

**TOWN OF LINN**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2012**

**TOWN OF LINN**  
**TABLE OF CONTENTS**  
**For the Year Ended December 31, 2012**

	<u>Page</u>
Independent Auditor's Report	1 - 2
<u>Basic Financial Statements:</u>	
Balance Sheet and Statement of Net Position	3
Statement of Activities	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position - Fiduciary Fund	7
Notes to the Financial Statements	8 - 20
<u>Supplementary Information:</u>	
General Fund - Schedule of Revenues - Budget and Actual	22 - 23
General Fund - Schedule of Expenditures - Budget and Actual	24 - 26



**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, 2012, 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, 2012, 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.

## **Other Matters**

### *Required Supplementary Information*

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 5, 2013

**TOWN OF LINN**  
**BALANCE SHEET AND STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
<b><u>Assets</u></b>			
Cash and investments	\$ 3,499,795	\$ -	\$ 3,499,795
Taxes receivable	2,465,222	-	2,465,222
Accounts receivable	56,533	-	56,533
Prepayments	5,780	-	5,780
Capital assets, net of accumulated depreciation	-	6,107,562	6,107,562
Total assets	<u>6,027,330</u>	<u>6,107,562</u>	<u>12,134,892</u>
<b><u>Liabilities</u></b>			
Accounts payable	97,430	-	97,430
Accrued wages payable	31,440	-	31,440
Deferred revenues	2,464,293	-	2,464,293
Long-term liabilities:			
Due after one year	-	25,044	25,044
Total liabilities	<u>2,593,163</u>	<u>25,044</u>	<u>2,618,207</u>
<b><u>Fund Balances/Net Position</u></b>			
Fund balances:			
Nonspendable	5,780	(5,780)	-
Assigned	2,026,879	(2,026,879)	-
Unassigned	1,401,508	(1,401,508)	-
Total fund balances	<u>3,434,167</u>	<u>(3,434,167)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 6,027,330</u>		
Net position:			
Invested in capital assets, net of related debt		-	6,107,562
Unrestricted		-	3,409,123
Total net position		<u>\$ -</u>	<u>\$ 9,516,685</u>

See accompanying notes to financial statements.

**TOWN OF LINN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b><u>Functions/Programs</u></b>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities:					
General government	\$ 310,787	\$ 19,963	\$ 5,570	\$ -	\$ (285,254)
Police	659,821	41,584	1,120	3,554	(613,563)
Fire protection	323,896	-	40,893	-	(283,003)
Rescue squad	37,977	5,968	1,000	-	(31,009)
Building inspection	45,031	-	51,314	-	6,283
Other public safety	59,801	179	27,347	-	(32,275)
Transportation	722,850	-	178,734	-	(544,116)
Health and sanitation	340,740	327,688	10,650	-	(2,402)
Leisure, conservation and development	82,351	109,295	-	3,882	30,826
Nondepartmental and general	83,257	-	-	-	(83,257)
Total	<u>\$ 2,666,511</u>	<u>\$ 504,677</u>	<u>\$ 316,628</u>	<u>\$ 7,436</u>	<u>(1,837,770)</u>
General revenues:					
Property taxes levied for general purposes					2,160,068
Intergovernmental revenues not restricted to specific programs					26,345
Franchise taxes					26,590
Gain on sale of town property and insurance recoveries					38,623
Investment income					7,702
Total general revenues and transfers					<u>2,259,328</u>
Change in net position					421,558
Net position - beginning					<u>9,095,127</u>
Net position - ending					<u>\$ 9,516,685</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, 2012**

	Original and Final Budget	Actual Amounts	Variance with Budget
<b><u>Revenues</u></b>			
General property taxes	\$ 2,170,002	\$ 2,160,068	\$ (9,934)
Intergovernmental	284,806	280,639	(4,167)
Licenses and permits	73,600	89,103	15,503
Fines and forfeitures	25,000	41,584	16,584
Charges for services	444,920	462,912	17,992
Investment income	5,000	7,702	2,702
Miscellaneous	2,000	63,711	61,711
Total revenues	<u>3,005,328</u>	<u>3,105,719</u>	<u>100,391</u>
<b><u>Expenditures</u></b>			
Current:			
General government	358,878	285,077	73,801
Public safety	926,095	967,330	(41,235)
Public works	253,447	297,745	(44,298)
Health and sanitation	340,740	340,740	-
Leisure, conservation and development	105,640	77,536	28,104
Nondepartmental and general	94,125	83,257	10,868
Capital outlay	1,142,978	380,598	762,380
Interest expense	40,617	-	40,617
Total expenditures	<u>3,262,520</u>	<u>2,432,283</u>	<u>830,237</u>
Excess of revenues over (under) expenditures	(257,192)	673,436	930,628
<b><u>Other Financing Sources</u></b>			
Proceeds from borrowing	250,000	-	(250,000)
Net change in fund balances	(7,192)	673,436	680,628
Fund balances - beginning	<u>2,760,731</u>	<u>2,760,731</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,753,539</u>	<u>\$ 3,434,167</u>	<u>\$ 680,628</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, 2012**

