

**TOWN OF MERTON**  
North Lake, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

# TOWN OF MERTON

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## INDEPENDENT AUDITORS' REPORT

To the Town Board  
Town of Merton  
North Lake, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Merton ("Town"), Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the discretely presented component unit and our unmodified audit opinions on the governmental activities, each major fund, and the aggregate remaining fund information.

To the Town Board  
Town of Merton

***Basis for Adverse Opinion on the Discretely Presented Component Unit***

The financial statements do not include financial data for the Town's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for that component unit to be reported with the financial data of the Town's primary government unless the Town also issues financial statements for the financial reporting entity that include the financial data for its component units. The Town has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the asset/deferred outflows of resources, liabilities/deferred inflows of resources, net position, revenues, and expenses of the discretely presented component unit have not been determined.

***Adverse Opinion on the Discretely Presented Component Unit***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the Town of Merton, Wisconsin, as of December 31, 2016, or the changes in financial position or, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Merton, Wisconsin, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance 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 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, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Town Board  
Town of Merton

***Other Matters (continued)***

*Required Supplementary Information (continued)*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Merton's basic financial statements. The supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated in all material respects, in relation to the basic financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
June 7, 2017

# TOWN OF MERTON

## STATEMENT OF NET POSITION As of December 31, 2016

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	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 1,126,044
Receivables	3,723,792
Inventories	61,362
Prepaid items	59,297
Capital Assets (net of accumulated depreciation/amortization)	
Land	614,341
Capital assets being depreciated/amortized	<u>8,303,842</u>
Total Assets	<u>13,888,678</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>426,139</u>
Total Deferred Outflows of Resources	<u>426,139</u>
<b>LIABILITIES</b>	
Accounts payable	106,654
Accrued liabilities	78,024
Due within one year	773,855
Noncurrent Liabilities	
Due in more than one year	<u>1,084,967</u>
Total Liabilities	<u>2,043,500</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	3,697,679
Deferred inflows related to pensions	<u>165,661</u>
Total Deferred Inflows of Resources	<u>3,863,340</u>
<b>NET POSITION</b>	
Net investment in capital assets	7,248,688
Restricted for	
Park and capital improvements	101,563
Library operations	67,539
Unrestricted	<u>990,187</u>
<b>TOTAL NET POSITION</b>	<u>\$ 8,407,977</u>

See accompanying notes to financial statements.

## TOWN OF MERTON

### STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 1,147,027	\$ 22,599	\$ 559	\$ -	\$ (1,123,869)
Public safety	1,160,905	134,813	64,068	-	(962,024)
Public works	1,676,244	725,338	249,559	-	(701,347)
Health and human services	22,481	-	33,753	-	11,272
Library	621,323	2,505	107,887	-	(510,931)
Park and recreation	36,453	-	-	4,500	(31,953)
Interest and fiscal charges	39,304	-	5,456	-	(33,848)
Total Governmental Activities	\$ 4,703,737	\$ 885,255	\$ 461,282	\$ 4,500	\$ (3,352,700)
General Revenues					
Taxes					
Property taxes, levied for general purposes					1,787,237
Property taxes, levied for library purposes					422,110
Property taxes, levied for debt service					720,306
Other taxes					3,739
Intergovernmental revenues not restricted to specific programs					114,572
Public gifts and grants					7,200
Investment income					14,538
Gain on sale of assets					27,477
Miscellaneous					90,828
Total General Revenues					3,188,007
Change in net position					(164,693)
NET POSITION - Beginning of Year					8,572,670
NET POSITION - END OF YEAR					\$ 8,407,977

See accompanying notes to financial statements.

