

**TOWN OF LINN**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2019**

**TOWN OF LINN**  
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**For the Year Ended December 31, 2019**

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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, 2019, 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, 2019, 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*

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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  
November 13, 2020

**TOWN OF LINN**  
**BALANCE SHEET AND STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	General Fund	Adjustments (Note 2)	Statement of Net Position
<b><u>Assets</u></b>			
Cash and investments	\$ 2,802,432	\$ -	\$ 2,802,432
Taxes receivable	4,213,392	-	4,213,392
Accounts receivable	25,871	-	25,871
Special assessments receivable	20,728	-	20,728
Capital assets, net of accumulated depreciation	-	11,179,301	11,179,301
Total assets	7,062,423	11,179,301	18,241,724
<b><u>Deferred Outflows of Resources</u></b>			
Deferred outflows related to pension	-	937,111	937,111
Deferred outflows related to OPEB	-	6,652	6,652
Total outflows of resources	-	943,763	943,763
Total assets and deferred outflows of resources	7,062,423	12,116,412	19,185,487
<b><u>Liabilities</u></b>			
Accounts and accrued wages payable	831,250	-	831,250
Long-term liabilities:			
Due within one year	-	173,417	173,417
Due after one year	-	2,144,037	2,144,037
Total liabilities	831,250	2,317,454	3,148,704
<b><u>Deferred Inflows of Resources</u></b>			
Property taxes and other	4,225,335	-	4,225,335
Special assessments	25,326	(25,326)	-
Deferred inflows related to pensions	-	636,700	636,700
Deferred inflows related to OPEB	-	27,225	27,225
Total deferred inflows of resources	4,250,661	638,599	4,889,260
<b><u>Fund Balances/Net Position</u></b>			
Fund balances:			
Restricted	17,361	(17,361)	-
Assigned	849,368	(849,368)	-
Unassigned	1,131,144	(1,131,144)	-
Total fund balances	1,980,512	(1,980,512)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 7,062,423		
Net position:			
Invested in capital assets		9,179,301	9,179,301
Restricted for pension benefits		82,047	82,047
Unrestricted		1,886,175	1,886,175
Total net position		\$ 11,147,523	\$ 11,147,523

See accompanying notes to financial statements.

**TOWN OF LINN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b><u>Functions/Programs</u></b>					
Governmental activities:					
General government	\$ 615,147	\$ 25,013	\$ 6,498	\$ -	\$ (583,636)
Police	961,634	35,938	13,954	-	(911,742)
Fire protection	419,246	400	52,580	-	(366,266)
Emergency medical services	45,815	32,747	5,251	-	(7,817)
Building inspection	85,225	-	110,592	-	25,367
Other public safety	68,277	72	21,383	-	(46,822)
Public works	851,883	-	208,784	-	(643,099)
Health and sanitation	432,645	436,399	10,629	-	14,383
Leisure, conservation and development	126,079	124,013		4,000	1,934
Nondepartmental and general	130,772	-	-	-	(130,772)
Total	<u>\$ 3,736,723</u>	<u>\$ 654,582</u>	<u>\$ 429,671</u>	<u>\$ 4,000</u>	<u>(2,648,470)</u>
General revenues:					
Property taxes levied for general purposes					2,243,878
Other taxes					228
Intergovernmental revenues not restricted to specific programs					35,224
Franchise taxes					36,475
Gain on sale of town property and insurance recoveries					5,979
Investment income					94,719
Total general revenues and transfers					<u>2,416,503</u>
Change in net position					<u>(231,967)</u>
Net position - beginning, previously reported					11,450,443
Cumulative effect of change in accounting principle					<u>(70,953)</u>
Net position - beginning, restated					<u>11,379,490</u>
Net position - ending					<u>\$ 11,147,523</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
General property taxes	\$ 2,243,264	\$ 2,243,264	\$ 2,244,106	\$ 842
Special assessments	9,000	9,000	6,617	(2,383)
Intergovernmental	313,987	320,192	342,247	22,055
Licenses and permits	100,550	165,289	159,848	(5,441)
Fines and forfeitures	25,000	38,404	33,490	(4,914)
Charges for services	548,500	671,335	621,584	(49,751)
Investment income	60,000	94,456	94,719	263
Miscellaneous	10,000	30,353	9,979	(20,374)
Total revenues	<u>3,310,301</u>	<u>3,572,293</u>	<u>3,512,590</u>	<u>(59,703)</u>
<b><u>Expenditures</u></b>				
Current:				
General government	569,801	569,801	572,430	(2,629)
Public safety	1,230,960	1,215,848	1,281,574	(65,726)
Public works	288,248	337,697	363,894	(26,197)
Health and sanitation	377,300	428,800	432,645	(3,845)
Leisure, conservation and development	102,979	118,687	120,038	(1,351)
Nondepartmental and general	109,113	109,113	130,772	(21,659)
Capital outlay	2,567,900	3,663,510	3,636,314	27,196
Total expenditures	<u>5,246,301</u>	<u>6,443,456</u>	<u>6,537,667</u>	<u>(94,211)</u>
Excess revenues under expenditures	(1,936,000)	(2,871,163)	(3,025,077)	(153,914)
<b><u>Other Financing Sources</u></b>				
Face value of long-term debt	<u>1,500,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Net change in fund balances	(436,000)	(871,163)	(1,025,077)	(153,914)
Fund balances - beginning	<u>3,005,589</u>	<u>3,005,589</u>	<u>3,005,589</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,569,589</u>	<u>\$ 2,134,426</u>	<u>\$ 1,980,512</u>	<u>\$ (153,914)</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, 2019**

