

**TOWN OF MERTON**

North Lake, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

# 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, 2019, and the related notes to the financial statements, which collectively comprise the Town of Merton'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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 of Merton'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 of Merton'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 assets/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, 2019, or the changes in financial position 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, 2019, 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.

***Emphasis of Matter***

As discussed in Note I, the Town of Merton adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

As discussed in Note I, the Town of Merton adopted the provisions of GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the 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 made for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter described above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

*Baker Tilly Virchow Krause, LLP*

Milwaukee, Wisconsin  
February 28, 2020

**TOWN OF MERTON**

STATEMENT OF NET POSITION  
As of December 31, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 2,193,018
Receivables	
Taxes	3,577,672
Delinquent personal property taxes	328
Accounts	7,614
Due from other governments	177,856
Deposits	20
Prepaid items	61,929
Inventories	105,938
Capital Assets	
Land	614,341
Right of Way	24,359
Construction in progress	147,161
Other capital assets (net of accumulated depreciation/amortization)	<u>8,764,224</u>
 Total Assets	 <u>15,674,460</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	468,900
Deferred outflows related to other postemployment benefit obligations - town retiree benefits plan	345
Deferred outflows related to other postemployment benefit obligations - local retiree life insurance fund	<u>12,081</u>
Total Deferred Outflows of Resources	<u>481,326</u>
<b>LIABILITIES</b>	
Accounts payable	423,122
Accrued liabilities	57,737
Deposits payable	133,600
Noncurrent liabilities	
Due within one year	480,907
Due in more than one year	<u>1,786,255</u>
Total Liabilities	<u>2,881,621</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	3,578,243
Deferred inflows related to pensions	244,170
Deferred inflows related to other postemployment benefit obligations - town retiree benefits plan	6,206
Deferred inflows related to other postemployment benefit obligations - local retiree life insurance fund	<u>18,819</u>
Total Deferred Inflows of Resources	<u>3,847,438</u>
<b>NET POSITION</b>	
Net investment in capital assets	7,964,244
Restricted for	
Park improvements	80,085
Capital improvements and land acquisition	34,155
Library operations	66,040
Debt service	7,722
Unrestricted	<u>1,274,481</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>9,426,727</u></b>

See accompanying notes to financial statements.

**TOWN OF MERTON**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues 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>	<u>Governmental Activities</u>
<b>Governmental Activities</b>					
General government	\$ 521,071	\$ 16,998	\$ 1,100	\$ -	\$ (502,973)
Public safety	785,199	209,892	82,117	-	(493,190)
Public works	1,818,260	20,038	265,498	181,700	(1,351,024)
Health and sanitation	725,530	731,380	13,759	-	19,609
Library	643,456	3,043	144,947	-	(495,466)
Parks and recreation	14,871	-	-	6,000	(8,871)
Interest and fiscal charges	50,295	-	2,590	-	(47,705)
Total governmental activities	<u>\$ 4,558,682</u>	<u>\$ 981,351</u>	<u>\$ 510,011</u>	<u>\$ 187,700</u>	<u>(2,879,620)</u>
<b>General Revenues</b>					
Taxes					
Property taxes, levied for general purposes					1,823,482
Property taxes, levied for library purposes					437,052
Property taxes, levied for debt service					744,040
Other taxes					2,596
Intergovernmental revenues not restricted to specific programs					120,067
Investment income					63,890
Miscellaneous					73,352
Total general revenues					<u>3,264,479</u>
Change in net position					384,859
NET POSITION - Beginning of Year					<u>9,041,868</u>
NET POSITION - END OF YEAR					<u>\$ 9,426,727</u>

See accompanying notes to financial statements.