## TOWN OF MERTON

### BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2016

	General	Special Revenue Fund - Library Operations	Debt Service Fund
<b>ASSETS</b>			
Cash and investments	\$ 922,533	\$ 80,691	\$ 21,257
Receivables			
Taxes	2,464,483	431,864	802,223
Delinquent personal property taxes	8,192	-	-
Accounts	12,804	-	-
Grants	-	-	4,226
Prepaid items	45,854	13,443	-
Inventories	61,362	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,515,228</b>	<b>\$ 525,998</b>	<b>\$ 827,706</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 94,395	\$ 12,259	\$ -
Accrued liabilities	38,902	14,336	-
Total Liabilities	133,297	26,595	-
Deferred Inflows of Resources			
Unearned revenues	2,463,592	431,864	802,223
Unavailable revenues	-	-	4,226
Total Deferred Inflows of Resources	2,463,592	431,864	806,449
Fund Balances			
Nonspendable	115,408	13,443	-
Restricted	-	54,096	21,257
Assigned	107,848	-	-
Unassigned	695,083	-	-
Total Fund Balances	918,339	67,539	21,257
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,515,228</b>	<b>\$ 525,998</b>	<b>\$ 827,706</b>

See accompanying notes to financial statements.



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Nonmajor Governmental Funds	Totals
\$ 101,563	\$ 1,126,044
-	3,698,570
-	8,192
-	12,804
-	4,226
-	59,297
-	<u>61,362</u>
<u>\$ 101,563</u>	<u>\$ 4,970,495</u>

\$ -	\$ 106,654
-	<u>53,238</u>
-	<u>159,892</u>

-	3,697,679
-	<u>4,226</u>
-	<u>3,701,905</u>

-	128,851
101,563	176,916
-	107,848
-	<u>695,083</u>
<u>101,563</u>	<u>1,108,698</u>

<u>\$ 101,563</u>	<u>\$ 4,970,495</u>
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See accompanying notes to financial statements.

## TOWN OF MERTON

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2016

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Total Fund Balances - Governmental Funds	\$ 1,108,698
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note II. A.	8,918,183
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	4,226
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(76,264)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	426,139
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds	(165,661)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds and notes payable	(1,669,495)
Compensated absences	(113,063)
Accrued interest	<u>(24,786)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 8,407,977</u></b>

See accompanying notes to financial statements.

## TOWN OF MERTON

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	General	Special Revenue Fund - Library Operations	Debt Service Fund
<b>REVENUES</b>			
Taxes	\$ 1,791,434	\$ 422,110	\$ 720,306
Intergovernmental	494,358	107,887	6,069
Licenses and permits	201,919	-	-
Fines, forfeitures and penalties	27,911	-	-
Public charges for services	725,338	2,505	-
Public improvement revenue	-	-	-
Investment income	14,051	66	-
Miscellaneous	16,160	7,200	-
Total Revenues	3,271,171	539,768	726,375
<b>EXPENDITURES</b>			
Current			
General government	454,435	-	-
Public safety	1,152,636	-	-
Public works	1,852,449	-	-
Health and sanitation	27,642	-	-
Library	-	542,774	-
Park and recreation	13,494	-	-
Capital Outlay	420,276	-	-
Debt Service			
Principal	-	-	671,001
Interest and fiscal charges	-	-	49,305
Total Expenditures	3,920,932	542,774	720,306
Excess (deficiency) of revenues over expenditures	(649,761)	(3,006)	6,069
<b>OTHER FINANCING SOURCES</b>			
Debt issued	560,000	-	-
Proceeds from sale of capital assets	2,250	-	-
Net Change in Fund Balances	(87,511)	(3,006)	6,069
FUND BALANCES - Beginning of Year	1,005,850	70,545	15,188
<b>FUND BALANCES - END OF YEAR</b>	\$ 918,339	\$ 67,539	\$ 21,257

See accompanying notes to financial statements.

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Nonmajor Governmental Funds	Totals
\$ -	\$ 2,933,850
-	608,314
-	201,919
-	27,911
-	727,843
4,500	4,500
421	14,538
-	23,360
<u>4,921</u>	<u>4,542,235</u>
-	454,435
-	1,152,636
-	1,852,449
-	27,642
-	542,774
4,320	17,814
-	420,276
-	671,001
-	49,305
<u>4,320</u>	<u>5,188,332</u>
<u>601</u>	<u>(646,097)</u>
-	560,000
-	2,250
601	(83,847)
<u>100,962</u>	<u>1,192,545</u>
<u>\$ 101,563</u>	<u>\$ 1,108,698</u>

See accompanying notes to financial statements.

