

**VILLAGE OF LENA**  
**Annual Financial Report**  
**December 31, 2015**

# VILLAGE OF LENA

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## **INDEPENDENT AUDITORS' REPORT**

## Independent Auditors' Report

Village Board  
Village of Lena  
Lena, Wisconsin

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Lena (Village) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 audit opinions.

To the Village Board  
Village of Lena

### ***Changes in Accounting Principles***

As discussed in Note 1, the Village adopted the provisions of Governmental Accounting Standards Board Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* as of and for the year ended December 31, 2015. Our opinion is not modified with respect to these matters.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Lena as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 37 through 41 and the schedules of proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement Plan on page 36 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, economic, 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Lena's basic financial statements. The supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.


To the Village Board  
Village of Lena

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management. The schedules of operating revenues and expenses and detailed budgetary comparison, except the budget information, and the schedule of expenditures of federal awards were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except the budgetary information, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of operating revenues and expenses and detailed budgetary comparison, except the budget information, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2016, on our consideration of the Village of Lena's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Lena's internal control over financial reporting and compliance.

  
KerberRose SC  
Certified Public Accountants  
May 11, 2016

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## **FINANCIAL STATEMENTS**

**VILLAGE OF LENA**  
**Statement of Net Position**  
**As of December 31, 2015**

	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 532,074	\$ 172,999	\$ 705,073
Receivables:			
Taxes	133,459	-	133,459
Customer Accounts Receivable	67	106,473	106,540
Grants Receivable	-	7,351	7,351
Delinquent Personal Property Taxes	2,337	-	2,337
Current Portion of Long-Term Receivable	-	159,470	159,470
Special Assessments	2,596	8,110	10,706
Internal Balances	94,796	(94,796)	-
Prepaid Expenses	5,314	1,674	6,988
Inventories	-	8,648	8,648
Restricted Cash	66,373	339,454	405,827
Certificate of Deposit	-	9,981	9,981
<b>Total Current Assets</b>	<u>837,016</u>	<u>719,364</u>	<u>1,556,380</u>
<b>Noncurrent Assets</b>			
Net Pension Asset	24,429	13,096	37,525
Long-Term Receivable	-	2,916,519	2,916,519
Capital Assets:			
Capital Assets Not Being Depreciated	225,849	37,377	263,226
Other Capital Assets, Net of Depreciation	1,233,189	6,095,694	7,328,883
<b>Total Noncurrent Assets</b>	<u>1,483,467</u>	<u>9,062,686</u>	<u>10,546,153</u>
<b>TOTAL ASSETS</b>	<u>2,320,483</u>	<u>9,782,050</u>	<u>12,102,533</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Outflows of Resources Related to Pension	25,704	13,780	39,484
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	11,684	136,427	148,111
Accrued Liabilities	34,727	4,036	38,763
Accrued Interest Payable	6,343	12,955	19,298
Current Portion of Compensated Absences	9,426	12,909	22,335
Current Portion of Long-Term Obligations	52,173	152,883	205,056
<b>Total Current Liabilities</b>	<u>114,353</u>	<u>319,210</u>	<u>433,563</u>
<b>Noncurrent Liabilities</b>			
Noncurrent Portion of Long-Term Obligations	199,228	2,820,710	3,019,938
<b>TOTAL LIABILITIES</b>	<u>313,581</u>	<u>3,139,920</u>	<u>3,453,501</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Taxes Levied for Subsequent Year	193,752	-	193,752
Deferred Inflows of Resources Related to Pension	167	89	256
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>193,919</u>	<u>89</u>	<u>194,008</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,217,063	3,159,478	4,376,541
Restricted for:			
Equipment Replacement	-	261,563	261,563
Sewer Utility Debt Service	-	8,288	8,288
Water Utility Debt Service	-	69,603	69,603
Pension Benefit	49,966	26,787	76,753
Unrestricted	571,658	3,130,102	3,701,760
<b>TOTAL NET POSITION</b>	<u>\$ 1,838,687</u>	<u>\$ 6,655,821</u>	<u>\$ 8,494,508</u>

See Accompanying Notes

**VILLAGE OF LENA**  
**Statement of Activities**  
For the Year Ended December 31, 2015

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
General Government	\$ 105,990	\$ 2,509	\$ -
Public Safety	181,354	111,010	42,641
Public Works	147,068	17,544	32,142
Culture and Recreation	119,600	897	67,683
Conservation and Development	6,287	-	-
Interest and Fiscal Charges	9,228	-	-
<b>Total Governmental Activities</b>	<b>569,527</b>	<b>131,960</b>	<b>142,466</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Water	252,271	283,949	-
Sewer	216,609	161,533	-
<b>Total Business-Type Activities</b>	<b>468,880</b>	<b>445,482</b>	<b>-</b>
<b>TOTAL</b>	<b>\$ 1,038,407</b>	<b>\$ 577,442</b>	<b>\$ 142,466</b>

**GENERAL REVENUES**

Taxes:

    Property Taxes, Levied for General Purposes

Intergovernmental Revenues not Restricted to

    Specific Programs

Investment Income

Rental Income

Miscellaneous

**Total General Revenues**

**TRANSFERS**

**CHANGE IN NET POSITION**

**NET POSITION - BEGINNING OF YEAR - AS RESTATED**

**NET POSITION - END OF YEAR**

**Net (Expenses) Revenues and  
Changes in Net Position**

<b>Capital Grants</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ -	\$ (103,481)	\$ -	\$ (103,481)
-	(27,703)	-	(27,703)
-	(97,382)	-	(97,382)
-	(51,020)	-	(51,020)
-	(6,287)	-	(6,287)
-	(9,228)	-	(9,228)
-	(295,101)	-	(295,101)
3,351,844	-	3,383,522	3,383,522
-	-	(55,076)	(55,076)
3,351,844	-	3,328,446	3,328,446
<u>\$ 3,351,844</u>	<u>(295,101)</u>	<u>3,328,446</u>	<u>3,033,345</u>
	187,681	-	187,681
	168,531	-	168,531
	1,043	1,011	2,054
	16,609	-	16,609
	11,668	-	11,668
	<u>385,532</u>	<u>1,011</u>	<u>386,543</u>
	<u>28,467</u>	<u>(28,467)</u>	<u>-</u>
	118,898	3,300,990	3,419,888
	<u>1,719,789</u>	<u>3,354,831</u>	<u>5,074,620</u>
<u>\$ 1,838,687</u>	<u>\$ 6,655,821</u>	<u>\$ 8,494,508</u>	

See Accompanying Notes

**VILLAGE OF LENA**  
**Balance Sheet**  
**Governmental Funds**  
**As of December 31, 2015**

	<u>General</u>	<u>Fire Department</u>	<u>Library</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 260,039	\$ 175,945	\$ 96,090	\$ 532,074
Receivables:				
Taxes	133,459	-	-	133,459
Delinquent Personal Property Taxes	2,337	-	-	2,337
Accounts	67	-	-	67
Special Assessments	2,596	-	-	2,596
Prepaid Expenditures	3,142	1,769	403	5,314
Due from Other Funds	106,576	-	-	106,576
Restricted Cash	66,373	-	-	66,373
<b>TOTAL ASSETS</b>	<u>\$ 574,589</u>	<u>\$ 177,714</u>	<u>\$ 96,493</u>	<u>\$ 848,796</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 8,963	\$ 2,168	\$ 553	\$ 11,684
Due to Other Fund	-	4,503	7,277	11,780
Accrued Liabilities	19,665	13,755	1,307	34,727
<b>Total Liabilities</b>	<u>28,628</u>	<u>20,426</u>	<u>9,137</u>	<u>58,191</u>
Deferred Inflows of Resources:				
Taxes Levied for Subsequent Year	193,752	-	-	193,752
Unavailable Special Assessments	2,596	-	-	2,596
<b>Total Deferred Inflows of Resources</b>	<u>196,348</u>	<u>-</u>	<u>-</u>	<u>196,348</u>
Fund Balances				
Nonspendable:				
Prepaid Expenditures	3,142	1,769	403	5,314
Delinquent Personal Property Tax	2,337	-	-	2,337
Committed:				
Fire Suppression	-	155,519	-	155,519
Library Operations	-	-	86,953	86,953
Assigned:				
Equipment Fund	35,468	-	-	35,468
Ditch Maintenance	9,749	-	-	9,749
Building Fund	19,258	-	-	19,258
Police Equipment Fund	12,240	-	-	12,240
Street Maintenance	13,036	-	-	13,036
Kickball Event	1,183	-	-	1,183
Promotions	301	-	-	301
Village Rummage Sales	55	-	-	55
Unassigned	252,844	-	-	252,844
<b>Total Fund Balances</b>	<u>349,613</u>	<u>157,288</u>	<u>87,356</u>	<u>594,257</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 574,589</u>	<u>\$ 177,714</u>	<u>\$ 96,493</u>	<u>\$ 848,796</u>

See Accompanying Notes

**VILLAGE OF LENA**  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
As of December 31, 2015

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**Total Fund Balances - Governmental Funds** **\$ 594,257**

***Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:***

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position:

Governmental Capital Asset	3,439,975	
Governmental Accumulated Depreciation	<u>(1,980,937)</u>	1,459,038

Other long-term assets are not available to pay current period expenditures and therefore are deferred inflows of resources in the funds. Amounts previously recognized for governmental activities in the statement of net position:

Special Assessments		2,596
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The Village's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements.