**TOWN OF MERTON**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2019

	General Fund	Special Revenue Fund - Library Operations	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,979,608	\$ 66,603	\$ 32,567	\$ 114,240	\$ 2,193,018
Receivables					
Taxes	2,586,695	446,729	544,248	-	3,577,672
Accounts	7,614	-	-	-	7,614
Due from other governments	177,856	-	-	-	177,856
Deposits	20	-	-	-	20
Delinquent personal property taxes	328	-	-	-	328
Prepaid items	46,770	15,159	-	-	61,929
Inventories	105,938	-	-	-	105,938
<b>TOTAL ASSETS</b>	<b>\$ 4,904,829</b>	<b>\$ 528,491</b>	<b>\$ 576,815</b>	<b>\$ 114,240</b>	<b>\$ 6,124,375</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 412,075	\$ 11,047	\$ -	\$ -	\$ 423,122
Accrued liabilities	28,217	4,675	-	-	32,892
Deposits payable	133,600	-	-	-	133,600
Total Liabilities	573,892	15,722	-	-	589,614
<b>Deferred Inflows of Resources</b>					
Unearned revenue	2,587,266	446,729	544,248	-	3,578,243
Total Deferred Inflows of Resources	2,587,266	446,729	544,248	-	3,578,243
<b>Fund Balances</b>					
Nonspendable	153,036	15,159	-	-	168,195
Restricted	286,443	50,881	32,567	114,240	484,131
Assigned	355,411	-	-	-	355,411
Unassigned	948,781	-	-	-	948,781
Total Fund Balances	1,743,671	66,040	32,567	114,240	1,956,518
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 4,904,829</b>	<b>\$ 528,491</b>	<b>\$ 576,815</b>	<b>\$ 114,240</b>	
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.					9,550,085
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. See Note V. A.					468,900
Deferred outflows of resources related to OPEB do not relate to current financial resources and are not reported in the governmental funds. See Note V. E.					12,426
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. See Note V. A.					(244,170)
Deferred inflows of resources related to OPEB do not relate to current financial resources and are not reported in the governmental funds. See Note V. E.					(25,025)
Accrued interest is not due and payable in the current period and therefore is not reported in the funds.					(24,845)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds. See Note IV. D.					(2,267,162)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>					<b>\$ 9,426,727</b>

**TOWN OF MERTON**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

	General Fund	Special Revenue Fund - Library Operations	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,829,090	\$ 437,052	\$ 744,040	\$ -	\$ 3,010,182
Intergovernmental	657,385	135,382	2,590	-	795,357
Licenses and permits	260,703	-	-	-	260,703
Fines, forfeitures and penalties	49,169	-	-	-	49,169
Public charges for services	736,877	3,043	-	-	739,920
Public improvement revenue	-	-	-	6,000	6,000
Investment income	61,425	59	-	2,406	63,890
Miscellaneous	18,911	9,565	-	-	28,476
Total Revenues	<u>3,613,560</u>	<u>585,101</u>	<u>746,630</u>	<u>8,406</u>	<u>4,953,697</u>
<b>EXPENDITURES</b>					
Current					
General government	459,714	-	-	-	459,714
Public safety	775,284	-	-	-	775,284
Public works	1,234,011	-	-	-	1,234,011
Health and sanitation	725,530	-	-	-	725,530
Library	-	565,826	-	-	565,826
Park and recreation	14,871	-	-	-	14,871
Capital Outlay	1,404,050	-	-	-	1,404,050
Debt Service					
Principal	-	-	705,183	-	705,183
Interest and fiscal charges	1,000	-	38,856	-	39,856
Total Expenditures	<u>4,614,460</u>	<u>565,826</u>	<u>744,039</u>	<u>-</u>	<u>5,924,325</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000,900)</u>	<u>19,275</u>	<u>2,591</u>	<u>8,406</u>	<u>(970,628)</u>
<b>OTHER FINANCING SOURCES</b>					
Debt issued	<u>1,274,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,000</u>
Total Other Financing Sources	<u>1,274,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,000</u>
<b>Net Change in Fund Balances</b>	273,100	19,275	2,591	8,406	303,372
FUND BALANCE - BEGINNING OF YEAR	<u>1,470,571</u>	<u>46,765</u>	<u>29,976</u>	<u>105,834</u>	<u>1,653,146</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,743,671</u>	<u>\$ 66,040</u>	<u>\$ 32,567</u>	<u>\$ 114,240</u>	<u>\$ 1,956,518</u>

**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, 2019**

Net change in fund balances - total governmental funds	\$	303,372
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		1,404,050
Some items reported as capital outlay were not capitalized		(13,008)
Depreciation is recorded in the government-wide statements		(663,229)
<p>Right of way capital contributions are not reported in the fund financial statements, but are reported as revenue in the government wide financial statements.</p>		
		3,844
<p>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</p>		
Debt issued		(1,274,000)
Principal repaid		705,183
<p>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.</p>		
Compensated absences		3,484
Accrued interest on debt		(10,439)
Net pension asset/liability		(320,868)
Other postemployment benefits obligation - local retiree life insurance fund		7,223
Other postemployment benefits obligation - town retiree benefits plan		1,512
Deferred outflows of resources related to pensions and other postemployment benefits		205,848
Deferred inflows of resources related to pensions and other postemployment benefits		31,887
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>384,859</u></b>