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

Net change in fund balances - general fund \$ (1,025,077)

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. 3,627,955

Depreciation that is reported in the statement of activities (744,824)

Changes in the net pension and OPEB 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.

Net pension activity (74,298)

Other postemployment benefits (2,099)

The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, while the repayment reduces long-term liabilities in the statement of net assets.

Issuance of general obligation debt (2,000,000)

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

Special assessments (7,834)

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 (5,790)

Change in net position of governmental activities \$ (231,967)

See accompanying notes to financial statements.



**TOWN OF LINN**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

	Custodial Funds		Totals
	Tax Collection Fund	Municipal Court	
<b><u>Assets</u></b>			
Cash and investments	\$ 5,443,246	\$ 26,220	\$ 5,469,466
Taxes receivable	16,717,628	-	16,717,628
Total Assets	22,160,874	26,220	22,187,094
<b><u>Liabilities</u></b>			
Court bonds held	-	26,220	26,220
Due to other governments	22,160,874	-	22,160,874
Total Liabilities	22,160,874	26,220	22,187,094
<b>Net Position</b>	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

**TOWN OF LINN**  
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**For the Year Ended December 31, 2019**

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**TOWN OF LINN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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. 61, "The Financial Reporting Entity: Omnibus" 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. There are no component units included in the financial statements.

**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:

*Custodial Funds* - Custodial 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, custodial 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**

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 2019 tax levy follows:

Lien and levy dates	December 2019
Real estate collection due dates:	
First installment due	January 31, 2019
Second installment due	July 31, 2019
Personal property tax due in full	January 31, 2019
Final settlement with county	August 2019
Tax sale of 2019 delinquent real estate taxes	October 2022

#### ***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 and improvements	15 - 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, 2019, accumulated vacation leave of \$10,150 and accumulated sick leave of \$36,461 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 restrictions of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The remaining unreserved fund balance is considered undesignated.



## **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	\$ 937,111
Net pension liability	(218,364)
Deferred inflows of resources	<u>(636,700)</u>
Total restricted for pension benefits	<u>\$ 82,047</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	\$ 21,513,309
Less: accumulated depreciation	<u>(10,334,008)</u>
Net capital assets	<u>\$ 11,079,301</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	<u>\$ 46,611</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.

