenues</u> | | | |
| General property taxes | \$ 2,174,282 | \$ 2,174,214 | \$ (68) |
| Special assessments | - | 5,344 | 5,344 |
| Intergovernmental | 294,895 | 313,623 | 18,728 |
| Licenses and permits | 98,063 | 138,464 | 40,401 |
| Fines and forfeitures | 30,000 | 42,936 | 12,936 |
| Charges for services | 493,100 | 521,481 | 28,381 |
| Investment income | 6,000 | 7,454 | 1,454 |
| Miscellaneous | 17,500 | 20,033 | 2,533 |
| Total revenues | <u>3,113,840</u> | <u>3,223,549</u> | <u>109,709</u> |
| <u>Expenditures</u> | | | |
| Current: | | | |
| General government | 325,724 | 316,011 | 9,713 |
| Public safety | 1,065,473 | 1,091,947 | (26,474) |
| Public works | 319,351 | 309,251 | 10,100 |
| Health and sanitation | 360,900 | 361,184 | (284) |
| Leisure, conservation and development | 168,340 | 111,653 | 56,687 |
| Nondepartmental and general | 132,739 | 108,074 | 24,665 |
| Capital outlay | 911,313 | 1,060,510 | (149,197) |
| Total expenditures | <u>3,283,840</u> | <u>3,358,630</u> | <u>(74,790)</u> |
| Excess of revenues over (under) expenditures | (170,000) | (135,081) | 34,919 |
| Fund balances - beginning | <u>3,813,754</u> | <u>3,813,754</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 3,643,754</u> | <u>\$ 3,678,673</u> | <u>\$ 34,919</u> |

See accompanying notes to financial statements.

TOWN OF LINN
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Amounts reported for governmental activities in the statement of activities are different as a result of:

| | |
|--------------------------------------------|--------------|
| Net change in fund balances - general fund | \$ (135,081) |
|--------------------------------------------|--------------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Certain capital outlay that is reported as an expenditure in the general fund governmental financial statements is capitalized in the statement of activities | 875,788 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|

| | |
|--------------------------------------------------------------|-----------|
| Depreciation that is reported in the statement of activities | (582,733) |
|--------------------------------------------------------------|-----------|

| | |
|-------------------------------------------------------|---------|
| Net book value of assets retired affects net position | (7,867) |
|-------------------------------------------------------|---------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| Changes in the net pension asset and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the plan | (11,773) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|---------------------|---------|
| Special assessments | (5,344) |
|---------------------|---------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund.

| | |
|---------------------------------|----------------|
| Changes in compensated absences | <u>(7,506)</u> |
|---------------------------------|----------------|

| | |
|---------------------------------------------------|--------------------------|
| Change in net position of governmental activities | <u><u>\$ 125,484</u></u> |
|---------------------------------------------------|--------------------------|

See accompanying notes to financial statements.

TOWN OF LINN
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

| | Agency Funds | | Totals |
|---------------------------|---------------------------|--------------------|--------------|
| | Tax Collection Fund | Municipal Court | |
| <u>Assets</u> | | | |
| Cash and investments | \$ 5,432,738 | \$ 27,073 | \$ 5,459,811 |
| Taxes receivable | 16,215,157 | - | 16,215,157 |
| Total Assets | 21,647,895 | 27,073 | 21,674,968 |
| <u>Liabilities</u> | | | |
| Court bonds held | - | 23,017 | 23,017 |
| Due to other governments | 21,647,895 | 4,056 | 21,651,951 |
| Total Liabilities | 21,647,895 | 4,056 | 21,651,951 |
| Net Position | \$ - | \$ - | \$ - |

See accompanying notes to financial statements.

TOWN OF LINN
INDEX TO NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

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TOWN OF LINN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - Summary Of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles of state and local governments, except for the omission of the component units of the town as disclosed in Note 1.A; and the Management's Discussion and Analysis that Statement No. 34 of the Governmental Accounting Standards Board calls for the inclusion of this information as required supplementary information.

A. Reporting Entity

The reporting entity for the town is based upon criteria set forth by GASB Statement No. 14, "The Financial Reporting Entity" and GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". The reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is a separately elected governing body that is legally separate and fiscally independent. All other functions of the town for which it exercises oversight responsibility are included, except for certain transactions of the fire department. The oversight responsibility includes, but is not limited to, financial interdependency between the town and the governmental entity; control by the town over the entity's governing authority or designation of management; the ability of the town to significantly influence operations of the entity; and whether the town is responsible for the accountability for fiscal matters. Also evaluated were the scope of public service and any special financing relationships. Although a legally separate entity, standards set forth in Statement Nos. 14 and 39 of the Governmental Accounting Standards Board require that the financial statements of the Linn Sanitary District be reported as a component unit of the town. The required inclusion of these financial statements is due to the town board having the ability to impose its will on the Linn Sanitary District. Separate audited financial statements of the Linn Sanitary District are available at the sanitary district office.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary 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 town has no business-type activities.