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

Net change in fund balances - general fund	\$ 673,436
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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	248,263
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Depreciation that is reported in the statement of activities	(489,899)
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Net book value of assets retired or traded affects net assets	(17,650)
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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>7,408</u>
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Change in net position of governmental activities	<u><u>\$ 421,558</u></u>
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See accompanying notes to financial statements.



**TOWN OF LINN**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2012**

	Agency Funds		Totals
	Tax Collection Fund	Municipal Court	
<b><u>Assets</u></b>			
Cash and investments	\$ 4,152,906	\$ 22,863	\$ 4,175,769
Taxes receivable	19,352,069	-	19,352,069
Total Assets	23,504,975	22,863	23,527,838
<b><u>Liabilities</u></b>			
Court bonds held	-	22,863	22,863
Due to other governments	23,504,975	-	23,504,975
<b>Net Position</b>	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

**TOWN OF LINN**  
**INDEX TO NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2012**

<u>Note Number</u>	<u>Page</u>
1. Summary Of Significant Accounting Policies	
A. Reporting Entity	9
B. Government-Wide and Fund Financial Statements	9
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	10 - 11
D. Assets, Liabilities, and Net Assets or Equity	
1. Receivables	11
2. Inventories and Prepaid Items	11
3. Capital Assets	12
4. Compensated Absences	12
5. Long-Term Obligations	12
6. Fund Equity	13
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 Assets	13
3. Stewardship, Compliance, and Accountability	
A. Budgetary Information	13 - 14
B. General Fund Assigned and Nonspendable Fund Balances	14
4. Detailed Notes on All Funds	
A. Cash and Investments	15 - 16
B. Receivables	17
C. Capital Assets	17 - 18
D. Long-Term Obligations	18
5. Other Information	
A. Risk Management	18
B. Employees' Pensions	18 - 19
C. Litigation and Contingencies	20
D. Lease Income	20
E. Subsequent Events	20

**TOWN OF LINN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**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 the Management's Discussion and Analysis has not been presented. Statement No. 34 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. The accompanying financial statements do not contain any component units.

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 proprietary fund and 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 Assets or Equity**

#### ***1. 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 assets. 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 2012 tax levy follows:

Lien and levy dates	December 2012
Real estate collection due dates:	
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property tax due in full	January 31, 2013
Final settlement with county	August 2013
Tax sale of 2012 delinquent real estate taxes	October 2015

#### ***2. 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 assets.

## **Note 1 - Summary Of Significant Accounting Policies - Continued**

### **D. Assets, Liabilities, and Net Assets or Equity - Continued**

#### ***3. 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.

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

#### ***4. 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, 2012, accumulated vacation leave of \$7,007 and accumulated sick leave of \$18,037 has been recorded in the statement of net assets 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.

#### ***5. Long-Term Obligations***

In the statement of net assets, 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 assets consists of accumulated vacation and sick pay.

**Note 1 - Summary Of Significant Accounting Policies - Continued**

**6. 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. Assigned fund balances represent amounts intended for a specific use that is subject to change.

**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 Assets**

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

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 assets.

Total capital assets	\$12,469,273
Less: accumulated depreciation	<u>(6,361,711)</u>
Net capital assets	<u>\$ 6,107,562</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 assets.

Accrued compensated absences	<u>\$ 25,044</u>
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**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. Expenditures cannot legally exceed their appropriations at the fund level.