**TOWN OF MERTON**

**STATEMENT OF FIDUCIARY NET POSITION**  
As of December 31, 2019

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	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 11,976,773
Receivables	<u>5,819,598</u>
Total Assets	<u>17,796,371</u>
<b>LIABILITIES</b>	
Due to other governments	<u>17,796,371</u>
Total Liabilities	<u>17,796,371</u>
Net Position	<u>\$ -</u>

**TOWN OF MERTON**

**STATEMENT OF CHANGE IN FIDUCIARY NET POSITION**  
For the Year Ended December 31, 2019

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	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
<b>ADDITIONS</b>	
Tax collections	\$ <u>12,869,058</u>
<b>DEDUCTIONS</b>	
Payments to overlying districts	<u>12,869,058</u>
<b>Net Change in Net Position</b>	-
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>-</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ -</u>



# TOWN OF MERTON

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# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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### NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Town of Merton, Wisconsin, (the "Town") 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 three methods, discrete presentation, blended, or fiduciary. 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 therefore audited financial information for the year ended December 31, 2019 is not available.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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

In January 2017, the GASB Issued statement No. 84 – *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented January 1, 2019.

In April 2018, the GASB issued statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This statement has increased debt disclosures to disclose additional information and to separate direct borrowings and direct placement of debt from other forms of debt.. This standard was implemented January 1, 2019.

#### ***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, 2019

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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 Improvements  
Fund

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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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:

Custodial Funds - used to account for and report assets controlled by the town and the assets are for the benefit of individuals, private organizations, and/or other governmental units.

Tax Collection 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, 2019

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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 are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

##### ***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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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.
- 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, 2019

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

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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
- Concentration of credit 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 methods and inputs as outlined Note IV. A. 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, 2019, 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 fiduciary net position.



# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)***

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

Property tax calendar - 2019 tax roll:

Lien date and levy date	December 2019
Tax bills mailed	December 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	July 31, 2020
Personal property taxes in full	January 31, 2020
Tax sale - 2019 delinquent real estate taxes	October 2022

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.



# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)***

##### ***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 acquisition value at the date of donation.

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 - 50 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***

Payments for vacation and sick leave will be made at rates in effect when the benefits are earned. Accumulated vacation and sick leave liabilities at December 31, 2019 are determined on the basis of past and current salary rates and include salary related payments.

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 is four. The total amount outstanding at year end to be paid in the future is \$30,214 and is shown in the government-wide statement of net position.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)***

##### ***7. Long-Term Obligations***

All long-term obligations to be repaid from governmental 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) is 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."

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

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, 2019

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

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)***

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

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

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 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, 2019

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

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#### ***D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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.

##### ***11. Postemployment Benefits Other Than Pensions (OPEB)***

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the town OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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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
Right of way		24,359
Construction in progress		147,161
Buildings		3,378,604
Machinery and equipment		2,068,890
Infrastructure		9,462,976
Land improvements		394,378
Intangibles		34,107
Accumulated depreciation/amortization		<u>(6,574,731)</u>
Combined Adjustment for Capital Assets	\$	<u>9,550,085</u>

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

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#### ***A. 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, 2019

#### 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	\$ 1,163,369	\$ 348,998	Custodial credit
LGIP	1,453,908	1,453,908	Credit
Repurchase agreements	11,552,314	11,552,314	Custodial credit risk, interest rate risk, credit risk, concentration of credit risk
Petty cash	200	-	N/A
Total Deposits and Investments	\$ 14,169,791	\$ 13,355,220	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 2,193,018		
Per statement of fiduciary net position	11,976,773		
Total Deposits and Investments	\$ 14,169,791		

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, 2019, the banks had pledged various government securities in the amount of \$14,379,134 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, 2019

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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, 2019, \$98,998 of the town's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>98,998</u>
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##### **Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2019, \$11,552,314 of the Town's investments were exposed to custodial credit risk as follows:

##### Repurchase Agreements

Neither insured nor registered and held by counterparty.	\$ <u>11,552,314</u>
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##### **Credit Risk**

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

The Town held investments in Repurchase agreements which were rated by Moody's/Standard & Poor's at Aaa/AA+.

The Town also has investments in the external Wisconsin Local Government Investment Pool which is not rated.

##### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of December 31, 2019, The Town's investments in repurchase agreements made up 81.5% of the Town's total deposits and investments balance.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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

###### ***Fair Value***

The Town categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The valuation method for recurring fair value measurements of investments is the quoted market prices approach.