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

Note 1 - Summary Of Significant Accounting Policies - Continued

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Funds are organized as either major funds or non-major funds within the governmental statements. A fund is considered major if it is the primary operating fund of the government or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise (when applicable) fund are at least 10 percent of the corresponding total for all funds of that category or type, and,
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise (when applicable) fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or proprietary (when applicable) fund that the government considers to be particularly important to financial statement users may be reported as a major fund.

Major Fund

The town's major fund is its general fund. The general fund is the town's primary operating fund and it accounts for all financial resources of the town except those required to be accounted for in another fund.

Additionally, the town reports the following fund type:

Agency Funds - Trust and agency funds are used to account for assets held by the government in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. For the town, agency funds consist of the tax roll and municipal court bond funds.

Note 1 - Summary Of Significant Accounting Policies - Continued

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The town has elected not to follow subsequent private-sector guidance.

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

The town's cash and investments are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments of government funds are restricted by state statutes. Permitted investments for the town include any of the following:

(1) Time deposits maturing within three years in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to do business in Wisconsin. (2) Bonds or securities issued or guaranteed by the federal government and its agencies. (3) The Wisconsin Local Government Investment Pool and Wisconsin Investment Trust. (4) Bonds or securities of any county, city, drainage district, technical college district, local exposition district, local professional baseball park district, city, town, or school district of the state and the University of Wisconsin Hospitals and Clinics Authority. (5) Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by a nationally recognized rating agency or if that security is senior to, or on parity with, a security of the same issuer which has such a rating. (6) Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities. (7) Securities of open-end management companies or investment trusts (mutual funds) if the portfolio is limited to (a) bonds or securities issued by the federal government or a commission, board or other instrumentality of the federal government, (b) bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government, and (c) repurchase agreements that are fully collateralized by these bonds and securities.

Note 1 - Summary Of Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Position or Equity - Continued

2. Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectable amounts.

Property taxes are levied in December on the assessed value as of the prior January 1. Property taxes are recorded as a receivable and deferred revenue in the appropriate fund in the year levied because the taxes are restricted to funding the succeeding year's budget appropriations. In addition to property taxes for the town, taxes are collected for and remitted to the state and county governments as well as the 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 deferred revenues and due to other governments on the statement of net position. Property tax payments received prior to year end are reflected in the agency fund. Interest on delinquent property taxes is recognized as revenue when received.

Details of the town's property tax calendar for the 2016 tax levy follows:

| | |
|-----------------------------------------------|------------------|
| Lien and levy dates | December 2016 |
| Real estate collection due dates: | |
| First installment due | January 31, 2017 |
| Second installment due | July 31, 2017 |
| Personal property tax due in full | January 31, 2017 |
| Final settlement with county | August 2017 |
| Tax sale of 2016 delinquent real estate taxes | October 2019 |

3. Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the balance sheet and statement of net position.

4. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Note 1 - Summary Of Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Position or Equity - Continued

4. Capital Assets - Continued

Property, plant, and equipment of the town is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------|--------------|
| Buildings | 50 |
| Land improvements | 30 |
| Roads | 30 |
| Vehicles | 3 - 10 |
| Office equipment | 7 - 10 |
| Computer equipment | 6 |

5. Compensated Absences

Town employees earn vacation and sick time in varying amounts. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental (general) fund only if they have matured, for example, as a result of employee resignations and retirements. The town has not reported a liability for compensated absences in the governmental fund.

Employees are paid all of their accumulated vacation leave upon severance and one-half of their sick leave upon severance. At December 31, 2016, accumulated vacation leave of \$5,384 and accumulated sick leave of \$36,119 has been recorded in the statement of net position as long-term liabilities. Payments made for accumulated vacation and sick leave are made at the salary rates in effect at the time of payment.

6. 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) until then. The town has one item that qualifies for reporting in this category. The item is related to the town's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

Note 1 - Summary Of Significant Accounting Policies - Continued

D. Assets, Liabilities, and Net Position or Equity - Continued

6. Deferred Outflows/Inflows of Resources - Continued

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, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The town has three types of items that qualify for reporting in this category. The first item is property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The second item arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental fund reports unavailable revenues from special assessments. This amount is deferred and recognized as an inflow of resources in the period the amount become available. The third item is related to the town's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

7. Long-Term Obligations

In the statement of net position, long-term debt and other long-term obligations are reported as liabilities. The town has no outstanding bonds or notes payable. Long-term obligations reported in the statement of net position consists of accumulated vacation and sick pay.

8. Pensions

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

9. Fund Equity

In the fund financial statements, governmental funds report nonspendable fund balances for amounts that are not in spendable form or are legally or contractually required to be maintained intact. The committed fund balance includes amounts that can be used only for specific purposes determined by the formal action of the town board. Assigned fund balances represent amounts intended for a specific use that is subject to change.