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 2019 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:

Police department	\$ 30,000
Public works	<u>25,000</u>
Total	<u>\$ 55,000</u>

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

The fund balance of the general fund has been restricted at December 31, 2019 for the following:

Fire 2%	<u>\$ 17,361</u>
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The fund balance of the general fund has been assigned at December 31, 2019 for the following:

Building fund	\$ 9,754
Property acquisition	75,500
Road and bridge construction	325,033
Police communications	11,644
Police vehicles	39,547
Parks	11,000
Fire/EMS capital outlay	199,859
Highway equipment outlay	129,337
Comprehensive land use plan	35,000
Utilities carryover	1,000
Human resources consulting	10,000
Fire boat operation and maintenance	<u>1,694</u>
Total	<u>\$ 849,368</u>

**C. Excess of Expenditures Over Appropriations**

Actual expenditures of the general fund for the year ended December 31, 2019 of \$6,537,667 exceeded their final budget of \$6,443,456 by \$94,211.

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

### **A. Cash and Investments**

The town's cash and investments at December 31, 2019 consisted of the following:

	<u>Carrying Amount</u>	<u>Amounts Deposited</u>
Demand checking accounts	\$ 26,220	\$ 26,220
Savings accounts and interest- bearing checking accounts	5,853,446	5,854,223
MaxSafe money market account	2,315,551	2,315,551
Local Government Investment Pool	<u>76,681</u>	<u>76,681</u>
	<u>\$ 8,271,898</u>	<u>\$ 8,272,675</u>

Cash deposits are reported in the financial statements as follows:

Balance sheet and statement of net position	\$ 2,802,432
Statement of net position - fiduciary fund	<u>5,469,466</u>
Total	<u>\$ 8,271,898</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. The town maintains an agreement with its primary financial institution whereby deposits in excess of FDIC insured amount are collateralized by the bank. At December 31, 2019, the agreement town's agreement with its financial institution collateralized \$5,890,838 of its deposits. The MaxSafe account is fully insured. Therefore, the town's bank deposits are not 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, 2019 the town's investment in the Local Government Investment Pool (LGIP) had a fair value balance of \$76,681. The LGIP had a weighted average maturity of 18 days at December 31, 2019.

**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 \$76,681 at December 31, 2019 is at cost basis. The fair value of the LGIP investment at December 31, 2019 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	\$ 4,213,392	\$ 16,717,628	\$ 20,931,020
Accounts	25,871	---	25,871
Special assessments	20,728	---	20,728
Total receivables	<u>\$ 4,259,991</u>	<u>\$ 16,717,628</u>	<u>\$ 20,977,619</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 balance sheet and statement of net position was as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable	\$ ---	\$ 4,208,794
Deferred grant proceeds	16,541	---
Special assessments	25,326	---
Deferred inflows related to pension	---	636,700
Deferred inflows related to OBEB	---	27,225
Total receivables	<u>\$ 51,867</u>	<u>\$ 4,874,440</u>

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

**C. Capital Assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 369,255	\$ ---	\$ ---	\$ 369,255
Construction in progress	147,943	---	(147,943)	---
Total capital assets, not being depreciated	<u>517,198</u>	<u>---</u>	<u>(147,943)</u>	<u>369,255</u>
Capital assets, being depreciated:				
Buildings	1,833,859	534,098	---	2,367,957
Improvements other than buildings	244,938	146,632	---	391,570
Machinery and equipment	4,340,383	142,401	(25,661)	4,457,123
Infrastructure	10,974,636	2,952,767	---	13,927,403
Total capital assets being depreciated	<u>17,393,816</u>	<u>3,775,898</u>	<u>(25,661)</u>	<u>21,144,053</u>
Less accumulated depreciation for:				
Buildings	673,932	41,095	---	715,027
Improvements other than buildings	68,026	18,357	---	86,383
Machinery and equipment	2,694,182	268,455	(25,661)	2,936,976
Infrastructure	6,178,704	416,917	---	6,595,621
Total accumulated depreciation	<u>9,614,844</u>	<u>744,824</u>	<u>(25,661)</u>	<u>10,334,007</u>
Total capital assets, being depreciated, net	<u>7,778,972</u>	<u>3,031,074</u>	<u>---</u>	<u>10,810,046</u>
Governmental activities capital assets, net	<u>\$ 8,296,170</u>	<u>\$ 3,031,074</u>	<u>\$ (147,943)</u>	<u>\$ 11,179,301</u>