## TOWN OF MERTON

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

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Net change in fund balances - total governmental funds	\$ (83,847)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements	420,276
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	167,371
Depreciation and amortization are reported in the government-wide financial statements	(585,579)
Net book value of assets retired	(130,823)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

Special assessments	(32,918)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(560,000)
Principal repaid	671,001

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

Compensated absences	2,346
Accrued interest on debt	10,001
Net pension liability (asset)	(187,384)
Deferred outflows of resources related to pensions	308,506
Deferred inflows of resources related to pensions	(163,643)

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (164,693)</u></b>
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See accompanying notes to financial statements.

**TOWN OF MERTON**

**STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
As of December 31, 2016**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 12,497,885
Receivables	
Taxes	<u>6,178,630</u>
Total Assets	<u>\$ 18,676,515</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 23,671
Deposits	92,550
Due to other taxing units	<u>18,560,294</u>
Total Liabilities	<u>\$ 18,676,515</u>

See accompanying notes to financial statements.

# TOWN OF MERTON

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## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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#### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the Town of Merton, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

##### ***A. REPORTING ENTITY***

This report includes all of the funds of the town. The reporting entity for the town consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

##### ***Component Unit Not Presented***

*Merton Town Hall Library, Inc.*

The government-wide financial statements do not include the Merton Town Hall Library, Inc. as a discretely presented component unit. The Merton Town Hall Library, Inc. is a legally separate, tax exempt organization which should be reported as a component unit based on criteria noted in previous paragraphs. The Merton Town Hall Library, Inc. is not audited and financial information for the year ended December 31, 2016 is not available.



# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

In February 2015, the GASB issued statement No. 72 - *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard was implemented January 1, 2016.

#### ***Government-Wide Financial Statements***

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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. The town does not allocate indirect expenses to functions in the statement of activities. 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 included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

#### ***Fund Financial Statements***

Financial statements of the town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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#### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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##### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

##### ***Fund Financial Statements (cont.)***

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the town or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund that met the 10% test is at least 5% of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the town believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The town reports the following major governmental funds:

- General Fund - accounts for the town's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Library Operations - Special Revenue Fund - used to account for and report financial resources legally restricted or committed to supporting expenditures for the town's library operations..
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.

The town reports the following nonmajor governmental funds:

- Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

- Park Improvement Fund
- Land Acquisition and Capital Improvement  
Fund

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

##### ***Fund Financial Statements (cont.)***

In addition, the town reports the following fund types:

Agency Funds - used to account for and report assets held by the town in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Tax Collection Fund  
Building Permits Fund

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

##### ***Government-Wide Financial Statements***

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

##### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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#### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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##### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

###### ***Fund Financial Statements (cont.)***

Intergovernmental aids and grants are recognized as revenues in the period the town is entitled the resources and the amounts are available. Amounts owed to the town which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

###### ***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

##### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY***

###### ***1. Deposits and Investments***

Investment of town funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)**

##### **1. Deposits and Investments (cont.)**

- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The town has adopted an investment policy. That policy follows the State Statute for allowable investments. The policy states that the Town will seek to collateralize certificates of deposit and other deposits in an amount equal to 100% of the investment less the amount insured by the State of Wisconsin and FDIC.

No policy exists for the following risks:

- Credit risk
- Interest rate risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the town's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

##### **2. Receivables**

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the town, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of assets and liabilities - agency fund.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)***

##### ***2. Receivables (cont.)***

Property tax calendar - 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale - 2016 delinquent real estate taxes	October 2019

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the town because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

##### ***3. Inventories and Prepaid Items***

Governmental fund inventories, if material, are recorded at cost based on the LIFO method using the purchases method of accounting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### ***4. Capital Assets***

###### ***Government-Wide Statements***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)***

##### ***4. Capital Assets (cont.)***

###### ***Government-Wide Statements (cont.)***

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	15 - 40 Years
Machinery and Equipment	5 - 40 Years
Infrastructure	20 Years
Land Improvements	20 Years
Intangibles	8 Years

###### ***Fund Financial Statements***

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

##### ***5. Deferred Outflows of Resources***

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

##### ***6. Compensated Absences***

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these financial statements. Vacation time is not cumulative from year to year. Sick leave benefits are cumulative in accordance with the provision of contractual agreements and administrative policies to specified maximums. Accumulated sick leave benefits are payable for health insurance premiums in accordance with terms of the applicable contract or policies upon an employee's retirement. The government-wide statements include a liability for the estimated probable payments of accumulated leave. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee retirement, or are payable with expendable available resources.