E. Accounting Changes

The Wisconsin Retirement System (WRS) adopted GASB Statement No. 82, Pension Issues, an amendment of GASB No. 67, No. 68, and No. 73 during the year ended December 31, 2015. Statement No. 82 addresses the presentation of payroll-related measures in the Required Supplementary Information, the selection of assumptions used in determining the total pension liability and related measures, and the classification of employer-paid member contributions.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position

The balance sheet and statement of net position includes adjustments to convert the governmental fund balance sheet to the statement of net position. These adjustments are summarized as follows:

The town’s proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:

| | |
|---------------------------------------|-------------------|
| Deferred outflows of resources | \$ 493,766 |
| Net pension liability | (83,653) |
| Deferred inflows of resources | <u>(176,047)</u> |
| Total restricted for pension benefits | <u>\$ 234,066</u> |

Capital assets used in governmental funds are not financial resources and, accordingly, are not reported in the general fund balance sheet as they are in the statement of net position.

| | |
|--------------------------------|---------------------|
| Total capital assets | \$15,435,408 |
| Less: accumulated depreciation | <u>(8,321,296)</u> |
| Net capital assets | <u>\$ 7,114,112</u> |

Long-term liabilities applicable to the town’s governmental activities are not due and payable in the current period. Therefore, they are not reported as fund liabilities in the general fund. All liabilities, whether current or long-term, are reported in the statement of net position.

| | |
|------------------------------|-------------------|
| Accrued compensated absences | \$ 41,503 |
| Net pension liability | <u>83,653</u> |
| Total | <u>\$ 125,156</u> |

Note 3 - Stewardship, Compliance, and Accountability

A. Budgetary Information

The town reviews and adopts its annual budget by December or earlier of the preceding year. The budgetary information included in the accompanying financial statements is comprised of the originally approved budget plus or minus approved revisions of budgeted revenues and expenditures. These budgets are adopted on a basis consistent with generally accepted accounting principles. Management control of the budgetary process has been established at the departmental level of expenditure. A department can be a fund, cost center, program or other activity for which control of expenditures is considered desirable.

The budget may be amended for supplemental appropriations periodically during the year. Budget changes require a two-thirds approval by the town board. The town did not make amendments to its budget during the year. The budget includes certain amounts that are intended to be carried over and spent in future years. The cumulative amounts of those carryover appropriations are included in assigned fund balances.

Note 3 - Stewardship, Compliance, and Accountability - Continued

A. Budgetary Information - Continued

Individual amounts that were included in the 2016 budget but appropriated for the purpose of being carried over to future years and, therefore, not included in the accompanying budget presentation consist of the following:

| | |
|-------------------------|-------------------|
| Fire/EMS capital outlay | <u>\$ 100,000</u> |
|-------------------------|-------------------|

B. General Fund Assigned and Nonspendable Fund Balances

The fund balance of the general fund has been assigned at December 31, 2016 for the following:

| | |
|-------------------------------------|---------------------|
| Building fund | \$ 210,000 |
| Property acquisition | 325,000 |
| Road and bridge construction | 459,910 |
| Property reassessment | 130,500 |
| Police communications | 6,644 |
| Police vehicles | 24,547 |
| Parks | 27,000 |
| Fire/EMS - capital outlay | 199,859 |
| Highway equipment outlay | 213,368 |
| Comprehensive land use plan | 135,000 |
| Fire 2% | 75,783 |
| Health insurance co-payments | 9,121 |
| Utilities carryover | 46,945 |
| Website update | 15,000 |
| Human resources consulting | 10,000 |
| Fire boat operation and maintenance | 19,251 |
| 2017 budget application | <u>420,000</u> |
| Total | <u>\$ 2,327,928</u> |

The fund balance of the general fund was nonspendable at December 31, 2016 for prepaid expenditures of \$7,442.

C. Excess of Expenditures Over Appropriations

Actual expenditures of the general fund for the year ended December 31, 2015 of \$3,358,630 exceeded their budget of \$3,283,840 by \$74,790.

Note 4 - Detailed Notes on All Funds

A. Cash and Investments

The town's cash and investments at December 31, 2016 consisted of the following:

| | <u>Carrying Amount</u> | <u>Amounts Deposited</u> |
|-------------------------------------------------------------|----------------------------|------------------------------|
| Demand checking accounts | \$ 27,073 | \$ 27,073 |
| Savings accounts and interest- bearing checking accounts | 516,297 | 543,122 |
| MaxSafe money market account | 8,649,760 | 8,649,760 |
| Local Government Investment Pool | <u>72,810</u> | <u>72,810</u> |
| | <u>\$ 9,265,940</u> | <u>\$ 9,292,765</u> |

Cash deposits are reported in the financial statements as follows:

| | |
|---------------------------------------------|---------------------|
| Balance sheet and statement of net position | \$ 3,806,129 |
| Statement of net position - fiduciary fund | <u>5,459,811</u> |
| Total | <u>\$ 9,265,940</u> |

Town deposits are insured by the FDIC for up to \$250,000 for time and savings deposits (including interest-bearing NOW accounts), and an additional \$250,000 of FDIC insurance is available for demand (non-interest bearing checking accounts) for each bank used. All town deposits are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses of the pool may not be significant to individual municipalities.