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

Governmental activities:	
General government	\$ 32,842
Police	46,186
Fire	172,392
Rescue	10,564
Other public safety	783
Highways and streets, including depreciation of general infrastructure assets	476,016
Parks	<u>6,041</u>
Total depreciation expense - governmental activities	<u>\$ 744,824</u>

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

**D. Long-Term Obligations**

Outstanding debt and other long-term obligations of the town was comprised of the following at December 31, 2019:

<u>Issue</u>	<u>Interest Rate</u>	<u>Original Principal</u>	<u>Balance 12/31/19</u>	<u>Current Portion</u>	<u>Final Maturity</u>
<u>General obligation debt:</u>					
2019 promissory note	4.0%	\$ 2,000,000	\$ 2,000,000	<u>\$ 173,417</u>	3/1/29
<u>Other long-term obligations:</u>					
Compensated absences			46,611		
Other postemployment benefits (Note 5C)			52,479		
Net pension liability			<u>218,364</u>		
Total long-term obligations			<u>\$ 2,317,454</u>		

**General Obligation Debt**

General town indebtedness represented by general obligation notes totaled \$2,000,000 on December 31, 2019. The town's full faith and credit back the notes. Transactions for 2019 are summarized as follows:

Balance - January 1, 2019	\$ ---
Loan proceeds	2,000,000
Principal reductions	<u>---</u>
Balance - December 31, 2019	<u>\$ 2,000,000</u>

Annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 173,417	\$ 72,889	\$ 246,306
2021	172,228	74,078	246,306
2022	179,213	67,093	246,306
2023	186,481	59,825	246,306
2024	193,901	52,405	246,306
2025-2029	<u>1,094,760</u>	<u>136,774</u>	<u>1,231,534</u>
Totals	<u>\$ 2,000,000</u>	<u>\$ 463,064</u>	<u>\$ 2,463,064</u>

**Margin of indebtedness**

The Wisconsin Statutes restrict the village's general obligation debt to 5% of the equalized value of all property in the village. This amount is compared below with the outstanding debt on December 31, 2019:

Equalized Value - 2019	<u>\$ 1,921,283,700</u>
Margin of Indebtedness:	
5% of Equalized Value	96,064,185
Outstanding General Obligation Debt - December 31, 2019	<u>2,000,000</u>
Margin of Indebtedness	<u>\$ 94,064,185</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. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on a formula factor, their final average earnings, and creditable service.

Vested participants may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**Note 5 - Other Information - Continued**

**B. WRS Pension Plan - Continued**

*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:

<b>Year</b>	<b>Core Fund Adjustment</b>	<b>Variable Fund Adjustment</b>
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
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17

*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 \$64,481 in contributions from the employer.

Contribution rates as of December 31, 2019 are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (including teachers, executives and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%



**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, 2019, the Town of Linn reported liability of \$218,364 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the Town of Linn's proportion was 0.00613782%, which was an increase of 0.00040460% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Town of Linn recognized pension expense of \$150,360.

At December 31, 2019, the Town of Linn reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$170,072	\$(300,627)
Changes in assumptions	\$36,808	\$0
Net differences between projected and actual earnings on pension plan investments	\$649,928	\$(331,022)
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$2,513	\$(5,050)
Employer contributions subsequent to the measurement date	\$77,790	\$0
<b>Total</b>	<b>\$937,111</b>	<b>\$(636,700)</b>

## **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***

\$77,778 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, 2019. 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
2019	\$310,936	\$(228,561)
2020	203,746	(184,481)
2021	199,625	(165,147)
2022	145,013	(58,509)
2023	0	\$0

**Actuarial assumptions.** The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 using experience from 2015 - 2017. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 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:

<b>Asset Allocation Targets and Expected Returns</b>			
<b>As of December 31, 2018</b>			
<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49	8.1	5.5
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations

*Single Discount rate.* A single discount rate of 7.00% 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 7.00% and a long term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<b>1% Decrease to Discount Rate (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase To Discount Rate (8.00%)</b>
Proportionate share of the net pension liability (asset)	\$867,802	\$218,364	(\$264,543)

**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, 2019 the town did not report a payable for any outstanding amounts of contributions to the pension plan for the year ended December 31, 2019.