Accumulated sick leave benefits are applied to post-employment health insurance premiums upon retirement using 100% of the total days accumulated over 120 days. There are no provisions for payment of accumulated sick leave benefits if employment is terminated prior to retirement. The estimated liability for post-retirement health care benefits at current costs for those individuals that have elected these benefits is \$80,605.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)*

##### **6. *Compensated Absences* (cont.)**

The town also provides a severance payment equal to 30 days of pay at the current wage rate to those employees who retire from the town after 10 years of service. There were no severance payments during the year. The number of employees currently eligible to receive a severance payment are four. The total amount outstanding at year end to be paid in the future is \$32,458 and is shown in the government-wide statement of net position.

##### **7. *Long-Term Obligations/Conduit Debt***

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

##### **8. *Deferred Inflows of Resources***

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

##### **9. *Equity Classifications***

###### ***Government-Wide Statements***

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the town's policy to use restricted resources first, then unrestricted resources as they are needed.



# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)*

##### *9. Equity Classifications (cont.)*

###### *Fund Statements*

Governmental fund balances are displayed as follows:

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Town Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Town Board that originally created the commitment.
- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Town Board has, by resolution, adopted a financial policy authorizing the Town Clerk/Deputy Treasurer to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The town considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the town would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note IV. E. for further information.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### *D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (cont.)*

##### *10. Pension*

For purposes of measuring the net pension asset (liability), 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.

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### NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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#### *A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION*

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The details of this reconciliation include the following items.

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$	614,341
Buildings		3,306,499
Machinery and equipment		1,939,257
Infrastructure		7,482,027
Land improvements		367,844
Intangibles		25,607
Accumulated depreciation/amortization		<u>(4,817,392)</u>
Combined Adjustment for Capital Assets	\$	<u>8,918,183</u>

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### NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### *A. BUDGETARY INFORMATION*

A budget has been adopted for the general, debt service and special revenue - library operations funds. A budget has not been formally adopted for special revenue - park improvement fund and land acquisition and capital improvements funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

## TOWN OF MERTON

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

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### NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

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#### ***B. EXCESS EXPENDITURES AND OTHER FINANCING USES OVER APPROPRIATIONS***

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Special Revenue - Library Operations	\$ 529,684	\$ 542,774	\$ 13,090
Special Revenue - Park Improvement Fund	-	4,320	4,320

The town controls expenditures at the function level. Some individual functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the town's year-end budget to actual report.

#### ***C. LIMITATIONS ON THE TOWN'S TAX LEVY***

Wisconsin law limits the town's future tax levies. Generally the town is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the town's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The town is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

#### **NOTE IV - DETAILED NOTES ON ALL FUNDS**

##### **A. DEPOSITS AND INVESTMENTS**

The town's deposits and investments at year end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 3,099,927	\$ 338,015	Custodial credit
LGIP	536,062	536,062	Credit
Repurchase agreements	9,987,690	9,987,690	Custodial credit risk, Interest rate risk
Petty cash	250	-	N/A
 Total Deposits and Investments	 \$ 13,623,929	 \$ 10,861,767	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 1,126,044		
Per statement of assets and liabilities - agency fund			
Agency Funds	12,497,885		
 Total Deposits and Investments	 \$ 13,623,929		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

The town maintains collateral agreements with its banks. At December 31, 2016, the banks had pledged various government securities in the amount of \$10,187,444 to secure the town's deposits.

##### ***Custodial Credit Risk***

##### **Deposits**

Custodial credit risk is the risk that in the event of a financial institution failure, the town's deposits may not be returned to the town.