Net Pension Asset		24,429
Deferred Outflows of Resources		25,704
Deferred Inflows of Resources		(167)

Noncurrent obligations, including bonds and notes payable, are not due in the current period and therefore not reported in the fund statements. Items reported in the statement of net position that are not reported in the funds balance sheet:

General Debt	(241,975)	
Accrued Interest on General Obligation Debt	(6,343)	
Vested Employee Benefits	<u>(18,852)</u>	<u>(267,170)</u>

**Total Net Position - Governmental Activities** **\$ 1,838,687**

**VILLAGE OF LENA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**

	<b>General</b>	<b>Fire Department</b>	<b>Library</b>	<b>Total</b>
<b>REVENUES</b>				
Taxes	\$ 165,181	\$ -	\$ 22,500	\$ 187,681
Special Assessments	1,488	-	-	1,488
Intergovernmental	201,153	87,543	42,287	330,983
Licenses and Permits	3,367	-	-	3,367
Fines and Forfeits	21,716	-	-	21,716
Public Charges for Services	17,664	3,894	2,675	24,233
Miscellaneous	27,399	34,033	7,855	69,287
<b>Total Revenues</b>	<b>437,968</b>	<b>125,470</b>	<b>75,317</b>	<b>638,755</b>
<b>EXPENDITURES</b>				
Current:				
General Government	129,358	-	-	129,358
Public Safety	100,224	62,853	-	163,077
Public Works	115,165	-	-	115,165
Culture and Recreation	1,543	-	89,503	91,046
Conservation and Development	6,287	-	-	6,287
Capital Outlay	85,480	-	-	85,480
Debt Service:				
Principal Retirement	13,822	36,745	-	50,567
Interest and Fiscal Charges	6,972	3,255	-	10,227
<b>Total Expenditures</b>	<b>458,851</b>	<b>102,853</b>	<b>89,503</b>	<b>651,207</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(20,883)</b>	<b>22,617</b>	<b>(14,186)</b>	<b>(12,452)</b>
<b>OTHER FINANCING SOURCE</b>				
Transfer In	28,467	-	-	28,467
<b>NET CHANGE IN FUND BALANCES</b>	<b>7,584</b>	<b>22,617</b>	<b>(14,186)</b>	<b>16,015</b>
<b>FUND BALANCES - BEGINNING</b>	<b>342,029</b>	<b>134,671</b>	<b>101,542</b>	<b>578,242</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 349,613</b>	<b>\$ 157,288</b>	<b>\$ 87,356</b>	<b>\$ 594,257</b>

# VILLAGE OF LENA

## 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, 2015

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$</b>	<b>16,015</b>
<b><i>Amounts reported for governmental activities in the statement of activities are different because:</i></b>			
The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense.			
Capital outlay reported in governmental fund statements	119,489		
Depreciation expense reported in the statement of activities	<u>(65,783)</u>		
Amount by which depreciation is less than capital outlay in the current period.			53,706
Amounts related to the pension plan that affect the statement of activities but do not affect the fund financial statements.			
			2,528
Vested employee benefits are reported in the government funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.			
Compensated absences paid in current year	15,228		
Compensated absences benefits earned in current year	<u>(18,852)</u>		
Amounts paid are less than amounts earned by			(3,624)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments in the current year.			
			50,567
Revenues in the statement of activities previously recognized revenues but these provide current financial resources in the governmental funds.			
Special Assessments			(1,293)
In governmental funds interest payments on outstanding debt are reported as an expenditure when paid. In the statement of activities interest is reported as incurred.			
The amount of interest paid during the current period	10,227		
The amount of interest accrued during the current period	<u>(9,228)</u>		
Interest paid is more than interest accrued by			<u>999</u>
<b>Change in Net Position - Governmental Activities</b>		<b>\$</b>	<b><u>118,898</u></b>

**VILLAGE OF LENA**  
Statement of Net Position  
Proprietary Funds  
As of December 31, 2015

	Water Utility	Sewer Utility	Total
<b>CURRENT ASSETS</b>			
Cash	\$ 172,999	\$ -	\$ 172,999
Receivables:			
Customer Accounts Receivable	79,638	26,835	106,473
Grants Receivable	7,351	-	7,351
Current Portion of Long-Term Receivable	159,470	-	159,470
Special Assessments	3,982	4,128	8,110
Due from Other Fund	-	580,004	580,004
Prepaid Expenses	1,012	662	1,674
Inventories	8,648	-	8,648
Restricted Cash	69,603	269,851	339,454
Certificate of Deposit	-	9,981	9,981
<b>Total Current Assets</b>	<b>502,703</b>	<b>891,461</b>	<b>1,394,164</b>
<b>NON-CURRENT ASSETS</b>			
Capital Assets			
Plant in Service	4,361,683	4,065,895	8,427,578
Construction in Progress	-	36,614	36,614
Accumulated Depreciation	(484,055)	(1,847,066)	(2,331,121)
Total Capital Assets, Net of Accumulated Depreciation	3,877,628	2,255,443	6,133,071
Long-Term Receivable	2,916,519	-	2,916,519
Net Pension Asset	8,368	4,728	13,096
<b>Total Non-Current Assets</b>	<b>6,802,515</b>	<b>2,260,171</b>	<b>9,062,686</b>
<b>TOTAL ASSETS</b>	<b>7,305,218</b>	<b>3,151,632</b>	<b>10,456,850</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources Related to Pension	8,805	4,975	13,780
<b>CURRENT LIABILITIES</b>			
Accounts Payable	95,802	40,625	136,427
Due to Other Funds	615,689	59,111	674,800
Accrued Payroll Expense	2,017	2,019	4,036
Accrued Interest	5,772	7,183	12,955
Accrued Compensated Absences	5,827	7,082	12,909
Current Portion of Long-Term Obligations	120,563	32,320	152,883
<b>Total Current Liabilities</b>	<b>845,670</b>	<b>148,340</b>	<b>994,010</b>
<b>NON-CURRENT LIABILITIES</b>			
Noncurrent Portion of Long-Term Obligations	2,482,831	337,879	2,820,710
<b>TOTAL LIABILITIES</b>	<b>3,328,501</b>	<b>486,219</b>	<b>3,814,720</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources Related to Pension	57	32	89
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,274,234	1,885,244	3,159,478
Restricted for:			
Equipment Replacement	-	261,563	261,563
Debt Service	69,603	8,288	77,891
Pension Benefit	17,116	9,671	26,787
Unrestricted	2,624,512	505,590	3,130,102
<b>TOTAL NET POSITION</b>	<b>\$ 3,985,465</b>	<b>\$ 2,670,356</b>	<b>6,655,821</b>

See Accompanying Notes

**VILLAGE OF LENA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
<b>OPERATING REVENUES</b>	<b>\$ 283,949</b>	<b>\$ 161,533</b>	<b>\$ 445,482</b>
<b>OPERATING EXPENSES</b>			
Operation and Maintenance	104,976	50,379	155,355
Administration and General	56,909	57,602	114,511
Depreciation	75,808	95,223	171,031
<b>Total Operating Expenses</b>	<u>237,693</u>	<u>203,204</u>	<u>440,897</u>
<b>OPERATING INCOME (LOSS)</b>	<u>46,256</u>	<u>(41,671)</u>	<u>4,585</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment Income	262	749	1,011
Interest Expense	(14,578)	(13,405)	(27,983)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(14,316)</u>	<u>(12,656)</u>	<u>(26,972)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	31,940	(54,327)	(22,387)
<b>CONTRIBUTED CAPITAL</b>	3,351,844	-	3,351,844
<b>TRANSFERS OUT</b>	<u>(27,966)</u>	<u>(501)</u>	<u>(28,467)</u>
<b>CHANGE IN NET POSITION</b>	3,355,818	(54,828)	3,300,990
<b>NET POSITION - BEGINNING - AS RESTATED</b>	<u>629,647</u>	<u>2,725,184</u>	<u>3,354,831</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 3,985,465</u></u>	<u><u>\$ 2,670,356</u></u>	<u><u>\$ 6,655,821</u></u>