**C. Other Post-Employment Benefits**

**Plan description.** The Local Retiree Life Insurance Fund (LRLIF) is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

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

**Benefits provided.** The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

**Contributions.**

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member’s working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

**Note 5 - Other Information - Continued**

**C Other Post-Employment Benefits - Continued**

Contribution rates as of December 31, 2018 (the most current information available) are:

<b>Coverage Type</b>	<b>Employer Contribution</b>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are as listed below:

<b>Life Insurance Employee Contribution Rates* For the year ended December 31, 2018</b>		
<b>Attained Age</b>	<b>Basic</b>	<b>Supplemental</b>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57
*Disabled members under age 70 receive a waiver-of-premium benefit.		

During the reporting period, the LRLIF recognized \$391 in contributions from the employer.

**Note 5 - Other Information - Continued**

**C Other Post-Employment Benefits - Continued**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs***

At December 31, 2019, the town reported a liability (asset) of \$52,479 for its proportionate share of the Net OPEB Liability (Asset). The Net OPEB Liability (Asset) was measured as of December 31, 2018, and the Total OPEB Liability used to calculate the Net OPEB Liability (Asset) was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The town's proportion of the Net OPEB Liability (Asset) was based on the town's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the town's proportion was 0.002033800% , which was a decrease of 0.0001258% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019 the town recognized OPEB expense of \$2,883.

At December 31, 2018 the town reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 0	\$(2,662)
Net differences between projected and investment earnings on plan investments	1,254	0
Changes in actuarial assumptions	5,007	(11,375)
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	(13,188)
Employer contributions subsequent to the measurement date	391	0
<b>Total</b>	<b>\$6,652</b>	<b>\$(27,225)</b>

**Note 5 - Other Information - Continued**

**C Other Post-Employment Benefits - Continued**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2019	\$1,263	\$(4,627)
2020	1,263	(4,627)
2021	1,263	(4,627)
2022	1,087	(4,627)
2023	905	(4,627)
2024	480	(3,693)
2025	0	(400)

**Actuarial assumptions.** The Total OPEB Liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	January 1, 2018
Measurement Date of Net OPEB Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield:	4.10%
Long-Term Expected Rate of Return:	5.00%
Discount Rate:	4.22%
Salary Increases	
Inflation:	3.00%
Seniority/Merit:	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The Total OPEB Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

## Note 5 - Other Information - Continued

### **C Other Post-Employment Benefits - Continued**

**Long-term expected Return on Plan Assets.** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

#### **Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2018**

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
US Government Bonds	Barclays Government	1%	1.44%
US Credit Bonds	Barclays Credit	40%	2.69%
US Long Credit Bonds	Barclays Long Credit	4%	3.01%
US Mortgages	Barclays MBS	54%	2.25%
US Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.00%

**Single Discount rate.** A single discount rate of 4.22% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.



**Note 5 - Other Information - Continued**

**C Other Post-Employment Benefits - Continued**

**Sensitivity of the Town’s proportionate share of the Net OPEB Liability (Asset) to changes in the discount rate.** The following presents the town’s proportionate share of the Net OPEB Liability (Asset) calculated using the discount rate of 4.22 percent, as well as what the town’s proportionate share of the Net OPEB Liability (Asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22 percent) or 1-percentage-point higher (5.22 percent) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase To Discount Rate (5.22%)
Town’s proportionate share of the Net OPEB Liability (Asset)	\$74,655	52,479	\$35,375

**OPEB plan Fiduciary Net Position.** Detailed information about the OPEB plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

**D. Litigation and Contingencies**

In the opinion of management, 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.

**E. 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, 2019 was \$23,294.

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

<u>Year</u>	<u>Amount</u>
2020	\$ 2,000
2021	<u>1,667</u>
	<u>\$ 3,667</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.

**F. Property Tax Levy Limit**

Wisconsin statutes limit the amount of property taxes that the state’s cities, villages, towns and counties may levy. For 2019, 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 2019 (2018 tax levy) was \$2,243,264, an increase of \$24,504, or 1.10% from the prior year. The actual amount levied by the town was \$2,243,264.