**TOWN OF MERTON**

**NOTES TO FINANCIAL STATEMENTS**  
As of and for the Year Ended December 31, 2016

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**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

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**A. DEPOSITS AND INVESTMENTS (cont.)**

***Custodial Credit Risk*** (cont.)

**Deposits** (cont.)

As of December 31, 2016, \$10,075,705 of the town's total bank balances were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging financial institution's trust department or agent not in the town's name \$ 10,075,705

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The town had investments in the external Wisconsin Local Government Investment Pool which is not rated.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2016, the town's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Repurchase agreements	<u>\$ 9,987,690</u>	1

See Note I.D.1. for further information on deposit and investment policies.

**B. RECEIVABLES**

All of the receivables on the balance sheet are expected to be collected within one year except for delinquent personal property taxes.

**TOWN OF MERTON**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**B. RECEIVABLES (cont.)**

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used 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 fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 3,697,679	\$ -
Grant drawdowns prior to meeting all eligibility requirements	-	4,226
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 3,697,679	 \$ 4,226

**C. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 614,341	\$ -	\$ -	\$ 614,341
Total Capital Assets Not Being Depreciated	614,341	-	-	614,341
Capital assets being depreciated/amortized				
Buildings and improvements	3,306,499	-	-	3,306,499
Machinery and equipment	1,891,040	211,241	163,024	1,939,257
Infrastructure	7,105,621	376,406	-	7,482,027
Land improvements	367,844	-	-	367,844
Intangibles	25,607	-	-	25,607
Total Capital Assets Being Depreciated/Amortized	12,696,611	587,647	163,024	13,121,234
Total Capital Assets	13,310,952	587,647	163,024	13,735,575

**TOWN OF MERTON**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**C. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities (cont.)</b>				
Less: Accumulated				
depreciation/amortization for				
Buildings and improvements	(948,728)	(73,680)	-	(1,022,408)
Machinery and equipment	(798,510)	(125,615)	32,201	(891,924)
Infrastructure	(2,417,941)	(364,691)	-	(2,782,632)
Land improvements	(94,033)	(18,392)	-	(112,425)
Intangibles	(4,802)	(3,201)	-	(8,003)
Total Accumulated				
Depreciation/Amortization	(4,264,014)	(585,579)	32,201	(4,817,392)
Net Capital Assets Being				
Depreciated/Amortized	8,432,597	2,068	130,823	8,303,842
Total Governmental Activities				
Capital Assets, Net of				
Accumulated				
Depreciation/Amortization	\$ 9,046,938	\$ 2,068	\$ 130,823	\$ 8,918,183

Depreciation/amortization expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 47,326
Public safety	5,874
Public works	460,101
Library	72,278
Total Governmental Activities Depreciation/Amortization Expense	\$ 585,579

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

#### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### **D. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation debt	\$ 1,780,496	\$ 560,000	\$ 671,001	\$ 1,669,495	\$ 757,358
Sub-totals	<u>1,780,496</u>	<u>560,000</u>	<u>671,001</u>	<u>1,669,495</u>	<u>757,358</u>
Other Liabilities					
Vested compensated absences	115,409	11,904	14,250	113,063	16,497
Net pension liability (asset)	(111,120)	187,384	-	76,264	-
Total Other Liabilities	<u>4,289</u>	<u>199,288</u>	<u>14,250</u>	<u>189,327</u>	<u>16,497</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,784,785</u>	<u>\$ 759,288</u>	<u>\$ 685,251</u>	<u>\$ 1,858,822</u>	<u>\$ 773,855</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the town may not exceed 5% of the equalized value of taxable property within the town's jurisdiction. The debt limit as of December 31, 2016, was \$76,295,340. Total general obligation debt outstanding at year end was \$1,669,495.

#### **General Obligation Debt**

All general obligation notes and bonds payable are backed by the full faith and credit of the town. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund.