**VILLAGE OF LENA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2015**

	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 214,052	\$ 153,402	\$ 367,454
Cash Paid to Suppliers for Goods and Services	(413,680)	(61,100)	(474,780)
Cash Paid to Employees for Services	(88,480)	(48,019)	(136,499)
Net Cash Flows From Operating Activities	<u>(288,108)</u>	<u>44,283</u>	<u>(243,825)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Tax Equivalent Paid to Municipality	<u>(27,966)</u>	<u>(501)</u>	<u>(28,467)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income Received	262	749	1,011
Redemptions of Certificate of Deposit	-	16,588	16,588
Net Cash Flows From Investing Activities	<u>262</u>	<u>17,337</u>	<u>17,599</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(994,324)	(42,297)	(1,036,620)
Proceeds from Long-Term Debt	993,127	-	993,127
Grant Proceeds	185,061	-	185,061
Principal Payments on Long-Term Debt	(8,291)	(30,813)	(39,104)
Interest Paid	(12,806)	(14,040)	(26,846)
Capital Contributions	275,855	-	275,855
Net Cash Flows From Capital and Related Financing Activities	<u>438,622</u>	<u>(87,150)</u>	<u>351,473</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	122,810	(26,031)	96,780
<b>CASH - BEGINNING</b>	119,791	295,882	415,673
<b>CASH - ENDING</b>	<u>\$ 242,602</u>	<u>\$ 269,851</u>	<u>\$ 512,453</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ 46,256	\$ (41,671)	\$ 4,585
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Non-Cash Items:			
Depreciation	75,808	95,223	171,031
Changes in Operating Assets and Liabilities:			
Accounts Receivable	(69,897)	(8,131)	(78,028)
Prepaid Expenses	(281)	96	(185)
Inventories	742	-	742
Due from Other Funds	-	(77,665)	(77,665)
Pension Asset	(8,368)	(4,728)	(13,096)
Deferred Outflows Related to Pension	(8,805)	(4,975)	(13,780)
Increase (Decrease) in Operating Liabilities:			
Accounts Payable	95,802	40,625	136,427
Due to Other Funds	(416,196)	44,047	(372,149)
Accrued Liabilities	(3,226)	1,430	(1,796)
Deferred Inflows Related to Pension	57	32	89
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ (288,108)</u>	<u>\$ 44,283</u>	<u>\$ (243,825)</u>
<b>RECONCILIATION OF CASH PER STATEMENT OF NET POSITION TO STATEMENT OF CASH FLOWS</b>			
Statement of Net Position Proprietary Fund:			
Cash	\$ 172,999	\$ -	\$ 172,999
Restricted Cash	69,603	269,851	339,454
<b>CASH PER STATEMENT OF CASH FLOWS</b>	<u>\$ 242,602</u>	<u>\$ 269,851</u>	<u>\$ 512,453</u>
<b>SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Contributions for Water Utility	<u>\$ 3,075,989</u>	<u>\$ -</u>	<u>\$ 3,075,989</u>

See Accompanying Notes

**VILLAGE OF LENA**  
**Statement of Net Position**  
**Fiduciary Fund**  
**As of December 31, 2015**

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	<u>Agency</u>
<b>ASSETS</b>	
Cash	\$ 155,628
Taxes Receivable	298,671
<b>Total Assets</b>	<u><u>\$ 454,299</u></u>
 <b>LIABILITIES</b>	
Due to Other Taxing Units	<u><u>\$ 454,299</u></u>

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Village of Lena (Village) is presented to assist in understanding the Village's financial statements. The financial statements and notes are representations of the Village's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements, except for the implementation of new accounting standards as explained later within this note. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

**REPORTING ENTITY**

This report includes all of the funds of the Village of Lena. The reporting entity for the Village consists of the primary government. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable or other organizations whose nature and significant relationship with the Village are such that exclusion would cause the Village's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the Village's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the Village. The Village has not identified any component units that are required to be included in the financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

**FUND FINANCIAL STATEMENTS**

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utility enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND FINANCIAL STATEMENTS - Continued**

Fund financial statements of the reporting entity are organized into individual funds each of which are considered to be separate accounting entities. 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, fund equity, revenues, and expenditures/expenses.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

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

**Governmental Funds**

Governmental funds are identified as either general or special revenue based upon the following guidelines.

**General Fund**

The general fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

**Business-Type Activities**

**Proprietary Funds**

**Enterprise Funds**

Enterprise funds may be used to account for activities where a fee is charged to external users for goods and services. Enterprise activities must include operations (a) that are financed with debt that is secured solely by the pledge of the net revenues of the fund, (b) where laws or regulations require that the costs of the activity be recovered with fees and charges, or (c) where the fees and charges are priced in a way designed to recover the costs of the activity.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

**Fiduciary Fund**

**Agency Funds**

Agency funds are used to account for assets held by the Village as an agent for individuals, private organizations, and/or other governmental units.

**Major Funds**

The Village reports the following major governmental funds:

The *general fund*, which accounts for the Village's primary operating activities.

The *fire department fund*, which accounts for the resources accumulated and payments made for the operation of the fire department.

The *library fund*, which accounts for the resources accumulated and payments made for the operation of the library.

The Village reports the following major proprietary funds:

The *water utility*, which operates the water distribution system.

The *sewer utility*, which operates the sewage treatment plant, sewage pumping stations and collection systems.

**Fiduciary Fund**

The Village reports the following fiduciary fund:

The *tax collection fund*, which accounts for taxes and deposits collected by the Village, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources) or economic resources (all assets, deferred outflows of resources, liabilities, and deferred inflows of resources). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The fiduciary fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CASH**

Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from the date of acquisition are considered to be cash equivalents.

**ACCOUNTS RECEIVABLE**

Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the financial statements.

**INVENTORIES**

Proprietary fund inventories are generally used for construction and for operation and maintenance work and are not for resale. They are valued at cost based on weighted average, and charged to construction or operations and maintenance expense when used. Governmental fund inventory items are charged to expenditure accounts when purchased.

**SPECIAL ASSESSMENTS**

Special assessments consist of capital projects constructed through non-special assessment debt. In governmental fund financial statements, special assessments are recorded as receivables and deferred inflows of resources when the related capital outlays are made and are recorded as revenues when due and payable. In the government-wide financial statements and proprietary funds, special assessments are recorded as receivables and capital contributions when the capital outlays are made. All special assessments are due when billed and may be paid on an installment basis with interest. The method of enforcing collections is the same as for general Village taxes.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS**

Capital assets, which include property, plant and equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of \$1,000 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. General infrastructure assets acquired or constructed prior to January 1, 2004 are not reported in the financial statements. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the Village are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	
	Governmental Activities	Business-Type Activities
Buildings, Improvements, and Utility Plant	20 - 50	25 - 100
Machinery and Equipment	3 - 10	3 - 10
Infrastructure	30 - 50	-

**COMPENSATED ABSENCES**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

Vacation leave is required to be used in the year earned, unless approved to be carried over. Carryovers of unused vacation leave are limited to a maximum of one week.

**LONG-TERM OBLIGATIONS**

The accounting treatment of long-term debt depends on whether it is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of state trust fund loans, clean water loans, a safe drinking water loan, and a capital lease.

Long-term debt for governmental funds is not reported as a liability in the governmental fund financial statements. The debt proceeds and capital leases are reported as an other financing source and payment of principal and interest reported as expenditures. The accounting in proprietary funds is the same in the fund statements as it is in the government-wide statements.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INTERFUND TRANSACTIONS**

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are reported as a nonspendable in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of net position and balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Village has three items that qualify for reporting in this category. Accordingly, pension plan – difference between expected and actual experience, pension plan – net difference between projected and actual earnings on pension plan investments, and pension plan – employer contributions subsequent to the measurement date are reported in the statements of net position

In addition to liabilities, the statement of net position and balance sheet reports a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

The government-wide financial statement has two items that qualify for reporting in this category. Accordingly, *taxes levied for subsequent year* and *pension plan – changes in proportionate and differences between employer contributions and proportionate share of contributions* is reported in the statements of net position. The governmental funds report taxes levied for subsequent year and special assessments as deferred inflows of resources on the balance sheet.