## **Note 5 - Other Information - Continued**

### **G. Cumulative Effect of Change in Accounting Principle**

The town adopted Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year ended December 31, 2019. The January 1, 2019 net assets of the government-wide net position were reduced by \$70,953 in the implementation of the statement.

### **H. Litigation and Contingencies**

A claim has been filed against the town related to damage to the claimants' property resulting from stormwater runoff. The town anticipates that, in the event of an unfavorable outcome, any damages (other than deductible amounts) would be covered by the town's insurance carrier.

### **I. Subsequent Events**

Management has evaluated the need for disclosure or recording of transactions resulting from subsequent events through November 13, 2020, the date the financial statements were available to be issued; and concluded the following matters require disclosure.

On June 8, 2020, the town issued general obligation promissory notes totaling \$2,155,000 of which \$1,850,000 was used to refinance its 2019 outstanding promissory note balance and \$305,000 was issued to finance capital projects.

Two claims were filed against the town in August 2020 regarding a stormwater drainage issue and a governance procedural issue. The town anticipates that, in the event of unfavorable outcomes, any damages (other than deductible amounts) would be covered by the town's insurance carrier.

In 2019, the town received a stormwater issue claim. Per section 893.80(1g) of the Wisconsin Statutes, the claim was disallowed on March 19, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF LINN**

*Schedules of Required Supplementary Information*

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

Wisconsin Retirement System Last 5 Fiscal Years\*

	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.00613782%	0.00573322%	0.00531763%	0.51479600%	0.00532012%
Proportionate share of the net pension liability (asset)	\$ 218,364	\$ (170,226)	\$ 43,829	\$ 83,653	\$ (130,677)
Covered-employee payroll	\$ 683,070	\$ 653,544	\$ 645,414	\$ 561,976	\$ 544,297
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.45%	102.93%	99.12%	98.20%	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\*

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 64,481	\$ 64,202	\$ 55,079	\$ 48,701	\$ 50,426
Contributions in relation to the contractually required contributions	\$ 64,481	\$ 64,202	\$ 55,079	\$ 48,701	\$ 50,426
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 683,070	\$ 653,544	\$ 645,414	\$ 561,976	\$ 544,297
Contributions as a percentage of covered-employee payroll	9.44%	9.82%	8.53%	8.67%	9.26%

**Notes to Required Supplementary Information For the Year Ended December 31, 2019**

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

*Changes of assumptions.* Changes in the assumptions amounted to \$36,808.

**TOWN OF LINN**  
*Schedules of Required Supplementary Information*

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)**  
 Local Retiree Life Insurance Fund Last 2 Fiscal Years\*

	2018	2017
Proportion of the net pension liability (asset)	0.02033800%	0.02159600%
Proportionate share of the net pension liability (asset)	\$ 52,479	\$ 64,973
Covered-employee payroll	\$ 589,000	\$ 908,174
Plan fiduciary net position as a percentage of the total pension liability (asset)	48.69%	44.81%

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

**Notes to Required Supplementary Information For the Year Ended December 31, 2019**

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

*Changes of assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop the total OPEB liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

**SUPPLEMENTARY INFORMATION**

**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with <u>Final Budget</u>
<b><u>Taxes</u></b>				
Town taxes	\$ 2,243,264	\$ 2,243,264	\$ 2,243,878	\$ 614
Managed forest lands	-	-	228	228
Total Taxes	<u>2,243,264</u>	<u>2,243,264</u>	<u>2,244,106</u>	<u>842</u>
<b><u>Special Assessments</u></b>				
	<u>9,000</u>	<u>9,000</u>	<u>6,617</u>	<u>(2,383)</u>
<b><u>Intergovernmental</u></b>				
State shared revenue	35,455	35,455	33,199	(2,256)
State transportation aid	208,032	208,032	207,937	(95)
Boating enforcement aid	18,000	18,000	21,383	3,383
Fire insurance dues	40,000	46,205	46,205	-
Personal property aid	-	-	1,921	1,921
EMS transport aid	-	-	5,251	5,251
Law enforcement aid	1,000	1,000	13,954	12,954
Exempt computer aid	-	-	88	88
DNR aids	-	-	16	16
Municipal services aid	1,500	1,500	1,664	164
Recycling grant	10,000	10,000	10,629	629
Total Intergovernmental	<u>313,987</u>	<u>320,192</u>	<u>342,247</u>	<u>22,055</u>
<b><u>Licenses and Permits</u></b>				
Business and occupational	4,000	4,000	6,334	2,334
Dog licenses	50	50	72	22
Building permits/zoning fees	62,500	127,239	110,592	(16,647)
Fireworks and other permits	4,000	4,000	6,375	2,375
Cable TV franchise fees	30,000	30,000	36,475	6,475
Total Licenses and Permits	<u>100,550</u>	<u>165,289</u>	<u>159,848</u>	<u>(5,441)</u>
<b><u>Fines and Forfeitures</u></b>				
Fines and restitution	<u>\$ 25,000</u>	<u>\$ 38,404</u>	<u>\$ 33,490</u>	<u>\$ (4,914)</u>