For all investments shown, the fair value at the balance sheet date is substantially the same as the carrying value. The difference between the amounts reported as bank deposits and the carrying amounts above is due to the effect of outstanding checks and deposits in transit on the town's cash balances. Deposits exceed the amount of FDIC insurance available at certain times during the year due primarily to the collection of property taxes pending settlement with the other taxing districts.

The town addresses the following risks related to its cash and investments:

Custodial Credit Risk

Custodial credit risk represents the risk that in the event of a financial institution failure, the town's deposits may not be recovered. At December 31, 2016, \$293,122 of the town's bank deposits were above the FDIC insured amount and, therefore, exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the investment. The town has deposits in the Local Government Investment Pool which is not rated, however, consists of investments in federal government securities.

Interest Rate Risk

The town does not have formal policies related to interest rate risk, the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2016 the town's investment in the Local Government Investment Pool (LGIP) had a fair value balance of \$72,810. The LGIP had a weighted average maturity of 61 days at December 31, 2016.

Note 4 - Detailed Notes on All Funds - Continued

A. Cash and Investments - Continued

The Local Government Investment Pool (LGIP) is an investment fund managed by the State of Wisconsin Investment Board. The LGIP accepts deposits from governmental units within the State of Wisconsin. The objectives of the LGIP are to provide safety of principal, liquidity and a reasonable rate of return. The LGIP is regulated by the Wisconsin Statutes and is not a SEC registered investment. The yield of the LGIP changes daily and its participants may invest or withdraw any or all amounts at par value at any time. The LGIP balance reported in the financial statements as \$72,810 at December 31, 2016 is at cost basis. The fair value of the LGIP investment at December 31, 2016 did not materially differ from its cost basis.

The town does not have a formal investment policy.

B. Receivables

Receivables as of year end for the town's general and fiduciary funds, including the applicable allowances for uncollectable accounts when applicable, are as follows:

| | <u>General Fund</u> | <u>Tax Roll Fiduciary Fund</u> | <u>Totals</u> |
|---------------------|-------------------------|----------------------------------------|----------------------|
| Taxes - current | \$ 2,534,438 | \$ 16,215,157 | \$ 18,749,595 |
| Accounts | 19,837 | --- | 19,837 |
| Special assessments | 32,519 | --- | 32,519 |
| Total receivables | <u>\$ 2,586,794</u> | <u>\$ 16,215,157</u> | <u>\$ 18,801,951</u> |

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

| | <u>Unavailable</u> | <u>Unearned</u> |
|-------------------------------------|--------------------|---------------------|
| Property taxes receivable | \$ --- | \$ 2,534,438 |
| Special assessments | 37,252 | --- |
| Deferred inflows related to pension | --- | 176,047 |
| Total receivables | <u>\$ 37,252</u> | <u>\$ 2,710,485</u> |

Note 4 - Detailed Notes on All Funds - Continued

C. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|----------------------------------------------|------------------------------|-------------------|-------------------|---------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 369,255 | \$ --- | \$ --- | \$ 369,255 |
| Construction in progress | 243,612 | --- | 243,612 | --- |
| Total capital assets, not being depreciated | <u>612,867</u> | <u>---</u> | <u>243,612</u> | <u>369,255</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,694,229 | --- | 5,147 | 1,689,082 |
| Improvements other than buildings | 589,198 | 124,509 | --- | 713,707 |
| Machinery and equipment | 3,384,461 | 648,691 | 74,668 | 3,958,484 |
| Infrastructure | 8,358,680 | 346,200 | --- | 8,704,880 |
| Total capital assets being depreciated | <u>14,026,568</u> | <u>1,119,400</u> | <u>79,815</u> | <u>15,066,153</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 540,037 | 36,241 | 3,774 | 572,504 |
| Improvements other than buildings | 390,917 | 26,793 | --- | 417,710 |
| Machinery and equipment | 2,026,205 | 239,078 | 68,174 | 2,197,109 |
| Infrastructure | 4,853,352 | 280,621 | --- | 5,133,973 |
| Total accumulated depreciation | <u>7,810,511</u> | <u>582,733</u> | <u>71,948</u> | <u>8,321,296</u> |
| Total capital assets, being depreciated, net | <u>6,216,057</u> | <u>536,667</u> | <u>7,867</u> | <u>6,744,857</u> |
| Governmental activities capital assets, net | <u>\$ 6,828,924</u> | <u>\$ 536,667</u> | <u>\$ 251,479</u> | <u>\$ 7,114,112</u> |