**CLAIMS AND JUDGMENTS**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental fund types. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide and proprietary funds statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**EQUITY CLASSIFICATIONS**

Government-Wide Statements

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

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted component of net position – Consists of resources 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) by law through constitutional provisions or enabling legislation reduced by liabilities related to those assets.
- Unrestricted component of net position – Is the net amount that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Financial Statements

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form (such as inventories and prepaid amounts), or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period. The Village Board is the decision-making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance represents amounts constrained by the Village Board for a specific intended purpose. Intent can be expressed by the Village Board or by its designee. The Board designates the Finance Committee as authorized to assign fund balance to a specific purpose. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

The Village, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The Village has adopted a minimum fund balance policy. The policy establishes a minimum unassigned fund balance equal to 30% (including 17% for cash flow purposes) of prior year’s audited general fund expenditures (less capital and debt service costs) for cash flow purposes, unanticipated non-reoccurring expenditures or to meet unanticipated revenue decreases or unexpected increases in service delivery costs. In the event the balance drops below the established minimum level, the Village will replenish the deficiency by reducing recurring expenditures to eliminate the deficiency, increase revenues or funding sources, or a combination of those options within the next fiscal year if possible.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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 may differ from these estimates.

**IMPLEMENTATION OF NEW ACCOUNTING STANDARDS**

The Village implemented Governmental Accounting Standards Board Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* for the year ended December 31, 2015. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability/asset for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability/asset is recorded in the proprietary funds statements and the government-wide statements and is computed differently in the current year, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In addition, Statement No. 71 eliminates a potential source of understatement of restated beginning net position and expense in a government's first year of implementing Statement No. 68. It requires that when a government is transitioning to the new pension standard that it recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation

**NOTE 2 - CASH**

The Village is authorized to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

- Time deposits in any credit union, bank, savings bank or trust company maturity in three years or less.
- 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, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics Authority.
- Bonds or securities guaranteed by the federal government.
- The Local Government Pooled Investment Fund and the Wisconsin Investment Trust.
- Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

Additional restrictions could arise from local charters, ordinances, resolutions and grant regulations of the Village.

At December 31, 2015, the Village's bank balance of cash was \$1,274,988. The Village maintains its cash accounts at one financial institution. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk.

Deposits in each bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts) and up to \$250,000 for the combined amount of all interest and non-interest bearing demand deposit accounts.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 2 - CASH (Continued)**

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2015, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted below.

The following represents a summary of deposits as of December 31, 2015:

Fully Insured Deposits	\$ 260,503
Collateralized with Securities held by the Pledging of Financial Institution in the Village's Name	<u>1,014,485</u>
Total	<u><u>\$ 1,274,988</u></u>

**NOTE 3 - RESTRICTED ASSETS**

Restricted assets on December 31, 2015 consisted of cash totaling \$405,827 held for the following purposes:

General Fund	
Advance Tax Collection	\$ 66,373
Sewer Utility Fund	
Equipment Replacement	261,563
Debt Service	8,288
Water Utility Fund	
Debt Service	<u>69,603</u>
Total Restricted Assets	<u><u>\$ 405,827</u></u>

**NOTE 4 - PROPERTY TAXES**

The Village bills and collects its own property taxes and also levies for the Lena School District, Oconto County, Northeast Wisconsin Technical College, and the State of Wisconsin.

Property taxes consist of taxes on real estate and personal property. They are levied during December and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31, or in two equal installments on or before January 31, and July 31. Real estate taxes not paid by July 31 are assumed by the County as part of the August tax settlement. Delinquent personal property taxes remain the collection responsibility of the Village.

As part of Wisconsin Act 32, in 2011 and all future years, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 5 - INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS**

Interfund receivables and payables between individual funds of the Village as of December 31, 2015 are detailed below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water Utility	\$ 35,685	Year End Cash Flow Timing
General Fund	Sewer Utility	59,111	Year End Cash Flow Timing
General Fund	Fire Department Fund	4,503	Year End Cash Flow Timing
General Fund	Library Fund	7,277	Year End Cash Flow Timing
Sewer Utility	Water Utility	580,004	Separation of Proprietary Funds
		<u>\$ 686,580</u>	

The interfund account balances above are the result of various interfund activities and are expected to be repaid 2016.

Interfund transfers for the year ended December 31, 2015 as shown in the governmental and proprietary funds statements were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
Sewer Utility	General Fund	\$ 501	Tax Equivalent
Water Utility	General Fund	27,966	Tax Equivalent
		<u>\$ 28,467</u>	

**NOTE 6 - LONG-TERM RECEIVABLE**

The Village has a long-term receivable in relation to the water treatment plant. The total receivable is 91% of the full disbursement amount of the Safe Drinking Water Loan. The balance of the long-term receivable as of December 31, 2015 is \$3,075,989.

**VILLAGE OF LENA**  
**Notes to Financial Statements**  
**December 31, 2015**

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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not being				
Depreciated:				
Land and Improvements	\$ 210,006	\$ -	\$ -	\$ 210,006
Construction-in-Progress	-	15,843	-	15,843
Total Capital Assets not being				
Depreciated	210,006	15,843	-	225,849
<b>Other Capital Assets</b>				
Buildings and Improvements	930,271	-	-	930,271
Machinery and Equipment	1,876,448	91,396	7,902	1,959,942
Infrastructure	311,663	12,250	-	323,913
Total Capital Assets being				
Depreciated	3,118,382	103,646	7,902	3,214,126
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(471,297)	(20,625)	-	(491,922)
Machinery and Equipment	(1,408,838)	(38,290)	(7,902)	(1,439,226)
Infrastructure	(42,921)	(6,868)	-	(49,789)
Total Accumulated				
Depreciation	(1,923,056)	(65,783)	(7,902)	(1,980,937)
<b>Total Capital Assets Being</b>				
<b>Depreciated, Net of</b>				
<b>Depreciation</b>	1,195,326	37,863	-	1,233,189
<b>Governmental Activities Capital</b>				
<b>Assets, Net of Accumulated</b>				
<b>Depreciation</b>	<u>\$ 1,405,332</u>	<u>\$ 53,706</u>	<u>\$ -</u>	<u>\$ 1,459,038</u>

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

**NOTE 7 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<b>Business-Type Activities</b>				
Capital Assets not Being				
Depreciated:				
Land	\$ 763	\$ -	\$ -	\$ 763
Construction in Progress	2,904,480	1,028,152	(3,896,018)	36,614
Total Capital Assets not being				
Depreciated	<u>2,905,243</u>	<u>1,028,152</u>	<u>(3,896,018)</u>	<u>37,377</u>
 Capital Assets being Depreciated				
Utility Plant	4,787,446	3,904,487	265,118	8,426,815
Less: Accumulated				
Depreciation	<u>(2,425,208)</u>	<u>(171,031)</u>	<u>(265,118)</u>	<u>(2,331,121)</u>
Total Capital Assets being				
Depreciated, Net of Depreciation	<u>2,362,238</u>	<u>3,733,456</u>	<u>-</u>	<u>6,095,694</u>
 Business-Type Activities Capital				
Assets, Net of Accumulated				
Depreciation	<u>\$ 5,267,481</u>	<u>\$ 4,761,608</u>	<u>\$ (3,896,018)</u>	<u>\$ 6,133,071</u>

Depreciation expense was charged to functions of the Village as follows:

<b>Governmental Activities:</b>	
General Government	\$ 5,140
Public Safety	24,069
Public Works	30,521
Culture and Recreation	6,053
Total Depreciation Expense - Governmental Activities	<u>\$ 65,783</u>
 <b>Business-Type Activities:</b>	
Water Utility	\$ 77,096
Sewer Utility	93,935
Total Depreciation Expense - Business-Type Activities	<u>\$ 171,031</u>

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

**NOTE 8 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations of the Village for the year ended December 31, 2015:

	<u>Outstanding 1/1/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding 12/31/15</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Obligation Debt					
State Trust Fund Loans	\$ 179,113	\$ -	\$ 13,822	\$ 165,291	\$ 14,374
Capital Lease	113,429	-	36,745	76,684	37,799
Total General Obligation Debt	292,542	-	50,567	241,975	52,173
Vested Compensated Absences	15,228	18,852	15,228	18,852	9,426
Total Governmental Activities Long-Term Liabilities	<u>\$ 307,770</u>	<u>\$ 18,852</u>	<u>\$ 65,795</u>	<u>\$ 260,827</u>	<u>\$ 61,599</u>
<b>Business-Type Activities:</b>					
General Obligation Debt					
State Trust Fund Loans	\$ 265,375	\$ -	\$ 25,884	\$ 239,491	\$ 27,014
Clean Water Loans	199,841	-	13,220	186,621	13,547
Safe Drinking Water Loan	1,554,354	993,127	-	2,547,481	112,322
Total Business-Type Activities Long-Term Liabilities	<u>\$ 2,019,570</u>	<u>\$ 993,127</u>	<u>\$ 39,104</u>	<u>\$ 2,973,593</u>	<u>\$ 152,883</u>

Total interest paid during the year on long-term debt totaled \$65,718.