**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with <u>Final Budget</u>
<b><u>Charges for Services</u></b>				
Recycling and garbage charges	\$ 374,300	\$ 425,800	\$ 418,799	\$ (7,001)
Fuel rebate - garbage and recycling	22,500	22,500	17,600	(4,900)
Boat launching fees	80,000	80,000	77,448	(2,552)
Boat stall rent	45,000	45,000	45,365	365
Clerk's and legal fees	1,500	1,500	1,419	(81)
Plan commission and zoning fees	1,000	1,000	1,200	200
Police department fees	-	-	2,448	2,448
Fire protection fees	-	-	400	400
Rescue squad fees	4,000	4,000	32,747	28,747
Highway department fees	-	-	400	400
Election reimbursement	-	-	164	164
Town hall rental	200	200	300	100
Cell tower rent	18,000	18,000	21,127	3,127
Post office rent	2,000	2,000	2,167	167
Nonspecific function amendment	-	71,335	-	(71,335)
	<u>548,500</u>	<u>671,335</u>	<u>621,584</u>	<u>(49,751)</u>
<b><u>Investment income</u></b>				
Interest earned on savings	60,000	94,456	94,457	1
Interest on special assessments	-	-	262	262
	<u>60,000</u>	<u>94,456</u>	<u>94,719</u>	<u>263</u>
<b><u>Miscellaneous Revenues</u></b>				
Sale of town property	10,000	10,000	-	(10,000)
Insurance recoveries	-	-	5,979	5,979
Public park donations	-	-	4,000	4,000
All other	-	20,353	-	(20,353)
	<u>10,000</u>	<u>30,353</u>	<u>9,979</u>	<u>(20,374)</u>
Total Revenues	<u>\$ 3,310,301</u>	<u>\$ 3,572,293</u>	<u>\$ 3,512,590</u>	<u>\$ (59,703)</u>



**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b><u>General Government</u></b>				
Town board salaries	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Town board benefits	2,678	2,678	2,678	-
Town board other expense	5,500	5,500	17,307	(11,807)
Legal counsel-general	25,000	25,000	19,590	5,410
Ordinance codification	2,000	2,000	-	2,000
Administration	40,000	40,000	39,846	154
Municipal court	21,977	21,977	21,077	900
Municipal court - prosecution/legal	12,000	12,000	21,268	(9,268)
Clerk-treasurer salaries	71,286	71,286	54,148	17,138
Clerk-treasurer assistant	23,500	23,500	21,632	1,868
Clerk-treasurer/assistant/admin/benefits	23,099	23,099	21,322	1,777
Clerk-treasurer training	-	-	4,301	(4,301)
Clerk-treasurer other expense	15,800	15,800	14,196	1,604
Elections	5,200	5,200	4,612	588
ITC consulting	13,000	13,000	6,082	6,918
ITC hardware and software	8,000	8,000	9,643	(1,643)
Accounting and accounting	12,000	12,000	41,719	(29,719)
Property assessment	33,325	33,325	36,708	(3,383)
Reassessment	146,575	146,575	149,612	(3,037)
Town complex other expense	50,465	50,465	51,689	(1,224)
Contingency	23,396	23,396	-	23,396
	<u>569,801</u>	<u>569,801</u>	<u>572,430</u>	<u>(2,629)</u>
<b><u>Public Safety</u></b>				
Police salaries	509,639	509,639	536,804	(27,165)
Police benefits	192,717	192,717	189,046	3,671
Police other expense	103,546	103,546	120,900	(17,354)
Fire salaries	58,985	58,985	56,040	2,945
Fire benefits	13,389	13,389	12,886	503
Fire other expense	177,927	162,147	177,260	(15,113)
Fire boat expenses	7,500	8,168	668	7,500
Dive team	13,000	13,000	9,579	3,421
Emergency medical services	41,942	41,942	35,251	6,691
Building inspector	50,700	50,700	85,225	(34,525)
Geneva Lake Law Enforcement Agency	46,000	46,000	46,000	-
Water safety patrol	11,915	11,915	11,915	-
Emergency government - siren maintenance	3,700	3,700	-	3,700
	<u>\$ 1,230,960</u>	<u>\$ 1,215,848</u>	<u>\$ 1,281,574</u>	<u>\$ (65,726)</u>