Depreciation expense was charged to functions/programs of the town as follows:

Governmental activities:

| | |
|----------------------------------------------------------------------------------|---------------|
| General government | \$ 24,426 |
| Police | 40,734 |
| Fire | 147,246 |
| Rescue | 10,564 |
| Other public safety | 1,565 |
| Highways and streets, including depreciation of general infrastructure assets | 344,315 |
| Parks | <u>13,883</u> |

Total depreciation expense - governmental activities \$ 582,733

Note 4 - Detailed Notes on All Funds - Continued

D. Long-Term Obligations

Long-term obligations of the town was comprised of the following at December 31, 2016:

| | |
|-----------------------------|-------------------|
| Compensated absences | \$ 41,503 |
| Net pension liability | <u>83,653</u> |
| Total long-term obligations | <u>\$ 125,156</u> |

Note 5 - Other Information

A. Risk Management

The town has purchased commercial insurance policies for various risks of loss related to litigation, theft, damage or destruction of assets, errors or omissions, injuries to employees, or acts of God. Payments of premiums for these policies are recorded as expenditures in the general fund of the town. There were no settlements that exceeded insurance coverage in any of the past three years.

B. WRS Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating Town of Linn 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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

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

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

Note 5 - Other Information - Continued

B. WRS Pension Plan - Continued

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

The WRS also provides death and disability benefits for employees.

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

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|-------------|-----------------------------|---------------------------------|
| 2006 | 0.8 | 3 |
| 2007 | 3.0 | 10 |
| 2008 | 6.6 | 0 |
| 2009 | (2.1) | (42) |
| 2010 | (1.3) | 22 |
| 2011 | (1.2) | 11 |
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.9 | 2 |

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

During the reporting period, the WRS recognized \$48,701 in contributions from the employer.

Contribution rates as of December 31, 2016 are:

| Employee Category | Employee | Employer |
|------------------------------------|-----------------|-----------------|
| General (including teachers) | 6.6% | 6.6% |
| Executives & Elected Officials | 6.6% | 6.6% |
| Protective with Social Security | 6.6% | 9.49% |
| Protective without Social Security | 6.6% | 13.29% |

Note 5 - Other Information - Continued

B. WRS Pension Plan - Continued

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

At December 31, 2016, the Town of Linn reported a liability of \$83,653 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town of Linn's proportion of the net pension liability (asset) was based on the Town of Linn's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Town of Linn's proportion was 0.00514796%, which was a decrease of 0.0001721% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Town of Linn recognized pension expense of \$105,192.

At December 31, 2016, the Town of Linn reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$14,152 | \$(176,047) |
| Changes in assumptions | \$58,527 | \$0 |
| Net differences between projected and actual earnings on pension plan investments | \$342,501 | \$0 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | \$15,522 | \$0 |
| Employer contributions subsequent to the measurement date | \$63,064 | \$0 |
| Total | \$493,766 | \$(176,047) |

Note 5 - Other Information - Continued

B. WRS Pension Plan - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

\$63,064 reported as deferred outflows related to pension resulting from the Town of Linn’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended August 31: | Deferred Outflow of Resources | Deferred Inflows of Resources |
|-----------------------|-------------------------------|-------------------------------|
| 2016 | \$112,133 | \$(42,604) |
| 2017 | \$112,133 | \$(42,604) |
| 2018 | \$112,133 | \$(42,604) |
| 2019 | \$92,282 | \$(42,603) |
| Thereafter | \$2,021 | \$(5,632) |

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------------------------|--------------------------------|
| Actuarial Valuation Date: | December 31, 2014 |
| Measurement Date of Net Pension Liability (Asset) | December 31, 2015 |
| Actuarial Cost Method: | Entry Age |
| Asset Valuation Method: | Fair Market Value |
| Long-Term Expected Rate of Return: | 7.2% |
| Discount Rate: | 7.2% |
| Salary Increases: Inflation Seniority/Merit | 3.2% 0.2% - 5.6% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments* | 2.1% |