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/15</u>
<b>Governmental Activities</b>					
<b>Long-Term Obligations</b>					
2011 State Trust Loan	10/12/11	03/15/21	3.75%	\$ 73,086	\$ 51,901
2012 State Trust Loan	03/06/12	03/15/21	3.75%	21,914	15,414
2012 State Trust Loan	05/01/12	03/15/32	4.00%	110,000	97,976
Capital Lease	06/14/12	06/14/17	2.87%	293,908	76,684
Total Governmental Activities Long-Term Obligations					<u>\$ 241,975</u>
<b>Business-Type Activities</b>					
<b>Long-Term Obligations</b>					
2005 State Trust Fund Loan	10/24/05	03/15/25	5.00%	\$ 79,878	\$ 51,986
2005 State Trust Fund Loan	12/13/05	03/15/25	5.00%	120,122	77,677
2011 State Trust Fund Loan	10/12/11	03/15/21	3.75%	119,246	84,681
2012 State Trust Fund Loan	03/06/12	03/15/21	3.75%	35,754	25,147
2007 Clean Water Fund Loan	05/09/07	05/01/27	2.475%	283,857	186,621
2014 Safe Drinking Water Loan	10/22/14	05/01/34	1.925%	2,540,130	2,547,481
Total Business-Type Activities Long-Term Obligations					<u>\$ 2,973,593</u>

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

**NOTE 8 - LONG TERM DEBT OBLIGATIONS (Continued)**

Debt service requirements to maturity are as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 52,173	\$ 8,703	\$ 152,883	\$ 63,078	\$ 205,056	\$ 71,781
2017	53,824	7,051	156,551	59,414	210,375	66,465
2018	15,517	5,359	160,300	55,640	175,817	60,999
2019	16,115	4,760	164,151	51,762	180,266	56,522
2020	16,728	4,148	168,097	47,791	184,825	51,939
2021-2025	39,271	13,500	814,791	180,031	854,062	193,531
2026-2030	33,153	7,125	741,280	94,625	774,433	101,750
2031-2034	15,194	918	615,540	23,981	630,734	24,899
	<u>\$ 241,975</u>	<u>\$ 51,564</u>	<u>\$ 2,973,593</u>	<u>\$ 576,322</u>	<u>\$ 3,215,568</u>	<u>\$ 627,886</u>

Estimated payments of accumulated employee benefits and other commitments are not included in the above schedule.

The 2015 equalized valuation of the Village as certified by the Wisconsin Department of Revenue is \$29,708,500. The legal debt limit and margin of indebtedness as of December 31, 2015, in accordance with Wisconsin Statutes follows:

Debt Limit (5% of \$29,708,500)	\$ 1,485,425
Deduct Long-Term Debt Applicable to Debt Margin	<u>404,782</u>
Remaining Margin of Indebtedness Available	<u>\$ 1,080,643</u>

**Utility Revenues Pledged**

The Village has pledged future revenue derived from the sewerage system, net of specified operating expenses, to repay the Clean Water Fund Loan. Proceeds from the bonds provided financing for the construction or acquisition of capital assets used within the Utility. The loan is payable from sewerage system net revenues and is payable through 2027. The total principal and interest remaining to be paid on the bonds is \$215,678. Principal and interest paid for the current year and total sewerage system net revenues were \$18,002 and \$161,533, respectively.

The Village has pledged future revenue derived from the water system, net of specified operating expenses, to repay the Safe Drinking Water Loan. Proceeds from the bond provided financing for the construction or acquisition of capital assets used within the Utility. The loan is payable from water system net revenues and is payable through 2034. The total principal and interest remaining to be paid on the bonds is \$3,041,312. Principal and interest paid for the current year and total water system net revenues were \$39,013 and \$283,949, respectively.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

**NOTE 9 - FUND EQUITY**

**GOVERNMENT-WIDE STATEMENTS**

Net position reported on the government-wide statement of net position at December 31, 2015 includes the following:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Net Investment in Capital Assets			
Net Capital Assets	\$ 1,459,038	\$ 6,133,071	\$ 7,592,109
Less: Related Long-Term Debt Outstanding	241,975	2,973,593	3,215,568
Net Investment in Capital Assets	<u>1,217,063</u>	<u>3,159,478</u>	<u>4,376,541</u>
Restricted for:			
Equipment Replacement	-	261,563	261,563
Sewer Utility Debt Service	-	8,288	8,288
Water Utility Debt Service	-	69,603	69,603
Pension Benefit	49,966	26,787	76,753
Total Restricted	<u>49,966</u>	<u>366,241</u>	<u>416,207</u>
Unrestricted	<u>571,658</u>	<u>3,130,102</u>	<u>3,701,760</u>
Total Government-Wide Net Position	<u>\$ 1,838,687</u>	<u>\$ 6,655,821</u>	<u>\$ 8,494,508</u>

**NOTE 10 - DEFINED BENEFIT PENSION PLAN**

***Summary of Significant Accounting Policies***

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

***General Information about the Pension Plan***

**Plan description.** The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds. 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 prior to July 1, 2011, expected to work at least 600 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. 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.

**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.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

*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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

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

During the reporting period, the WRS recognized \$15,131 in contributions from the Village.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

Contribution rates as of December 31, 2015 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

***Pension Asset, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pension***

At December 31, 2015, the Village reported an asset of \$37,526 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Village's proportion of the net pension asset was based on the Village's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the Village's proportion was 0.00152776%, which was an increase of 0.00001318% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the Village recognized pension expense of \$14,667.

At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 5,440	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	18,172	-
Changes in proportionate and differences between employer contributions and proportionate share of contributions	-	256
Employer contributions subsequent to the measurement date	15,872	-
<b>Total</b>	<b>\$ 39,484</b>	<b>\$ 256</b>

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

The \$15,872 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 asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ending December 31,</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 4,644	\$ 48
2017	4,644	48
2018	4,644	48
2019	4,644	48
2020	4,644	48
Thereafter	392	16

*Actuarial assumptions.* The total pension asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability (asset) at December 31, 2014 is based upon a roll-forward of the asset calculated from the December 31, 2013 actuarial valuation.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

<b>Asset Class</b>	<b>Long-Term Real Rate of Return</b>	<b>Target Allocation</b>
US Equities	5.3%	21%
International Equities	5.7	23%
Fixed Income	1.7	36%
Inflation Sensitive Assets	2.3	20%
Real Estate	4.2	7%
Private Equity/Debt	6.9	7%
Multi-Asset	3.9	6%
Cash	0.9%	(20)%

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

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

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase To Discount Rate (8.20%)</b>
Village's proportionate share of the net pension liability (asset)	\$105,867	(\$37,525)	(\$150,772)

*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://legis.wisconsin.gov/lab/> and reference report number 15-11.

***Payables to the Pension Plan***

The Village is required to remit the monthly required contribution for both the employee and Village portions by the last day of the following month. All amounts due to WRS were paid as of December 31, 2015.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 11 - RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Village purchases commercial insurance. There has been no reduction in insurance coverage from the prior year. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in the past three years.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

From time to time the Village is involved in legal actions and claims, most of which normally occur in governmental operations. In the opinion of Village management, these issues, and any other proceedings known to exist at December 31, 2015, are not likely to have a material adverse impact on the Village's financial position.

Funding for the operating budget of the Village comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the Village. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature through their budget processes. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Village.

The Village has a water tower maintenance agreement from January 1, 2016 through January 1, 2022. The balance of the agreement is approximately \$346,000.

**NOTE 13 - MAJOR CUSTOMER**

Saputo Cheese USA accounted for approximately \$189,700 of the water and sewer utility revenues during 2015.

**NOTE 14 - SUBSEQUENT EVENTS**

As of March 2016, the Village sold a waste water treatment building to Saputo for \$75,000.

As of March 2016, the Village purchased a property on Rosera Street for \$15,000.

**NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT**

The GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 defines fair value, how fair value is measured, what assets and liabilities should be measured at fair value, and what information about fair value should be reported in the notes to the financial statements. Additionally, GASB Statement No. 72 utilizes a three-level hierarchy for measuring fair value. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending December 31, 2016.