**Note 3 - Stewardship, Compliance, and Accountability - Continued**

**A. Budgetary Information - Continued**

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. Individual amounts that were included in the 2012 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:

Future reassessment	\$ 20,000
Property acquisition	25,000
Police communications	5,000
Police vehicles	25,000
Emergency government siren	15,000
Fire capital outlay	125,000
Highway equipment outlay	100,000
Road construction	100,000
Master plan update	<u>10,000</u>
Total	<u>\$ 425,000</u>

**B. General Fund Assigned and Nonspendable Fund Balances**

The fund balance of the general fund has been assigned at December 31, 2012 for the following:

Building fund	\$ 280,000
Property acquisition	325,000
Road construction	539,910
Property reassessment	180,500
Police vehicle	49,547
Emergency government siren	30,000
Parks	32,000
Fire/EMS - capital outlay	321,615
Highway equipment outlay	103,368
Town hall - capital outlay	20,972
Town hall - technology	13,854
Comprehensive land use plan	40,000
Fire 2%	34,188
Health insurance co-payments	14,029
DARE	3,366
Utilities carryover	<u>38,530</u>
Total	<u>\$ 2,026,879</u>

The fund balance of the general fund was nonspendable at December 31, 2012 for prepaid expenditures of \$5,780.



## Note 4 - Detailed Notes on All Funds

### **A. 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.

The town's cash and investments at December 31, 2012 consisted of the following:

	<u>Carrying Amount</u>	<u>Amounts Deposited</u>
Savings accounts and interest-bearing checking accounts	\$ 712,567	\$ 719,479
Local Government Investment Pool	<u>6,962,997</u>	<u>6,962,997</u>
	<u>\$ 7,675,564</u>	<u>\$ 7,682,476</u>

Cash deposits are reported in the financial statements as follows:

Balance sheet and statement of net assets	\$ 3,499,795
Statement of net assets - fiduciary fund	<u>4,175,769</u>
Total	<u>\$ 7,675,564</u>

## **Note 4 - Detailed Notes on All Funds - Continued**

### **A. Cash and Investments - Continued**

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. For the period December 31, 2010 through December 31, 2012, all non-interest bearing accounts are fully insured, regardless of the balance of the account. 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, 2012, \$446,616 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, 2012 the town's investment in the Local Government Investment Pool (LGIP) had a fair value balance of \$6,962,997. The LGIP had a weighted average maturity of 73 days at December 31, 2012.

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 \$6,962,997 at December 31, 2012 is at cost basis. The fair value of the LGIP investment at December 31, 2012 did not materially differ from its cost basis.

The town does not have a formal investment policy.

**Note 4 - Detailed Notes on All Funds - Continued**

**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:

	General Fund	Tax Roll Fiduciary Fund	Totals
Taxes - current	\$ 2,464,293	\$ 19,352,069	\$ 21,816,362
Taxes - delinquent	929	---	929
Accounts	56,533	---	56,533
Total receivables	<u>\$ 2,521,755</u>	<u>\$ 19,352,069</u>	<u>\$ 21,873,824</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At December 31, 2012, the *deferred revenue* reported in the governmental fund consisted of property taxes receivable in the amount of \$2,464,293.

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 369,255	\$ ---	\$ ---	\$ 369,255
Capital assets, being depreciated:				
Buildings	1,678,854	---	---	1,678,854
Improvements other than buildings	564,518	---	---	564,518
Machinery and equipment	2,869,851	98,902	(29,417)	2,939,336
Infrastructure	6,767,949	149,361	---	6,917,310
Total capital assets being depreciated	<u>11,881,172</u>	<u>248,263</u>	<u>(29,417)</u>	<u>12,100,018</u>
Less accumulated depreciation for:				
Buildings	394,029	37,924	---	431,953
Improvements other than buildings	291,884	22,400	---	314,284
Machinery and equipment	1,303,500	206,638	(11,767)	1,498,371
Infrastructure	3,894,166	222,937	---	4,117,103
Total accumulated depreciation	<u>5,883,579</u>	<u>489,899</u>	<u>(11,767)</u>	<u>6,361,711</u>
Total capital assets, being depreciated, net	<u>5,997,593</u>	<u>(241,636)</u>	<u>(17,650)</u>	<u>5,738,307</u>
Governmental activities capital assets, net	<u>\$ 6,366,848</u>	<u>\$ (241,636)</u>	<u>\$ (17,650)</u>	<u>\$ 6,107,562</u>

**Note 4 - Detailed Notes on All Funds - Continued**

**C. Capital Assets - Continued**

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

Governmental activities:

General government	\$ 25,710
Police	33,563
Fire	100,780
Rescue	13,670
Other public safety	1,194
Highways and streets, including depreciation of general infrastructure assets	310,167
Parks	<u>4,815</u>

Total depreciation expense - governmental activities \$ 489,899

**D. Long-Term Obligations**

Long-term obligations of the town was comprised of the following at December 31, 2012:

Compensated absences \$ 25,044

**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. Employees' Pensions**

All eligible town employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district education support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 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. Note: Employees hired to work nine or ten months per year, (e.g. teachers contracts) , but expected to return year after year are considered to have met the one-year requirement.