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

Note 5 - Other Information - Continued

B. WRS Pension Plan - Continued

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Retirement Funds | | | | | | | | |
|------------------------------------------------------|-----------------------------------|---|----------------------------------------------|---|----------------------------------------------------|---|-------------------------------------------------|---|
| Asset Allocation Targets and Expected Returns | | | | | | | | |
| As of December 31, 2015 | | | | | | | | |
| <u>Core Fund Asset Class</u> | <u>Current Asset Allocation %</u> | | <u>Destination Target Asset Allocation %</u> | | <u>Long-Term Expected Nominal Rate of Return %</u> | | <u>Long-Term Expected Real Rate of Return %</u> | |
| U.S. Equities | 27 | % | 23 | % | 7.6 | % | 4.7 | % |
| International Equities | 24.5 | | 22 | | 8.5 | | 5.6 | |
| Fixed Income | 27.5 | | 37 | | 4.4 | | 1.6 | |
| Inflation Sensitive Assets | 10 | | 20 | | 4.2 | | 1.4 | |
| Real Estate | 7 | | 7 | | 6.5 | | 3.6 | |
| Private Equity/Debt | 7 | | 7 | | 9.4 | | 6.5 | |
| Multi-Asset | 4 | | 4 | | 6.7 | | 3.8 | |
| Total Core Fund | 107 | % | 120 | % | 7.4 | % | 4.5 | % |
| <u>Variable Fund Asset Class</u> | | | | | | | | |
| U.S. Equities | 70 | % | 70 | % | 7.6 | % | 4.7 | % |
| International Equities | 30 | | 30 | | 8.5 | | 5.6 | |
| Total Variable Fund | 100 | % | 100 | % | 7.9 | % | 5.0 | % |

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
 Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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

Note 5 - Other Information - Continued

B. WRS Pension Plan - Continued

Sensitivity of the town's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| | 1% Decrease to Discount Rate (6.20%) | Current Discount Rate (7.20%) | 1% Increase To Discount Rate (8.20%) |
|----------------------------------------------------------|-----------------------------------------------------|------------------------------------------|-----------------------------------------------------|
| Proportionate share of the net pension liability (asset) | \$586,746 | \$83,653 | (\$309,271) |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payable to the WRS. At December 31, 2016 the town reported a payable of \$9,209 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2016.

C. Litigation and Contingencies

In the opinion of management and the town's legal counsel, the town was involved in no claims or lawsuits at year end that would have a material effect on the financial statements in the event of an unfavorable outcome.

D. Lease Income

The town rents space on its property to the U. S. Postal Service and to U.S. Cellular Operating Company. Rental income for the year ended December 31, 2016 was \$20,781.

The remaining future rental payments due on the leases are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|------------------|
| 2017 | \$ 2,000 |
| 2018 | 2,000 |
| 2019 | 2,000 |
| 2020 | 2,000 |
| 2021 | 2,000 |
| | <u>\$ 10,000</u> |

The town entered into a lease extension with the U.S. Postal Service that expires in October 2021. The lease provides for annual rental payments of \$2,000. The U.S. Cellular Operating Company lease expired in June 2009, however, lease payments are made on a monthly basis.

Note 5 - Other Information - Continued

E. Property Tax Levy Limit

Wisconsin statutes limit the amount of property taxes that the state's cities, villages, towns and counties may levy. For 2016, the increase in the allowable maximum tax levy is limited to the change in the equalized value resulting from net new construction. The town's levy limit for 2016 (2015 tax levy) was \$2,174,283, an increase of \$8,015, or .37% from the prior year. The actual amount levied by the town was \$2,174,283.

F. Subsequent Events

Management has evaluated the need for disclosure or recording of transactions resulting from subsequent events through April 17, 2017, the date the financial statements were available to be issued; and concluded there were no matters to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Required Supplementary Information

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Wisconsin Retirement System

Last 10 Fiscal Years*

| | 2015 |
|------------------------------------------------------------------------------------|-------------|
| Proportion of the net pension liability (asset) | 0.00514796% |
| Proportionate share of the net pension liability (asset) | \$83,653 |
| Covered-employee payroll | \$561,976 |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 98.2% |
| | 2014 |
| Proportion of the net pension liability (asset) | 0.00532012% |
| Proportionate share of the net pension liability (asset) | (\$130,677) |
| Covered-employee payroll | \$544,297 |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 102.74% |

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

SCHEDULE OF CONTRIBUTIONS

Wisconsin Retirement System

Last 10 Fiscal Years*

| | 2015 |
|-----------------------------------------------------------------------|-------------|
| Contractually required contributions | \$48,701 |
| Contributions in relation to the contractually required contributions | \$48,701 |
| Contribution deficiency (excess) | \$0 |
| Covered-employee payroll | \$561,976 |
| Contributions as a percentage of covered-employee payroll | 8.67% |
| | 2014 |
| Contractually required contributions | \$50,426 |
| Contributions in relation to the contractually required contributions | \$50,426 |
| Contribution deficiency (excess) | \$0 |
| Covered-employee payroll | \$544,297 |
| Contributions as a percentage of covered-employee payroll | 9.26% |