The Town's investments are categorized as follows:

Investment Type	As of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Repurchase agreements	\$ -	\$11,552,314	\$ -	\$11,552,314

###### ***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, 2019, the town's investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Repurchase agreements	<u>\$ 11,552,314</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, 2019

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

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**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>
Property taxes receivable for subsequent year	\$ 3,576,872
Garbage payments received in 2019 for the subsequent year	<u>1,371</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 3,578,243</u>

**TOWN OF MERTON**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

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

**C. CAPITAL ASSETS**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated/amortized				
Land	\$ 614,341	\$ -	\$ -	\$ 614,341
Right of way	20,515	3,844	-	24,359
Construction in progress	260,449	145,080	258,368	147,161
Total Capital Assets Not Being Depreciated/Amortized	895,305	148,924	258,368	785,861
Capital assets being depreciated/amortized				
Buildings and improvements	3,347,619	30,985	-	3,378,604
Machinery and equipment	2,068,170	7,601	6,881	2,068,890
Infrastructure	7,997,232	1,465,744	-	9,462,976
Land improvements	394,378	-	-	394,378
Intangibles	34,107	-	-	34,107
Total Capital Assets Being Depreciated/Amortized	13,841,506	1,504,330	6,881	15,338,955
Total Capital Assets	14,736,811	1,653,254	265,249	16,124,816
Less: Accumulated depreciation/amortization for				
Buildings and improvements	(1,165,229)	(74,925)	-	(1,240,154)
Machinery and equipment	(1,018,832)	(131,293)	6,881	(1,143,244)
Infrastructure	(3,568,935)	(433,146)	-	(4,002,081)
Land improvements	(150,511)	(19,719)	-	(170,230)
Intangibles	(14,876)	(4,146)	-	(19,022)
Total Accumulated Depreciation/Amortization	(5,918,383)	(663,229)	6,881	(6,574,731)
Net Capital Assets Being Depreciated/Amortized	7,923,123	841,101	-	8,764,224
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/Amortization	\$ 8,818,428	\$ 990,025	\$ (258,368)	\$ 9,550,085

Depreciation/amortization expense was charged to functions as follows:

<b>Governmental Activities</b>	
General government	\$ 49,324
Public safety	5,910
Public works	531,648
Library	76,347
Total Governmental Activities Depreciation/Amortization Expense	\$ 663,229

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

#### D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General obligation notes from direct borrowings and direct placements	\$ 1,303,467	\$ 1,274,000	\$ 705,183	\$ 1,872,284	\$ 472,981
Sub-totals	<u>1,303,467</u>	<u>1,274,000</u>	<u>705,183</u>	<u>1,872,284</u>	<u>472,981</u>
Other Liabilities					
Vested compensated absences	130,555	4,189	7,673	127,071	7,926
Other postemployment benefits obligation – town retiree benefits plan	38,156	-	1,512	36,644	-
Other postemployment benefits obligation – local retiree life insurance fund	64,047	-	7,223	56,824	-
Net pension liability	-	174,339	-	174,339	-
Total Other Liabilities	<u>232,758</u>	<u>178,528</u>	<u>16,408</u>	<u>394,878</u>	<u>7,926</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,536,225</u>	<u>\$ 1,452,528</u>	<u>\$ 721,591</u>	<u>\$ 2,267,162</u>	<u>\$ 480,907</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, 2019, was \$86,349,395. Total general obligation debt outstanding at year end was \$1,872,284.

#### 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 accumulated by the debt service fund.

#### Governmental Activities

General Obligation Notes from Direct Borrowings and Direct Placements	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
State trust fund loan	6/15/10	3/15/20	4.25%	\$ 559,323	\$ 66,289
State trust fund loan	9/27/10	3/15/20	4.25	213,899	28,439
GO promissory note	11/10/14	2/15/22	-	21,361	8,011
State trust fund loan	1/12/16	3/15/20	3.00	110,000	28,874
Bank loan	10/23/18	9/24/23	3.75	575,000	466,671
Bank loan	8/29/19	8/29/24	3.75	1,274,000	<u>1,274,000</u>

Total Governmental Activities - General Obligation Notes from Direct Borrowings  
and Direct Placements \$ 1,872,284

**TOWN OF MERTON**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

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

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

**Governmental Activities (cont.)**

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Notes from Direct Borrowings and Direct Placements	
	Principal	Interest
	2012	\$ 472,981
2021	362,743	53,000
2022	376,435	39,309
2023	385,958	25,098
2024	274,167	10,453
Totals	\$ 1,872,284	\$ 199,126

The Town's outstanding notes from direct borrowings and / or direct placements related to governmental activities of \$1,748,681 contain event of default and / or termination provisions with possible finance-related consequences. Town management has evaluated the event of default and / or termination provisions with possible finance-related consequences and in the opinion of the Town management, the likelihood is remote that these provisions will have a significant effect on the Town's financial position or results of operations.