**Note 5 - Other Information - Continued**

**B. Employees' Pensions - Continued**

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate.

The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

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

The payroll for town employees covered by the WRS for the year ended December 31, 2012 was \$560,227; the employer's total payroll was \$791,382. The total required contribution for the year ended December 31, 2012 was \$78,067 which consisted of \$44,246, or 7.9% of the covered payroll from the employer and \$33,821 or 6.0% of the covered payroll from employees. Total contributions for the years ending December 31, 2011 and 2010 were \$86,484 and \$82,070, respectively, equal to the required contributions for each year.

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

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

**Note 5 - Other Information - Continued**

**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, 2012 was \$18,054.

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

<u>Year</u>	<u>Amount</u>
2013	\$ 2,000
2014	2,000
2015	<u>2,000</u>
	<u>\$ 6,000</u>

The town entered into a lease extension with the U.S. Postal Service that expires in October 2015. 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.

**E. Subsequent Events**

Management has evaluated the need for disclosure or recording of transactions resulting from subsequent events through April 5, 2013, the date the financial statements were available to be issued; and concluded there were no matters to be disclosed.

**SUPPLEMENTAL INFORMATION**

**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original and Final Budget	Actual	Variance with Budget
<b><u>Taxes</u></b>			
Town taxes	\$ 2,170,002	\$ 2,157,511	\$ (12,491)
Managed forest land tax	-	17	17
Annexation taxes	-	2,535	2,535
Interest and penalties on taxes	-	5	5
 Total Taxes	 2,170,002	 2,160,068	 (9,934)
<b><u>Intergovernmental</u></b>			
State shared revenue	26,861	25,788	(1,073)
State transportation aid	177,470	177,470	-
Boating enforcement aid	27,000	27,347	347
Fire insurance dues	38,375	35,443	(2,932)
Law enforcement aid	1,600	1,120	(480)
State aids rescue squad	4,000	1,000	(3,000)
Exempt computer aid	-	164	164
DNR aids	-	393	393
Municipal services aid	1,500	1,264	(236)
Recycling grant	8,000	10,650	2,650
 Total Intergovernmental	 284,806	 280,639	 (4,167)
<b><u>Licenses and Permits</u></b>			
Business and occupational	5,400	5,570	170
Dog licenses	200	179	(21)
Building permits/zoning fees	45,000	51,314	6,314
Fireworks and other permits	3,000	5,450	2,450
Cable TV franchise fees	20,000	26,590	6,590
 Total Licenses and Permits	 73,600	 89,103	 15,503
<b><u>Fines and Forfeitures</u></b>			
Fines and restitution	\$ 25,000	\$ 41,584	\$ 16,584



**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original and Final Budget	Actual	Variance with Budget
<b><u>Charges for Services</u></b>			
Recycling and garbage charges	\$ 314,240	\$ 314,398	\$ 158
Fuel rebate - garbage and recycling	13,000	13,200	200
Boat launching fees	65,000	75,998	10,998
Boat stall rent	25,000	29,587	4,587
Clerk's and legal fees	500	1,487	987
Weed removal fees	-	90	90
Plan commission fees	500	1,400	900
Rescue squad fees and charges	12,000	5,968	(6,032)
Engineering fees	-	2,310	2,310
Town hall rental	200	420	220
Cell tower rent	12,480	16,054	3,574
Post office rent	2,000	2,000	-
	<u>444,920</u>	<u>462,912</u>	<u>17,992</u>
<b><u>Investment income</u></b>			
Interest earned on savings	<u>5,000</u>	<u>7,702</u>	<u>2,702</u>
<b><u>Miscellaneous Revenues</u></b>			
Sale of town property	-	8,103	8,103
Insurance recoveries	-	48,170	48,170
Other miscellaneous revenues	-	2	2
Donations from private individuals	-	3,882	3,882
DARE donations	2,000	3,554	1,554
	<u>2,000</u>	<u>63,711</u>	<u>61,711</u>
Total Revenues	<u><u>\$ 3,005,328</u></u>	<u><u>\$ 3,105,719</u></u>	<u><u>\$ 100,391</u></u>