**Notes to Required Supplementary Information
For the Year Ended December 31, 2016**

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

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

SUPPLEMENTARY INFORMATION

TOWN OF LINN
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Original and Final Budget | Actual | Variance with Budget |
|-------------------------------------|---------------------------------|------------------|----------------------------|
| <u>Taxes</u> | | | |
| Town taxes | \$ 2,174,282 | \$ 2,174,093 | \$ (189) |
| Managed forest lands | - | 48 | 48 |
| Interest and penalties on taxes | - | 73 | 73 |
| Total Taxes | <u>2,174,282</u> | <u>2,174,214</u> | <u>(68)</u> |
| <u>Special Assessments</u> | <u>-</u> | <u>5,344</u> | <u>5,344</u> |
| <u>Intergovernmental</u> | | | |
| State shared revenue | 26,849 | 24,787 | (2,062) |
| State transportation aid | 192,846 | 192,752 | (94) |
| Boating enforcement aid | 26,000 | 25,296 | (704) |
| Fire insurance dues | 34,000 | 35,339 | 1,339 |
| Law enforcement aid | 1,000 | 20,724 | 19,724 |
| State aids rescue squad | 4,000 | 2,000 | (2,000) |
| Exempt computer aid | - | 189 | 189 |
| DNR aids | - | 82 | 82 |
| Municipal services aid | 1,200 | 2,377 | 1,177 |
| Recycling grant | 9,000 | 10,077 | 1,077 |
| Total Intergovernmental | <u>294,895</u> | <u>313,623</u> | <u>18,728</u> |
| <u>Licenses and Permits</u> | | | |
| Business and occupational | 4,000 | 4,248 | 248 |
| Dog licenses | 63 | 30 | (33) |
| Building permits/zoning fees | 60,000 | 95,745 | 35,745 |
| Fireworks and other permits | 4,000 | 5,150 | 1,150 |
| Cable TV franchise fees | 30,000 | 33,291 | 3,291 |
| Total Licenses and Permits | <u>98,063</u> | <u>138,464</u> | <u>40,401</u> |
| <u>Fines and Forfeitures</u> | | | |
| Fines and restitution | <u>\$ 30,000</u> | <u>\$ 42,936</u> | <u>\$ 12,936</u> |

TOWN OF LINN
GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Original and Final Budget | Actual | Variance with Budget |
|--------------------------------------|---------------------------------|---------------------|----------------------------|
| <u>Charges for Services</u> | | | |
| Recycling and garbage charges | \$ 331,400 | \$ 343,489 | \$ 12,089 |
| Fuel rebate - garbage and recycling | 25,000 | 22,000 | (3,000) |
| Boat launching fees | 64,000 | 80,007 | 16,007 |
| Boat stall rent | 45,000 | 40,714 | (4,286) |
| Clerk's and legal fees | 1,000 | 2,444 | 1,444 |
| Weed removal fees | - | 75 | 75 |
| Plan commission fees | 1,000 | 1,362 | 362 |
| Fire department fees and charges | - | 8,190 | 8,190 |
| Rescue squad fees and charges | 5,500 | 2,069 | (3,431) |
| Town hall rental | 200 | 350 | 150 |
| Cell tower rent | 18,000 | 18,781 | 781 |
| Post office rent | 2,000 | 2,000 | - |
| | <u>493,100</u> | <u>521,481</u> | <u>28,381</u> |
| <u>Investment income</u> | | | |
| Interest earned on savings | 6,000 | 7,328 | 1,328 |
| Interest on special assessments | - | 126 | 126 |
| | <u>6,000</u> | <u>7,454</u> | <u>1,454</u> |
| <u>Miscellaneous Revenues</u> | | | |
| Sale of town property | 16,000 | 7,225 | (8,775) |
| Insurance recoveries | - | 12,708 | 12,708 |
| DARE donations | - | 50 | 50 |
| Public park donations | 1,500 | 50 | (1,450) |
| | <u>17,500</u> | <u>20,033</u> | <u>2,533</u> |
| Total Revenues | <u>\$ 3,113,840</u> | <u>\$ 3,223,549</u> | <u>\$ 109,709</u> |