#### **Governmental Activities**

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
State trust fund loan	6/15/10	3/15/20	4.25%	\$ 559,323	\$ 249,398
State trust fund loan	9/27/10	3/15/20	4.25	213,899	106,996
State trust fund loan	10/17/12	3/15/17	2.50	508,189	133,107
State trust fund loan	8/31/12	3/15/17	2.50	687,528	142,752
State trust fund loan	8/31/12	3/15/17	2.50	829,681	172,267
Bank loan	11/4/13	11/4/18	2.50	200,000	77,001
Bank loan	9/25/14	9/25/19	1.90	346,750	211,953
GO promissory note	11/10/14	2/15/22	-	21,361	16,021
Bank loan	9/19/16	9/19/21	1.90	450,000	450,000
State trust fund loan	1/12/16	3/15/20	3.00	110,000	<u>110,000</u>

Total Governmental Activities - General Obligation Debt      \$ 1,669,495



## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

#### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

#### *D. LONG-TERM OBLIGATIONS* (cont.)

##### *General Obligation Debt* (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt	
	Principal	Interest
2017	\$ 757,358	\$ 41,122
2018	311,808	24,733
2019	283,536	16,263
2020	217,964	8,780
2021	96,139	1,800
2022	2,690	-
Totals	\$ 1,669,495	\$ 92,698

#### *Other Debt Information*

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

#### *E. NET POSITION/FUND BALANCES*

Net position reported on the government wide statement of net position at December 31, 2016, includes the following:

##### *Governmental Activities*

Net Investment in Capital Assets	
Land	\$ 614,341
Other capital assets, net of accumulated depreciation	8,303,842
Less: Long-term debt outstanding	(1,669,495)
Total Net Investment in Capital Assets	7,248,688
Restricted	
Park and capital improvements	101,563
Library operations	67,539
Total Restricted	169,102

**TOWN OF MERTON**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2016

**NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)**

**E. NET POSITION/FUND BALANCES (cont.)**

**Governmental Activities (cont.)**

Unrestricted	990,187
Total Governmental Activities Net Position	\$ 8,407,977

**Governmental Funds**

Governmental fund balances reported on the fund financial statements at December 31, 2016, include the following:

**Nonspendable**

Major Funds

General Fund

Delinquent personal property taxes	\$ 8,192
Prepaid items	45,854
Inventories	61,362

Total	\$ 115,408
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Special Revenue Funds

Library Operations - prepaid items	\$ 13,443
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**Restricted**

Major Funds

Special Revenue Fund

Library Operations	\$ 54,096
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Debt Service Fund

	\$ 21,257
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Nonmajor Funds

Special Revenue Funds

Park Improvement	\$ 69,057
Land Acquisition and Capital Improvements	32,506

Total	\$ 101,563
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# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

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#### *E. NET POSITION/FUND BALANCES (cont.)*

##### *Governmental Funds (cont.)*

<b>Assigned</b>	
Major Fund	
General Fund	
2017 budget appropriations	\$ <u>107,848</u>
<b>Unassigned</b>	
Major Fund	
General fund	\$ <u>695,083</u>

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### NOTE V - OTHER INFORMATION

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#### *A. EMPLOYEES' RETIREMENT SYSTEM*

**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 WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

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

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

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE V - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

The WRS also provides death and disability benefits for employees.

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

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

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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### NOTE V - OTHER INFORMATION (cont.)

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#### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**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 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 \$47,712 in contributions from the town.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the town reported a liability of \$76,264 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The town's proportion of the net pension liability was based on the town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the town's proportion was 0.00469323%, which was an increase of 0.00016929% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the town recognized pension expense of \$92,766.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

#### **NOTE V - OTHER INFORMATION** (cont.)

##### **A. EMPLOYEES' RETIREMENT SYSTEM** (cont.)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,901	\$ 160,496
Changes in assumptions	53,357	-
Net differences between projected and actual earnings on pension plan investments	312,247	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	5,165
Employer contributions subsequent to the measurement date	47,634	-
Totals	\$ 426,139	\$ 165,661

\$47,634 reported as deferred outflows related to pension resulting from the WRS Employer'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, 2017. 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 December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 98,274	\$ 40,173
2018	98,274	40,173
2019	98,274	40,173
2020	81,974	39,891
2021	1,709	5,251

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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#### NOTE V - OTHER INFORMATION (cont.)