The Town's outstanding notes from direct borrowings and / or direct placements related to governmental activities of \$1,748,681 contain a provision that in an event of default, outstanding amounts become immediately due and payable.

**Other Debt Information**

Estimated payments of compensated absences, other postemployment benefits obligations and net pension liability are not included in the debt service requirement schedules. The compensated absences, other postemployment benefits obligations and net pension liabilities attributable to governmental activities will be liquidated primarily by the general fund.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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

Net position reported on the government wide statement of net position at December 31, 2019, includes the following:

#### *Governmental Activities*

Net Investment in Capital Assets	
Land	\$ 614,341
Right of way	24,359
Construction in progress	147,161
Other capital assets, net of accumulated depreciation/amortization	8,764,224
Less: Long-term debt outstanding	(1,872,284)
Add: Unspent capital-related proceeds	<u>286,443</u>
Total Net Investment in Capital Assets	<u>7,964,244</u>
Restricted	
Park improvements	\$ 80,085
Capital improvements and land acquisition	34,155
Library operations	66,040
Debt service	<u>7,722</u>
Total Restricted	<u>188,002</u>
Unrestricted	<u>1,274,481</u>
Total Governmental Activities Net Position	<u>\$ 9,426,727</u>

**TOWN OF MERTON**

**NOTES TO FINANCIAL STATEMENTS**  
As of and for the Year Ended December 31, 2019

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

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

**Governmental Funds**

Governmental fund balances reported on the fund financial statements at December 31, 2019, include the following:

<b>Nonspendable</b>	
Major Funds	
General Fund	
Delinquent personal property taxes	\$ 328
Prepaid items	46,770
Inventories	<u>105,938</u>
Total	<u>\$ 153,036</u>
Special Revenue Fund	
Library Operations - prepaid items	<u>\$ 15,159</u>
<b>Restricted</b>	
Major Funds	
General Fund	
Capital improvements – unspent proceeds	<u>\$ 286,443</u>
Special Revenue Fund	
Library operations	<u>\$ 50,881</u>
Debt Service Fund	<u>\$ 32,567</u>

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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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.)**

##### **Restricted (cont.)**

##### Nonmajor Funds

##### Special Revenue Funds

Park improvement	\$	80,085
Land acquisition and capital improvements		34,155
Total	\$	<u>114,240</u>

##### **Assigned**

##### Major Fund

##### General Fund

Fund balance applied to 2020 budget	\$	51,871
Town revaluation		80,073
Commercial building inspections		5,000
Truck purchase		218,467
Total	\$	<u>355,411</u>

##### **Unassigned**

##### Major Fund

##### General Fund

	\$	<u>948,781</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 1,200 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.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

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

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

**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.

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

The WRS also provides death and disability benefits for employees.

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1)%	(42.0)%
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0



# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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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. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee Category. 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 \$49,828 in contributions from the town.

Contribution rates for the plan year as of December 31, 2019 are:

Employee Category	Employee	Employer
General (Executives and Elected officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At December 31, 2019, the town reported a liability of \$174,339 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'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, 2018, the town's proportion was 0.00490037%, which was a decrease of 0.00003475% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the town recognized pension expense of \$115,811.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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

At December 31, 2019, 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	\$ 135,784	\$ 240,017
Changes in assumptions	29,387	-
Net differences between projected and actual earnings on pension plan investments	254,611	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,153
Employer contributions subsequent to the measurement date	49,118	-
Totals	\$ 468,900	\$ 244,170

\$49,118 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, 2020. 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 Inflows of Resources and Deferred Inflows of Resources (net)
2020	\$ 62,782
2021	15,101
2022	27,975
2023	69,754

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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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, 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 Normal
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. Includes the impact of known Market Recognition Account deferred gains/losses on the liability for dividend payments.*

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.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

#### 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 %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
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: 2.50%  
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.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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

**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:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
Town's proportionate share of the net pension liability (asset)	\$692,844	\$174,339	\$(211,208)

**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, 2019, 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.

The town has active construction projects as of December 31, 2019. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The town has open construction contracts for the Northwoods Culvert and Camp Whitcomb Road projects with \$24,705 and \$62,166 remaining, respectively. The town signed a contract in January 2019 for new truck body. The amount still unpaid on that contract at year-end is \$37,468. The town also signed a contract in December, 2019 for an excavator totaling \$218,467. Lastly, the Town signed a contract for a new roof for the Town Hall in August, 2019. Of this contract amount, \$35,640 of the work is being completed by a subcontractor, who is also a Town Board Member. Nothing was paid out on this contract during 2019, and therefore, the amount unpaid on that contract at year-end is \$174,357.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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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 19 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, 2019 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.