**VILLAGE OF LENA**  
Notes to Financial Statements  
December 31, 2015

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**NOTE 16 - RESTATEMENT OF BEGINNING NET POSITION**

The restatement of net position in the proprietary and government-wide financial statements was the result of implementing Governmental Accounting Standards Board Statements No. 68 and No. 71, which required government entities to recognize their proportionate share of the pension as an asset for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The following table shows the effect of the implementation:

	<u>Government Wide</u>		<u>Proprietary Funds</u>	
	<u>Governmental Activites</u>	<u>Business-type Activites</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Net Position – December 31, 2014	\$ 1,672,351	\$ 3,329,399	\$ 613,397	\$ 2,716,002
Pension Asset	38,873	20,840	13,316	7,524
Pension Plan - Contributions After Measurement Date	<u>8,565</u>	<u>4,592</u>	<u>2,934</u>	<u>1,658</u>
Net Position – As Restated December 31, 2014	<u>\$ 1,719,789</u>	<u>\$ 3,354,831</u>	<u>\$ 629,647</u>	<u>\$ 2,725,184</u>

The effect of this restatement for the year ended December 31, 2014 was an increase in the amount previously reported as change in net position by approximately \$47,000 for governmental activities and \$25,000 for business-type activities.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**VILLAGE OF LENA**  
**Schedules of Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions**  
**Wisconsin Retirement System**  
**Last 10 Fiscal Years\***

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**Schedule of Proportionate Share of the Net Pension Liability (Asset)**

	2015
Village's proportion of the net pension liability (asset)	0.00152776%
Village's proportionate share of the net pension liability (asset)	\$ (37,525)
Village's covered-employee payroll	\$ 198,690
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-18.89%
Plan fiduciary net position as a percentage fo the total pension liability (asset)	102.74%

**Schedule of Employer Contributions**

	2015
Contractually required contributions	\$ 15,131
Contributions in relation to the contractually required contributions	(15,131)
Contribution deficiency (excess)	\$ -
Village's covered-employee payroll	\$ 198,690
Contributions as a percentage of covered-employee payroll	7.62%

\*The amounts presented for each year were determined as of the calendar year-end from the prior calendar year. Presented data is all that is available for 2015. Ten years of data will be accumulated beginning with 2015.

**VILLAGE OF LENA**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Taxes	\$ 186,065	\$ 165,181	\$ (20,884)
Special Assessments	-	1,488	1,488
Intergovernmental	200,852	201,153	301
Licenses and Permits	3,465	3,367	(98)
Fines and Forfeits	18,000	21,716	3,716
Public Charges for Services	14,600	17,664	3,064
Miscellaneous	19,490	27,399	7,909
<b>Total Revenues</b>	<u>442,472</u>	<u>437,968</u>	<u>(4,504)</u>
<b>EXPENDITURES</b>			
General Government	151,582	129,358	22,224
Public Safety	103,350	100,224	3,126
Public Works	136,995	115,165	21,830
Culture and Recreation	22,750	1,543	21,207
Conservation and Development	8,000	6,287	1,713
Capital Outlay	24,000	85,480	(61,480)
Debt Service	20,795	20,794	1
<b>Total Expenditures</b>	<u>467,472</u>	<u>458,851</u>	<u>8,621</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(25,000)</u>	<u>(20,883)</u>	<u>4,117</u>
<b>OTHER FINANCING SOURCE</b>			
Transfers In	<u>25,000</u>	<u>28,467</u>	<u>3,467</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	7,584	7,584
<b>FUND BALANCE - BEGINNING</b>	<u>342,029</u>	<u>342,029</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 342,029</u></u>	<u><u>\$ 349,613</u></u>	<u><u>\$ 7,584</u></u>

**VILLAGE OF LENA**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Fire Department Fund  
For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 92,342	\$ 87,543	\$ (4,799)
Charges for Service	5,000	3,894	(1,106)
Investment Income	100	224	124
Donations	-	28,564	28,564
Miscellaneous	2,500	5,245	2,745
<b>Total Revenues</b>	<b>99,942</b>	<b>125,470</b>	<b>25,528</b>
<b>EXPENDITURES</b>			
Public Safety:			
Employee Benefits	-	3,429	(3,429)
Man Hours Expense	6,000	7,538	(1,538)
Clothing Allowance	5,000	6,228	(1,228)
Training Expense	13,000	5,575	7,425
Utilities	6,500	5,033	1,467
Insurance	8,000	6,267	1,733
Vehicle and Equipment Repairs	13,500	5,819	7,681
Fuel Expense	2,800	1,554	1,246
Miscellaneous	4,900	21,410	(16,510)
Debt Services			
Principal	35,719	36,745	(1,026)
Interest	4,281	3,255	1,026
<b>Total Expenditures</b>	<b>99,700</b>	<b>102,853</b>	<b>(3,153)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>242</b>	<b>22,617</b>	<b>22,375</b>
<b>FUND BALANCE - BEGINNING</b>	<b>134,671</b>	<b>134,671</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 134,913</b>	<b>\$ 157,288</b>	<b>\$ 22,375</b>

**VILLAGE OF LENA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Library Fund**  
**For the Year Ended December 31, 2015**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
General Property Taxes	\$ 22,500	\$ 22,500	\$ -
Intergovernmental	47,599	42,287	(5,312)
Public Charges for Services	4,000	2,675	(1,325)
Investment Income	200	210	10
Donations	200	7,645	7,445
<b>Total Revenues</b>	<u>74,499</u>	<u>75,317</u>	<u>818</u>
<b>EXPENDITURES</b>			
Culture and Recreation:			
Salaries and Wages	43,760	44,861	(1,101)
Employee Benefits	9,400	24,988	(15,588)
Training Expense	600	355	245
Books, Videos and Periodicals	4,800	5,485	(685)
Automation Expense	4,500	4,576	(76)
Utilities	3,800	3,971	(171)
Office Supplies	2,000	2,209	(209)
Building Expenses	4,000	2,680	1,320
Miscellaneous	3,000	378	2,622
<b>Total Expenditures</b>	<u>75,860</u>	<u>89,503</u>	<u>(13,643)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,361)	(14,186)	(12,825)
<b>FUND BALANCE - BEGINNING</b>	<u>101,542</u>	<u>101,542</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 100,181</u></u>	<u><u>\$ 87,356</u></u>	<u><u>\$ (12,825)</u></u>

**VILLAGE OF LENA**  
Notes to Required Supplementary Information  
For the Year Ended December 31, 2015

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**BUDGETARY PROCESS**

The Village follows these procedures in establishing the budgetary data:

- During October, Village management submits to the Village Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Village Board action.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general and special revenue funds. Budget is defined as the originally approved budget plus or minus approved amendments. There were no amendments during the year. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- During the year, formal budgetary integration is employed as a management control device for the general fund and special revenue funds.
- Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Village. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Village Board.

**EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS**

The following functions had an excess of actual expenditures over budget for the year ended December 31, 2015:

General Fund	
Capital Outlay	\$ 61,480
Fire Department Fund	
Public Safety:	
Employee Benefits	3,429
Man Hours Expense	1,538
Clothing Allowance	1,228
Miscellaneous	16,510
Debt Service:	
Principal	1,026
Library Fund	
Culture and Recreation:	
Salaries and Wages	1,101
Employee Benefits	15,588
Books, Videos and Periodicals	685
Automation Expense	76
Utilities	171
Office Supplies	209

**VILLAGE OF LENA**  
Notes to Required Supplementary Information  
For the Year Ended December 31, 2015

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**DEFINED BENEFIT PENSION PLAN**