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##### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

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

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

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

#### NOTE V - OTHER INFORMATION (cont.)

##### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**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:

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

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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



## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

#### NOTE V - OTHER INFORMATION (cont.)

##### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Town's proportionate share of the net pension liability (asset)	\$534,917	\$76,264	\$(281,952)

**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>.

At December 31, 2016, the town reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

##### B. RISK MANAGEMENT

The town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

##### C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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#### **NOTE V - OTHER INFORMATION** (cont.)

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##### ***C. COMMITMENTS AND CONTINGENCIES*** (cont.)

From time to time, the town is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the town attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the town's financial position or results of operations.

The town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

##### ***D. JOINT VENTURES***

###### ***Lake Country Municipal Court System***

The town and 16 other communities of Lake Country jointly operate the local municipal court, which is called the Lake Country Municipal Court System and provides non-criminal citation processing.

The governing committee is made up of citizens from each community. Local representatives are appointed by the chief executive officer of each community. The committee recommends its own budget which is ratified by each community member. The committee also controls the financial affairs of the courts.

Financial information of the court as of December 31, 2016 is available directly from the municipal court in Oconomowoc, Wisconsin.

The Town of Merton does not have an equity interest in the Lake Country Municipal Court System.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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#### **NOTE V - OTHER INFORMATION** (cont.)

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##### ***E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS***

The Governmental Accounting Standards Board (GASB) has approved the following:

- *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- *Statement No. 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- *Statement No. 81, Irrevocable Split-Interest Agreements*
- *Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*

When they become effective, application of these standards may restate portions of these financial statements.

##### ***F. SPECIAL REVENUE FUNDS***

Pursuant to Town Ordinance, payments into the Land Acquisition and Capital Improvement Fund are made by subdividers in lieu of public land dedication for the acquisition or capital improvement of public sites and facilities to serve future community growth. Also pursuant to Town ordinance, payments in to the Park Fund are made by developers and/or subdividers for the purpose of constructing park facilities. Payments received pursuant to these ordinances are classified as public improvement revenues. In addition, the payments received must be spent in accordance with the Town Ordinance and state statutes. Any unspent funds must be refunded to the current property owner.

REQUIRED SUPPLEMENTARY INFORMATION

## TOWN OF MERTON

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,791,775	\$ 1,791,775	\$ 1,791,434	\$ (341)
Intergovernmental	456,012	456,012	494,358	38,346
Licenses and permits	171,475	171,475	201,919	30,444
Fines, forfeitures and penalties	40,000	40,000	27,911	(12,089)
Public charges for services	33,300	33,300	725,338	692,038
Investment income	11,000	11,000	14,051	3,051
Miscellaneous	17,000	17,000	16,160	(840)
Total Revenues	2,520,562	2,520,562	3,271,171	750,609
<b>EXPENDITURES</b>				
Current				
General government	465,287	465,287	454,435	10,852
Public safety	1,083,751	1,155,946	1,152,636	3,310
Public works	1,225,183	1,225,183	1,852,449	(627,266)
Health and sanitation	36,637	36,637	27,642	8,995
Park and Recreation	21,425	21,425	13,494	7,931
Capital Outlay	449,935	449,935	420,276	29,659
Total Expenditures	3,282,218	3,354,413	3,920,932	(566,519)
Excess (deficiency) of revenues over (under) expenditures	(761,656)	(833,851)	(649,761)	184,090
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	3,000	3,000	2,250	(750)
Debt issued	458,103	458,103	560,000	101,897
Net Change in Fund Balance	\$ (300,553)	\$ (372,748)	(87,511)	\$ 285,237
FUND BALANCE - Beginning of Year			1,005,850	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 918,339</b>	

See independent auditors' report and accompanying notes to required supplementary information.