**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with <u>Final Budget</u>
<b><u>Public Works</u></b>				
Highway salaries	\$ 142,700	\$ 142,700	\$ 143,206	\$ (506)
Highway benefits	50,548	50,548	46,364	4,184
Highway other expense	83,000	83,000	152,606	(69,606)
Engineering	-	-	9,840	(9,840)
Street lighting	12,000	12,000	11,878	122
Nonspecific function amendment	-	49,449	-	49,449
	<u>288,248</u>	<u>337,697</u>	<u>363,894</u>	<u>(26,197)</u>
<b><u>Health and Sanitation</u></b>				
Yard waste	3,000	3,000	3,084	(84)
Recycling expenses	100,820	152,320	156,081	(3,761)
Garbage	273,480	273,480	273,480	-
	<u>377,300</u>	<u>428,800</u>	<u>432,645</u>	<u>(3,845)</u>
<b><u>Leisure, Conservation and Development</u></b>				
Piers salaries	23,000	23,000	18,958	4,042
Piers benefits	1,759	1,759	1,460	299
Piers other expense	35,000	35,000	43,122	(8,122)
Williams Bay beach charges	3,000	3,000	14,840	(11,840)
Parks other expense	35,420	35,420	33,012	2,408
Geneva Lake Level Corporation	4,800	4,800	4,800	-
Planning committee & master plan update	-	-	3,846	(3,846)
Nonspecific function amendment	-	15,708	-	15,708
	<u>102,979</u>	<u>118,687</u>	<u>120,038</u>	<u>(1,351)</u>
<b><u>Nondepartmental and General</u></b>				
Property & liability insurance	58,710	58,710	64,612	(5,902)
Health insurance copayments	29,000	29,000	33,543	(4,543)
Workers compensation insurance	21,403	21,403	32,617	(11,214)
	<u>\$ 109,113</u>	<u>\$ 109,113</u>	<u>\$ 130,772</u>	<u>\$ (21,659)</u>

**TOWN OF LINN**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with <u>Final Budget</u>
<b><u>Capital Outlay</u></b>				
Town complex	\$ 185,000	\$ 185,000	\$ 171,857	\$ 13,143
Town hall technology	10,900	10,900	1,490	9,410
Police	38,000	38,000	38,003	(3)
Highway building construction	-	-	354,681	(354,681)
Highway equipment	-	105,000	104,455	545
Highway department storage bin	25,000	25,000	13,061	11,939
Parks shadow lane bridge	6,000	6,000	-	6,000
Long term drainage/storm water management	1,500,000	1,500,000	2,066,697	(566,697)
Road construction and maintenance	803,000	803,000	886,070	(83,070)
Nonspecific function amendment	-	990,610	-	990,610
	<u>2,567,900</u>	<u>3,663,510</u>	<u>3,636,314</u>	<u>27,196</u>
Total Capital Outlay				
	<u>\$ 5,246,301</u>	<u>\$ 6,443,456</u>	<u>\$ 6,537,667</u>	<u>\$ (94,211)</u>
Total Expenditures				