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

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

## **SUPPLEMENTARY INFORMATION**

**VILLAGE OF LENA**  
**Schedule of Operating Revenues and Expenses**  
**Water and Sewer Utility**  
**For the Year Ended December 31, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Metered Sales:			
Residential	\$ 38,428	\$ 102,087	\$ 140,515
Commercial	5,763	23,254	29,017
Industrial	168,353	18,418	186,771
Public Authorities	5,147	12,113	17,260
<b>Total Metered Sales</b>	<u>217,691</u>	<u>155,872</u>	<u>373,563</u>
Private Fire Protection	198	-	198
Public Fire Protection	54,949	-	54,949
<b>Total Sales of Water</b>	<u>272,838</u>	<u>155,872</u>	<u>428,710</u>
Other Operating Revenues:			
Customer Forfeited Discounts	97	351	448
Miscellaneous Operating Revenue	11,014	5,310	16,324
<b>Total Operating Revenue</b>	<u>283,949</u>	<u>161,533</u>	<u>445,482</u>
<b>OPERATING EXPENSES</b>			
Operation and Maintenance:			
Operation Labor	62,592	34,231	96,823
Power Purchased for Pumping	11,512	11,388	22,900
Chemicals	23,772	-	23,772
Maintenance and Repairs	4,809	1,727	6,536
Operating Supplies	1,376	2,041	3,417
Operating Transportation Expenses	915	992	1,907
<b>Total Operation and Maintenance</b>	<u>104,976</u>	<u>50,379</u>	<u>155,355</u>
Administrative and General:			
Salaries	5,546	5,547	11,093
Office Supplies	1,961	1,067	3,028
Outside Services Employed	9,466	26,544	36,010
Utilities	32,618	18,777	51,395
Property Insurance	4,241	1,580	5,821
Miscellaneous	3,077	4,087	7,164
<b>Total Administrative and General Expenses</b>	<u>56,909</u>	<u>57,602</u>	<u>114,511</u>
Other Operating Expenses:			
Depreciation	75,808	95,223	171,031
<b>TOTAL OPERATING EXPENSES</b>	<u>237,693</u>	<u>203,204</u>	<u>440,897</u>
<b>OPERATING INCOME (LOSS)</b>	<u>46,256</u>	<u>(41,671)</u>	<u>4,585</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	262	749	1,011
Interest Expense	(14,578)	(13,405)	(27,983)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(14,316)</u>	<u>(12,656)</u>	<u>(26,972)</u>
<b>CAPITAL CONTRIBUTIONS</b>	3,351,844	-	3,351,844
<b>TRANSFERS OUT</b>	<u>(27,966)</u>	<u>(501)</u>	<u>(28,467)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 3,355,818</u>	<u>\$ (54,828)</u>	<u>\$ 3,300,990</u>

**VILLAGE OF LENA**  
Schedule of Detailed Budgetary Revenues and Other Financing Source Comparison  
General Fund  
For the Year Ended December 31, 2015

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>TAXES</b>			
General Property Taxes	\$ 186,065	\$ 165,181	\$ (20,884)
<b>SPECIAL ASSESSMENTS</b>	-	1,488	1,488
<b>INTERGOVERNMENTAL</b>			
Shared Revenues	168,188	168,175	(13)
General Highway Aids	32,204	32,142	(62)
Computer Aid	300	356	56
Police Training Aid	160	480	320
<b>Total Intergovernmental</b>	200,852	201,153	301
<b>LICENSES AND PERMITS</b>			
Liquor and Malt Beverage Licenses	1,400	1,400	-
Operators Licenses	700	975	275
Cigarette Licenses	50	25	(25)
Dog and Cat Licenses	170	142	(28)
Building Permits	1,000	370	(630)
Other Permits	100	194	94
License Publication Fees	45	261	216
<b>Total Licenses and Permits</b>	3,465	3,367	(98)
<b>FINES AND FORFEITS</b>			
Court Penalties and Fines	18,000	21,316	3,316
Parking Violations	-	400	400
<b>Total Fines and Forfeits</b>	18,000	21,716	3,716
<b>PUBLIC CHARGES FOR SERVICES</b>			
Clerk's Revenue	100	109	9
Police Department	750	11	(739)
Garbage Bag Revenue	6,500	8,756	2,256
Garbage and Dump Revenue	150	130	(20)
Recycling	7,100	8,658	1,558
<b>Total Public Charges for Services</b>	14,600	17,664	3,064

**VILLAGE OF LENA****Schedule of Detailed Budgetary Revenues and Other Financing Source Comparison****General Fund****For the Year Ended December 31, 2015**

---

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>MISCELLANEOUS</b>			
Miscellaneous General Revenue	\$ -	\$ 6,727	\$ 6,727
Interest Income	450	608	158
Rent	19,040	20,064	1,024
<b>Total Miscellaneous</b>	<u>19,490</u>	<u>27,399</u>	<u>7,909</u>
<b>Total Revenues</b>	442,472	437,968	(4,504)
<b>OTHER FINANCING SOURCE</b>			
Transfers In from Utility	<u>25,000</u>	<u>28,467</u>	<u>3,467</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCE</b>	<u>\$ 467,472</u>	<u>\$ 466,435</u>	<u>\$ (1,037)</u>

**VILLAGE OF LENA**  
Schedule of Detailed Budgetary Expenditures and Other Financing Use Comparison  
General Fund  
For the Year Ended December 31, 2015

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
Village Board	\$ 10,000	\$ 10,263	\$ (263)
Village President	2,000	1,077	923
Municipal Court	6,000	3,589	2,411
Legal	5,000	6,841	(1,841)
Administrative	4,000	340	3,660
Clerk/Treasurer	32,900	43,003	(10,103)
Elections	1,500	1,719	(219)
Finance	10,000	4,898	5,102
Assessor	4,500	4,666	(166)
Village Hall Expenses	11,400	16,401	(5,001)
Insurance	15,200	13,066	2,134
Retirement	9,000	-	9,000
Social Security	10,500	19,232	(8,732)
Health Insurance	25,000	20	24,980
Travel Expense	400	842	(442)
Computer Expense	-	3,161	(3,161)
Web Page Expense	-	240	(240)
Contingency	4,182	-	4,182
<b>Total General Government</b>	<b>151,582</b>	<b>129,358</b>	<b>22,224</b>
<b>PUBLIC SAFETY</b>			
Police Salaries and Wages	52,000	53,202	(1,202)
Police Operations	19,150	15,268	3,882
Fire Protection	25,200	24,590	610
Rescue Squad	6,000	5,964	36
Building Inspection	1,000	1,200	(200)
<b>Total Public Safety</b>	<b>103,350</b>	<b>100,224</b>	<b>3,126</b>
<b>PUBLIC WORKS</b>			
Salaries and Wages	28,000	31,730	(3,730)
Clothing Allowance	1,000	613	387
Street Maintenance	31,250	36,908	(5,658)
Street Cleaning	1,000	1,743	(743)
Snow Removal	7,000	-	7,000
Street Lighting	25,000	21,227	3,773
Sidewalks	5,000	660	4,340
Street Signs and Markings	6,500	1,847	4,653
Bridges and Culverts	7,500	28	7,472
Sanitation	9,000	5,950	3,050
Recycling	14,245	14,459	(214)
Weed Cutting	1,500	-	1,500
<b>Total Public Works</b>	<b>136,995</b>	<b>115,165</b>	<b>21,830</b>

# VILLAGE OF LENA

## Schedule of Detailed Budgetary Expenditures and Other Financing Use Comparison - Continued

### General Fund

For the Year Ended December 31, 2015

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>CULTURE AND RECREATION</b>			
General Recreation	\$ 250	\$ 1,543	\$ (1,293)
Library	22,500	-	22,500
<b>Total Culture and Recreation</b>	<u>22,750</u>	<u>1,543</u>	<u>21,207</u>
<b>CONSERVATION AND DEVELOPMENT</b>			
Planning and Economic Development	1,500	-	1,500
Community Development	4,000	3,787	213
Tourism	2,500	2,500	-
<b>Total Conservation and Development</b>	<u>8,000</u>	<u>6,287</u>	<u>1,713</u>
<b>CAPITAL OUTLAY</b>			
General Government	14,000	-	14,000
Public Safety	5,000	5,759	(759)
Public Works	5,000	79,721	(74,721)
<b>Total Capital Outlay</b>	<u>24,000</u>	<u>85,480</u>	<u>(61,480)</u>
<b>DEBT SERVICE</b>			
Principal	13,823	13,822	1
Interest	6,972	6,972	-
<b>Total Debt Service</b>	<u>20,795</u>	<u>20,794</u>	<u>1</u>
<b>Total Expenditures</b>	<u>467,472</u>	<u>458,851</u>	<u>8,621</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USE</b>	<u>\$ 467,472</u>	<u>\$ 458,851</u>	<u>\$ 8,621</u>

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## **ADDITIONAL REPORTS**

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

To the Village Board  
Village of Lena  
Lena, Wisconsin

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Lena (Village), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 11, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the *schedule of findings and responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompany schedule of findings and responses as items #2015-001, #2015-002, #2015-003, and #2015-004 to be material weaknesses.