## TOWN OF MERTON

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE - LIBRARY OPERATIONS For the Year Ended December 31, 2016

	Original and Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 422,110	\$ 422,110	\$ -
Intergovernmental	107,574	107,887	313
Public charges for services	-	2,505	2,505
Investment income	-	66	66
Miscellaneous	-	7,200	7,200
Total Revenues	<u>529,684</u>	<u>539,768</u>	<u>10,084</u>
<b>EXPENDITURES</b>			
Current - Library			
Wages	278,000	268,643	9,357
Benefits	97,000	86,628	10,372
Books and publications	58,000	59,369	(1,369)
Automation	22,210	20,973	1,237
Supplies	8,225	6,513	1,712
Building and grounds maintenance	16,304	19,037	(2,733)
Utilities	14,700	12,605	2,095
Insurance	6,400	9,815	(3,415)
Town overhead	14,000	14,000	-
Other - library	14,845	45,191	(30,346)
Total Expenditures	<u>529,684</u>	<u>542,774</u>	<u>(13,090)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	(3,006)	<u>\$ (3,006)</u>
FUND BALANCE - Beginning of Year		<u>70,545</u>	
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 67,539</u>	

See independent auditors' report and accompanying notes to required supplementary information.

**TOWN OF MERTON**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY(ASSET) -  
AND CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2016

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Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/15	0.00452394%	\$ (111,120)	\$ 644,151	17.25%	102.74%
12/31/16	0.00469323%	76,264	701,645	10.87%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2016

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Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 47,714	\$ 47,714	\$ -	\$ 701,645	6.80%
12/31/16	47,634	47,634	-	721,724	6.60%

See independent auditors' report and accompanying notes to the required supplementary information.

## TOWN OF MERTON

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

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#### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

The budgeted amounts presented include any amendments made. The town may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds action.

#### ***WISCONSIN RETIREMENT SYSTEM***

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

The town is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

*Changes in benefit terms.* There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

*Changes in assumptions.* There were no changes in assumptions.



**SUPPLEMENTARY INFORMATION**

**TOWN OF MERTON**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2016**

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	<u>Special Revenue Funds</u>		
	<u>Park Improvement Fund</u>	<u>Land Acquisition and Capital Improvements Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	<u>\$ 69,057</u>	<u>\$ 32,506</u>	<u>\$ 101,563</u>
<b>TOTAL ASSETS</b>	<u>\$ 69,057</u>	<u>\$ 32,506</u>	<u>\$ 101,563</u>
<b>FUND BALANCES</b>			
Fund Balances Restricted	<u>\$ 69,057</u>	<u>\$ 32,506</u>	<u>\$ 101,563</u>

**TOWN OF MERTON**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2016

	Special Revenue Funds		
	Park Improvement Fund	Land Acquisition and Capital Improvements Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Public improvement revenue	\$ 4,500	\$ -	\$ 4,500
Investment income	<u>286</u>	<u>135</u>	<u>421</u>
Total Revenues	<u>4,786</u>	<u>135</u>	<u>4,921</u>
 <b>EXPENDITURES</b>			
Park and Recreation	<u>4,320</u>	-	<u>4,320</u>
Total Expenditures	<u>4,320</u>	-	<u>4,320</u>
 Excess of revenues over expenditures	466	135	601
 FUND BALANCES - Beginning of Year	<u>68,591</u>	<u>32,371</u>	<u>100,962</u>
 <b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 69,057</u></u>	<u><u>\$ 32,506</u></u>	<u><u>\$ 101,563</u></u>

# TOWN OF MERTON

## COMBINING STATEMENT OF ASSETS AND LIABILITIES AGENCY FUNDS As of December 31, 2016

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	Building Permits Fund	Tax Collection Fund	Totals
<b>ASSETS</b>			
Cash and investments	\$ 92,550	\$ 12,405,335	\$ 12,497,885
Receivables			
Taxes	-	6,178,630	6,178,630
Total Assets	<u>\$ 92,550</u>	<u>\$ 18,583,965</u>	<u>\$ 18,676,515</u>
<b>LIABILITIES</b>			
Deposits	\$ 92,550	\$ -	\$ 92,550
Accounts payable	-	23,671	23,671
Due to other governments	-	18,560,294	18,560,294
Total Liabilities	<u>\$ 92,550</u>	<u>\$ 18,583,965</u>	<u>\$ 18,676,515</u>