##### ***E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)***

###### ***TOWN RETIREE BENEFITS PLAN (TRBP)***

***Plan description.*** The town's defined benefit OPEB plan, Town Retiree Benefits Plan (TRBP), provides OPEB for all permanent full-time general and public works employees of the town. TRBP is a single-employer defined benefit OPEB plan administered by the town. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Town Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

***Benefits provided.*** TRBP provides healthcare benefits for retirees and their dependents. The benefit terms provide for retirees to remain on the town's health insurance plan at the retiree's cost.

# TOWN OF MERTON

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

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#### **E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont.)**

##### **TOWN RETIREE BENEFITS PLAN (TRBP) (cont.)**

**Employees covered by benefit terms.** At January 1, 2019, the following employees were covered by the benefit terms:

Active plan members with health insurance coverage	11
Active plan members opting out of health insurance coverage	<u>4</u>
Total plan members	<u>15</u>

#### **Total OPEB Liability**

The town's total OPEB liability of \$36,644 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

**Actuarial assumptions and other inputs.** The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.7 percent
Salary increases	3.20 percent, average, including inflation
Healthcare cost trend rates	8.5 percent for 2019, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent for 2026 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Mortality rates were based on the RP-2018 Total Dataset Mortality Table fully generation using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement).

The actuarial assumptions used in the January 1, 2019 valuation were based on employer history, WRS actuarial studies, national trend surveys, and professional judgement.

**TOWN OF MERTON**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

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

**E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont.)**

**TOWN RETIREE BENEFITS PLAN (TRBP) (cont.)**

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balances at January 1, 2019	\$ 38,156
Service cost	4,041
Interest	1,452
Differences between expected and actual experience	(6,122)
Changes in assumptions and other inputs	(883)
Net changes	(1,512)
Balances at December 31, 2019	\$ 36,644

There were no changes of benefit terms for the January 1, 2019 actuarial valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.44 percent in 2018 to 4.11 percent in 2019.

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the town, as well as what the town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.11 percent) or 1-percentage-point higher (5.11 percent) than the current discount rate:

	1% Decrease (3.11%)	Discount Rate (4.11%)	1% Increase (5.11%)
Total OPEB liability	\$ 37,950	\$ 36,644	\$ 35,286

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The following presents the total OPEB liability of the town, as well as what the town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (7.5% Decreasing to 4.0%)	Healthcare Cost Trend Rates (8.5% Decreasing to 5.0%)	1% Increase (9.5% Decreasing to 6.0%)
Total OPEB liability	\$ 33,391	\$ 36,644	\$ 40,276



## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

#### **E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont.)**

##### **TOWN RETIREE BENEFITS PLAN (TRBP) (cont.)**

#### **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2019, the town recognized OPEB expense of \$4,007. At December 31, 2019, the town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,500
Changes of assumptions	345	706
Total	\$ 345	\$ 6,206

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 December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$ (1,486)
2021	(1,486)
2022	(1,486)
2023	(1,401)
2024	(2)

#### **LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)**

**Plan description.** The 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.

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.

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

#### **E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (cont.)**

##### **LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (cont.)**

**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 contribution 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.

Contribution rates for the plan year reported as of December 31, 2019 are:

Coverage Type	Employer Contributions
50% Post Retirement Coverage	40% of employee contributions
25% Post Retirement Coverage	20% of employee contributions

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 plan year are as listed below:

#### Life Insurance Employee Contribution Rates For the Plan Year

<u>Attained Age</u>	<u>Basic</u>
Under 30	\$0.05
30-34	0.06
34-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

**TOWN OF MERTON**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

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

**E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)** (cont.)

**LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)** (cont.)

During the reporting period, the LRLIF recognized \$424 in contributions from the employer.

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

At December 31, 2019, the town reported a liability of \$56,824 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB 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's proportion of the net OPEB liability was based on the town's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the town's proportion was .02202200%, which was an increase of .00073400% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the town recognized OPEB expense of \$7,552.