**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original and Final Budget	Actual	Variance with Budget
<b><u>General Government</u></b>			
Town board salaries	\$ 30,000	\$ 30,000	\$ -
Town board benefits	2,300	2,295	5
Town board other expense	6,000	4,987	1,013
Legal counsel-general	30,000	17,953	12,047
Municipal court	11,400	10,256	1,144
Clerk-treasurer salaries	63,306	65,879	(2,573)
Clerk-treasurer assistant	15,000	16,873	(1,873)
Clerk-treasurer/assistant benefits	16,269	19,317	(3,048)
Clerk-treasurer other expense	10,000	12,172	(2,172)
Elections	6,850	7,832	(982)
ITC consulting	12,000	7,137	4,863
ITC hardware and software	17,189	9,010	8,179
Website update	1,000	-	1,000
Accounting and accounting	11,000	11,576	(576)
Property assessment	32,065	32,428	(363)
Board of review	100	44	56
Contingency fund	49,824	-	49,824
Town complex other expense	44,575	37,318	7,257
	<u>358,878</u>	<u>285,077</u>	<u>73,801</u>
<b><u>Public Safety</u></b>			
Police salaries	367,583	383,701	(16,118)
Police benefits	133,902	160,732	(26,830)
Police fuel	20,000	18,818	1,182
Police legal counsel	10,000	10,820	(820)
Police other expense	48,400	42,198	6,202
Fire salaries	46,198	52,316	(6,118)
Fire benefits	11,750	13,133	(1,383)
Fire other expense	150,148	157,667	(7,519)
Dive team	3,800	2,084	1,716
Rescue squad	38,400	24,307	14,093
Building inspector fees	36,000	44,295	(8,295)
Building inspector other expense	500	736	\$ (236)
Geneva Lake Law Enforcement Agency	45,174	45,174	-
Water safety patrol	10,540	10,540	-
Emergency government - siren maintenance	3,700	809	2,891
	<u>\$ 926,095</u>	<u>\$ 967,330</u>	<u>\$ (41,235)</u>

**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original and Final Budget	Actual	Variance with Budget
<b><u>Transportation</u></b>			
Highway salaries	\$ 125,000	\$ 148,259	\$ (23,259)
Highway benefits	27,447	39,803	(12,356)
Highway fuel	45,000	41,345	3,655
Highway other expense	44,000	57,337	(13,337)
Street lighting	12,000	11,001	999
Total Transportation	<u>253,447</u>	<u>297,745</u>	<u>(44,298)</u>
<b><u>Health and Sanitation</u></b>			
Yard waste	3,000	3,000	-
Clean sweep	1,500	1,500	-
Recycling expenses	85,140	85,140	-
Garbage	251,100	251,100	-
Total Health and Sanitation	<u>340,740</u>	<u>340,740</u>	<u>-</u>
<b><u>Leisure, Conservation and Development</u></b>			
Piers salaries	22,000	20,991	1,009
Piers benefits	1,690	1,588	102
Piers other expense	31,650	22,249	9,401
Parks other expense	34,300	27,992	6,308
Other lake expense	1,000	500	500
Engineering	15,000	3,886	11,114
Zoning administration	-	330	(330)
Total Leisure, Conservation & Development	<u>105,640</u>	<u>77,536</u>	<u>28,104</u>
<b><u>Nondepartmental and General</u></b>			
Health insurance-co-payments	9,100	2,039	7,061
Property & liability insurance	51,100	49,509	1,591
Workers compensation insurance	33,925	31,709	2,216
Total Nondepartmental & General	<u>\$ 94,125</u>	<u>\$ 83,257</u>	<u>\$ 10,868</u>

**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original and Final Budget	Actual	Variance with Budget
<b><u>Capital Outlay</u></b>			
Police outlay	\$ 57,978	\$ 90,041	\$ (32,063)
Fire outlay	-	13,189	(13,189)
Rescue squad outlay	15,000	-	15,000
Highway equipment	-	5,077	(5,077)
Highway building construction	750,000	-	750,000
Road construction and maintenance	320,000	263,539	56,461
Highway bridges	-	8,752	(8,752)
 Total Capital Outlay	 <u>1,142,978</u>	 <u>380,598</u>	 <u>762,380</u>
<b><u>Debt Service</u></b>			
Interest expense	<u>40,617</u>	<u>-</u>	<u>40,617</u>
 Total Expenditures	 <u><u>\$ 3,262,520</u></u>	 <u><u>\$ 2,432,283</u></u>	 <u><u>\$ 830,237</u></u>