TOWN OF LINN
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Original and Final Budget | Actual | Variance with Budget |
|------------------------------------------|---------------------------------|---------------------|----------------------------|
| <u>General Government</u> | | | |
| Town board salaries | \$ 32,000 | \$ 32,220 | \$ (220) |
| Town board benefits | 2,448 | 2,465 | (17) |
| Town board other expense | 6,000 | 2,518 | 3,482 |
| Legal counsel-general | 24,000 | 22,680 | 1,320 |
| Municipal court | 14,806 | 12,418 | 2,388 |
| Clerk-treasurer salaries | 68,869 | 68,113 | 756 |
| Clerk-treasurer assistant | 18,621 | 22,622 | (4,001) |
| Clerk-treasurer/assistant benefits | 20,559 | 20,229 | 330 |
| Clerk-treasurer other expense | 22,200 | 18,403 | 3,797 |
| Elections | 10,044 | 10,094 | (50) |
| ITC consulting | 14,000 | 10,145 | 3,855 |
| ITC hardware and software | 7,319 | 5,070 | 2,249 |
| Accounting and accounting | 11,000 | 12,300 | (1,300) |
| Property assessment | 33,460 | 32,979 | 481 |
| Board of review | - | 90 | (90) |
| Town complex other expense | 39,500 | 43,665 | (4,165) |
| Contingency | 898 | - | 898 |
| | <u>325,724</u> | <u>316,011</u> | <u>9,713</u> |
| Total General Government | | | |
| <u>Public Safety</u> | | | |
| Police salaries | 449,085 | 469,752 | (20,667) |
| Police benefits | 157,878 | 166,231 | (8,353) |
| Police fuel | 24,750 | 13,815 | 10,935 |
| Police legal counsel | 12,000 | 12,690 | (690) |
| Police other expense | 52,100 | 47,051 | 5,049 |
| Fire salaries | 50,931 | 55,889 | (4,958) |
| Fire benefits | 12,314 | 10,665 | 1,649 |
| Fire other expense | 150,919 | 133,459 | 17,460 |
| Fire boat expenses | 5,000 | 5,035 | (35) |
| Dive team | 2,400 | 2,272 | 128 |
| Rescue squad | 36,407 | 38,834 | (2,427) |
| Building inspector fees | 48,000 | 76,217 | (28,217) |
| Building inspector other expense | 1,000 | 331 | 669 |
| Geneva Lake Law Enforcement Agency | 48,174 | 48,174 | - |
| Water safety patrol | 10,815 | 10,815 | - |
| Emergency government - siren maintenance | 3,700 | 717 | 2,983 |
| | <u>\$ 1,065,473</u> | <u>\$ 1,091,947</u> | <u>\$ (26,474)</u> |
| Total Public Safety | | | |

TOWN OF LINN
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Original and Final Budget | Actual | Variance with Budget |
|-----------------------------------------------------|---------------------------------|-------------------|----------------------------|
| <u>Transportation</u> | | | |
| Highway salaries | \$ 122,940 | \$ 116,856 | \$ 6,084 |
| Highway benefits | 32,261 | 31,728 | 533 |
| Highway fuel | 30,250 | 17,538 | 12,712 |
| Highway other expense | 46,900 | 59,686 | (12,786) |
| Drainage | 75,000 | 72,239 | 2,761 |
| Street lighting | 12,000 | 11,204 | 796 |
| | <u>319,351</u> | <u>309,251</u> | <u>10,100</u> |
| <u>Health and Sanitation</u> | | | |
| Yard waste | 3,000 | 3,084 | (84) |
| Weed control | - | 200 | (200) |
| Clean sweep | 1,500 | 1,500 | - |
| Recycling expenses | 96,000 | 96,000 | - |
| Garbage | 260,400 | 260,400 | - |
| | <u>360,900</u> | <u>361,184</u> | <u>(284)</u> |
| <u>Leisure, Conservation and Development</u> | | | |
| Piers salaries | 22,000 | 18,029 | 3,971 |
| Piers benefits | 1,690 | 1,368 | 322 |
| Piers other expense | 28,650 | 29,647 | (997) |
| Parks other expense | 50,250 | 42,896 | 7,354 |
| Reek school path | 5,000 | 5,000 | - |
| Other lake expense | 5,750 | 5,750 | - |
| Planning committee & master plan update | 50,000 | 5,939 | 44,061 |
| Engineering | 5,000 | 3,024 | 1,976 |
| | <u>168,340</u> | <u>111,653</u> | <u>56,687</u> |
| <u>Nondepartmental and General</u> | | | |
| Property & liability insurance | 64,739 | 53,331 | 11,408 |
| Health insurance reimbursements | 18,000 | 14,931 | 3,069 |
| Workers compensation insurance | 50,000 | 39,812 | 10,188 |
| | <u>\$ 132,739</u> | <u>\$ 108,074</u> | <u>\$ 24,665</u> |

TOWN OF LINN
GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

| | Original and Final Budget | Actual | Variance with Budget |
|-----------------------------------|---------------------------------|---------------------|----------------------------|
| <u>Capital Outlay</u> | | | |
| Town complex outlay | \$ 77,000 | \$ 100,241 | \$ (23,241) |
| Police outlay | 94,975 | 115,914 | (20,939) |
| Fire/EMS building outlay | 10,000 | 10,234 | (234) |
| Fire outlay | - | 291,721 | (291,721) |
| Highway equipment | 95,000 | - | 95,000 |
| Highway building construction | 15,000 | - | 15,000 |
| Highway bridges | 100,000 | 1,389 | 98,611 |
| Road construction and maintenance | 503,800 | 503,161 | 639 |
| Piers | - | 35,800 | (35,800) |
| Parks | 15,538 | 2,050 | 13,488 |
| | <u>911,313</u> | <u>1,060,510</u> | <u>(149,197)</u> |
| Total Capital Outlay | | | |
| Total Expenditures | <u>\$ 3,283,840</u> | <u>\$ 3,358,630</u> | <u>\$ (74,790)</u> |