At December 31, 2019, the town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,883
Changes in assumptions	5,422	12,317
Net differences between projected and actual earnings on OPEB plan investments	1,358	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,720	3,619
Employer contributions subsequent to the measurement date	3,581	-
Total	\$ 12,081	\$ 18,819

**TOWN OF MERTON**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

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

**E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)** (cont.)

**LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)** (cont.)

\$3,581 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other 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 December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$(1,492)
2021	(1,492)
2022	(1,492)
2023	(1,683)
2024	(1,880)
Thereafter	(2,280)

**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	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	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

## TOWN OF MERTON

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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

#### **E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)** (cont.)

##### **LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)** (cont.)

**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

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
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. 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.

**TOWN OF MERTON**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2019

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

**E. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)** (cont.)

**LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)** (cont.)

**Sensitivity of the town's proportionate share of the net OPEB liability to changes in the discount rate.** The following presents the town's proportionate share of the net OPEB liability calculated using the discount rate of 4.22 percent, as well as what the Commission's proportionate share of the net OPEB liability 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 <u>(3.22%)</u>	Current Discount Rate <u>(4.22%)</u>	1% Increase to Discount Rate <u>(5.22%)</u>
Net OPEB liability	\$80,836	\$56,824	\$38,304

**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>.

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

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

- Statement No. 87, *Leases*
- Statement No. 89, *Account for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 91, *Conduit Debt Obligations*

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

**G. 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 BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 1,827,233	\$ 1,827,233	\$ 1,829,090	\$ 1,857
Intergovernmental	506,976	608,127	657,385	49,258
Licenses and permits	200,365	200,365	260,703	60,338
Fines, forfeitures and penalties	26,000	26,000	49,169	23,169
Public charges for services	740,223	740,223	736,877	(3,346)
Investment income	33,025	41,125	61,425	20,300
Miscellaneous	17,200	17,200	18,911	1,711
Total Revenues	<u>3,351,022</u>	<u>3,460,273</u>	<u>3,613,560</u>	<u>153,287</u>
<b>EXPENDITURES</b>				
Current				
General government	487,752	492,702	459,714	32,988
Public safety	780,381	784,781	775,284	9,497
Public works	1,332,982	1,332,982	1,234,011	98,971
Health and sanitation	735,546	738,296	725,530	12,766
Park and recreation	15,300	15,300	14,871	429
Capital outlay	1,694,300	1,791,451	1,404,050	387,401
Debt service				
Interest and fiscal charges	5,000	5,000	1,000	4,000
Total Expenditures	<u>5,051,261</u>	<u>5,160,512</u>	<u>4,614,460</u>	<u>546,052</u>
Excess (deficiency) of revenues over over (under) expenditures	(1,700,239)	(1,700,239)	(1,000,900)	699,339
<b>OTHER FINANCING SOURCES</b>				
Proceeds from the sale of capital assets	2,000	2,000	-	(2,000)
Debt issued	1,623,100	1,623,100	1,274,000	(349,100)
Total Other Financing Sources	<u>1,625,100</u>	<u>1,625,100</u>	<u>1,274,000</u>	<u>(351,100)</u>
Net Change in Fund Balance	<u>\$ (75,139)</u>	<u>\$ (75,139)</u>	273,100	<u>\$ 348,239</u>
FUND BALANCE - Beginning of Year			<u>1,470,571</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,743,671</u>	

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



**TOWN OF MERTON**

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND - LIBRARY OPERATIONS  
 For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 437,052	\$ 437,052	\$ -
Intergovernmental	135,382	135,382	-
Public charges for services	1,200	3,043	1,843
Investment income	-	59	59
Miscellaneous	2,400	9,565	7,165
Total Revenues	<u>576,034</u>	<u>585,101</u>	<u>9,067</u>
<b>EXPENDITURES</b>			
Current - Library			
Wages	311,192	285,198	25,994
Benefits	115,008	92,562	22,446
Materials	56,000	60,922	(4,922)
Automation	23,167	26,230	(3,063)
Supplies	7,147	6,975	172
Building and grounds maintenance	17,470	25,851	(8,381)
Utilities	12,800	15,644	(2,844)
Insurance	10,500	11,105	(605)
Town overhead	14,000	14,000	-
Special projects	-	15,216	(15,216)
Other	8,750	12,123	(3,373)
Total Expenditures	<u>576,034</u>	<u>565,826</u>	<u>10,208</u>
Net Change in Fund Balance	<u>\$ -</u>	19,275	<u>\$ 19,275</u>
FUND BALANCE - Beginning of Year		<u>46,765</u>	
FUND BALANCE - END OF YEAR		<u>\$ 66,040</u>	

**TOWN OF MERTON**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) -  
WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2019

WRS Fiscal Year Ended	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
12/31/2014	0.00452394%	\$ (111,120)	\$ 644,151	17.25%	102.74%
12/31/2015	0.00469323%	76,264	701,645	10.87%	98.20%
12/31/2016	0.00485789%	40,041	721,724	5.55%	99.12%
12/31/2017	0.00493512%	(146,529)	717,881	20.41%	102.93%
12/31/2018	0.00490037%	174,339	743,718	23.44%	96.45%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2019

Town Fiscal Year Ended	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2015	\$ 47,714	\$ 47,714	\$ -	\$ 701,645	6.80%
12/31/2016	47,634	47,634	-	721,724	6.60%
12/31/2017	48,815	48,815	-	717,881	6.80%
12/31/2018	49,829	49,829	-	743,718	6.70%
12/31/2019	49,118	49,118	-	749,894	6.55%

## TOWN OF MERTON

### SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - OTHER POSTEMPLOYMENT BENEFITS OBLIGATION - TOWN RETIREE BENEFITS PLAN For the Year Ended December 31, 2019

	2018	2019
Total OPEB Liability		
Service cost	\$ 3,696	\$ 4,041
Interest	1,416	1,452
Prior year activity	33,471	-
Differences between expected and actual experience	(1,002)	(6,122)
Changes of assumptions	575	(883)
Net Change in Total OPEB Liability	38,156	(1,512)
Total OPEB Liability - Beginning	-	38,156
Total OPEB Liability - Ending	\$ 38,156	\$ 36,644
Covered-employee payroll	\$ 709,893	\$ 730,375
Total OPEB liability as a percentage of covered-employee payroll	5.37%	5.02%

**TOWN OF MERTON**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POSTEMPLOYMENT BENEFITS  
OBLIGATION - TOWN RETIREE BENEFITS PLAN  
For the Year Ended December 31, 2019**

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	<u>2018</u>	<u>2019</u>
Actuarially determined contribution	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 743,718	\$ 749,894
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

**TOWN OF MERTON**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -  
LOCAL RETIREE LIFE INSURANCE FUND  
For the Year Ended December 31, 2019

Plan Fiscal Year End	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/17	0.02128800%	\$ 64,047	\$ 895,221	7.15%	44.81%
12/31/18	0.02202200%	56,824	729,000	7.79%	48.69%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - LOCAL RETIREE LIFE INSURANCE FUND  
For the Year Ended December, 2019

Town Fiscal Year End	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/18	\$ 3,143	\$ 3,143	-	\$ 743,718	0.42%
12/31/19	3,581	(3,581)	-	749,894	0.48%

## TOWN OF MERTON

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2019

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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.* Changes of assumptions and other inputs reflect a change in the discount rate from 7.20 percent in 2018 to 7.00 percent in 2019.

#### ***TOWN RETIREE BENEFITS PLAN (TRBP)***

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 town.

*Changes in assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.44 percent in 2018 to 4.11 percent in 2019.

#### ***LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)***

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 LRLIF.

*Changes in assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 3.63 percent in 2018 to 4.22 percent in 2019.

**SUPPLEMENTARY INFORMATION**

**TOWN OF MERTON**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
As of December 31, 2019

	Special Revenue Funds		
	Park Improvement Fund	Land Acquisition and Capital Improvements Fund	Total Nonmajor Funds
<b>ASSETS</b>			
Cash and investments	<u>\$ 80,085</u>	<u>\$ 34,155</u>	<u>\$ 114,240</u>
<b>FUND BALANCES</b>			
Fund Balances			
Restricted	<u>80,085</u>	<u>34,155</u>	<u>114,240</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 80,085</u>	<u>\$ 34,155</u>	<u>\$ 114,240</u>



**TOWN OF MERTON**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
As of December 31, 2019

	Special Revenue Funds		
	Park Improvement Fund	Land Acquisition and Capital Improvements Fund	Total Nonmajor Funds
<b>REVENUES</b>			
Public improvement revenue	\$ 6,000	\$ -	\$ 6,000
Investment income	1,654	752	2,406
Total revenues	<u>7,654</u>	<u>752</u>	<u>8,406</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	7,654	752	8,406
FUND BALANCES - Beginning of Year	<u>72,431</u>	<u>33,403</u>	<u>105,834</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 80,085</u>	<u>\$ 34,155</u>	<u>\$ 114,240</u>