To the Village Board  
Village of Lena

### ***Compliance and Other Matters***

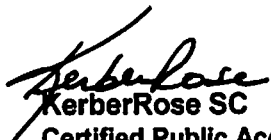
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Village of Lena Responses to Findings**

The Village's responses to the findings identified in our audit are described in the accompanying *schedule of findings and responses*. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
KerberRose SC  
Certified Public Accountants  
May 11, 2016

**Independent Auditors' Report on Compliance for the Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Village Board  
Village of Lena  
Lena, Wisconsin

**Report on Compliance for the Major Program**

We have audited the Village of Lena's (Village) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Village's major federal program for the year ended December 31, 2015. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Village's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Village of Lena complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

To the Village Board  
Village of Lena


### Report on Internal Control Over Compliance

Management of the Village of Lena is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
KerberRose SC  
Certified Public Accountants  
May 11, 2016

## **FEDERAL AWARDS SECTION**

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**VILLAGE OF LENA, WISCONSIN**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2015**

<b>Award Description/ Pass-Through Agency</b>	<b>Catalog Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Program or Award Amount</b>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>			
Wisconsin Department of Administration			
Capitalization Grants for Drinking Water			
State Revolving Funds			
Loan Funds	66.468	5464-03	\$ 2,785,288
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Wisconsin Department of Administration			
Community Development Block Grants -			
State's Program and Non-Entitlement			
Grants in Hawaii	14.228	PF13B-27	750,000
<b>TOTAL FEDERAL AWARDS</b>			

<u>Accrued Receivable 1/1/15</u>	<u>Revenues Grantor Reimbursement</u>	<u>Expenditures</u>	<u>Accrued Receivable 12/31/15</u>
<u>\$ 358,515</u>	<u>\$ 985,775</u>	<u>\$ 634,611</u>	<u>\$ 7,351</u>
<u>192,412</u>	<u>468,267</u>	<u>275,855</u>	<u>-</u>
<u><u>\$ 550,927</u></u>	<u><u>\$ 1,454,042</u></u>	<u><u>\$ 910,466</u></u>	<u><u>\$ 7,351</u></u>

**VILLAGE OF LENA**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2015

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Lena under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Village of Lena, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village of Lena.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Village of Lena has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 - OVERSIGHT AGENCIES**

The Village's federal oversight agency is the Environmental Protection Agency. The Village's state cognizant agency is the Wisconsin Department of Administration.

**VILLAGE OF LENA**  
Schedule of Findings and Responses  
December 31, 2015

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**Section I – Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None Reported
Noncompliance material to the financial statements?	No

***Federal Awards***

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal program:

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**CFDA Number**

**Name of Federal Program**

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66.468

Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as a low-risk auditee?	No

**VILLAGE OF LENA**  
Schedule of Findings and Responses - Continued  
December 31, 2015

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**Section II - Financial Statement Findings**

**#2015-001 Lack of Segregation of Duties**

<b>Condition:</b>	During our audit, we noted that the Village has limited staff which does not allow for the proper segregation of duties.
<b>Cause:</b>	Due to the limited staff, management is unable to properly segregate duties.
<b>Criteria:</b>	The Village should establish appropriate segregation of duties to safeguard assets.
<b>Effect:</b>	Because of the lack of segregation of duties, unauthorized transactions could occur in the Village's operations.
<b>Recommendation:</b>	We recommend the duties should be separated as much as possible and compensating controls should be used to compensate for the lack of segregation of duties. This includes having the Village Board or Finance Committee having an active role in reviewing the Village's operations. The Village could specifically improve the lack of segregation of duties surrounding cash by having a member of the Finance Committee review and document approval of all bank reconciliations. A member of the Finance Committee should be documenting approval of all bank transfers. The Village could improve the lack of segregation of duties surrounding journal entries by having a member of the Finance Committee review and document approval of all journal entries posted by the Clerk/Treasurer.
<b>Management's Response:</b>	Due to the limited staff, duties are segregated as much as possible. The Board does review and approve transactions. Management agrees that the Board should have access to review or question any transaction which flows through the Village office and reports detailing cash receipts and disbursements are provided to the Board monthly to assist in that capacity. By employing individuals who are capable of maintaining the integrity of the books and safeguarding Village assets, the Board can be confident that the financial affairs of the Village are being handled properly.

**VILLAGE OF LENA**  
Schedule of Findings and Responses - Continued  
December 31, 2015

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**Section II - Financial Statement Findings (Continued)**

**#2015-002 Financial Reporting**

<b>Condition:</b>	During our audit, we noted that the internal control system does not include a process for preparing the annual external financial statements and the related disclosures in accordance with U.S. generally accepted accounting principals (GAAP).
<b>Cause:</b>	Management requested that KerberRose SC assist in preparing a draft of the external financial statements, including the related footnote disclosures. The outsourcing is a result of management's cost/benefit decision to use our accounting expertise rather than incurring this internal resource cost.
<b>Criteria:</b>	Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, change in net position, and disclosures in the financial statements, in conformity with GAAP.
<b>Effect:</b>	Although the auditors are preparing the financial statements and the related footnotes, management of the Village thoroughly reviews them and accepts responsibility for their completeness and accuracy.
<b>Recommendation:</b>	We recommend that management continue to make this decision on a cost/benefit.
<b>Management's Response:</b>	Due to the small size of the Village and financial restraints the Village is unable to prepare the financial statements at the current time. The Village will continue to rely on the assistance of the auditors for preparation of the financial statements and related notes and provide any assistance that is needed. Management does review and approve the financial statements by comparing the audited financial statements to internally generated financial reports and records. The Village has assigned an individual with the knowledge and skills to review the financial statements which includes comparing the financial statements to the trial balances and prior year financial statements. After this process is complete, the Village accepts responsibility for the financial statements.

**VILLAGE OF LENA**  
Schedule of Findings and Responses - Continued  
December 31, 2015

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**Section II - Financial Statement Findings (Continued)**

**#2015-003 Preparation of Schedule of Federal and State Awards**

<b>Condition:</b>	The Village was unable to provide us with a schedule of federal awards with the appropriate allocation of funds by CFDA number and funding source.
<b>Cause:</b>	The Village felt that they did not have the time or resources to accurately prepare the schedules.
<b>Criteria:</b>	Uniform Guidance 2 CFR §200.508, requires that the Village "identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of federal agency, and name of the pass-through entity." In addition, the Village is required to "prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with §200.510."
<b>Effect:</b>	Although the auditors are preparing the schedule of expenditures of federal awards, management of the Village thoroughly reviews the schedule and accepts responsibility for its completeness and accuracy.
<b>Recommendation:</b>	The Village should assign an individual internally that is qualified to prepare this schedule in a timely manner.
<b>Management's Response:</b>	The Village was unable to prepare the schedule due to time constraints. The Village is aware of the requirement and will attempt to compile the information necessary to assure its compliance with this in the future.

**VILLAGE OF LENA**  
Schedule of Findings and Responses - Continued  
December 31, 2015

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**Section II - Financial Statement Findings (Continued)**

**#2015-004 Material Account Adjustments**

<b>Condition:</b>	During our audit, we identified and proposed adjustments (which were approved and posted by management) that were material, either individually or in the aggregate, to the Village's financial statements.
<b>Cause:</b>	Internal controls did not detect certain adjustments necessary to properly record year-end balances.
<b>Criteria:</b>	Management is responsible for maintaining internal controls and its accounting records in accordance with U.S. Generally Accepted Accounting Principles.
<b>Effect:</b>	As a result, the initial trial balances were misstated.
<b>Recommendation:</b>	We recommend that management take steps to ensure all year-end adjustments are identified and posted for financial reporting purposes.
<b>Management's Response:</b>	The Village is aware of the reasons for the material account adjustments and will take necessary action to implement procedures for preparation of year-end adjustments.

**Section III – Federal Award Findings**

There were no findings for federal awards.

**VILLAGE OF LENA**  
Summary Schedule of Prior Year Audit Findings  
December 31, 2015

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**#2014-001 - Segregation of Duties – See corrective action plan finding #2015-001.**

**#2014-002 - Financial Reporting – See corrective action plan finding #2015-002.**

**#2014-003 - Preparation of Schedule of Federal and State Awards – See corrective action plan finding #2015-003.**

**#2014-004 - Material Account Adjustments and Restatement of Beginning Balances – See corrective action plan finding #2015-004.**

**VILLAGE OF LENA**  
Corrective Action Plan  
Year Ended December 31, 2015

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**FINANCIAL STATEMENT FINDINGS**

**#2015-001 – Segregation of Duties** – The Village is aware of the lack of segregation of duties caused by the limited size of its staff. Segregation of duties is enhanced whenever possible and the Village Board assumes an active role through monthly review of receipt and disbursement transactions and monthly financial statements.

**#2015-002 – Financial Reporting** - The Village is aware that its staff does not have training to prepare financial statements and related notes in accordance with generally accepted accounting principles. The Village will rely on the assistance of the auditors for preparation of the financial statements and related notes. Management will continue to review and approve the audited financial statements by comparing them to internally generated financial reports and records.

**#2015-003 – Preparation of Schedule of Federal and State Awards** - The Village is aware of the requirement and will attempt to compile the information necessary to assure its compliance with this in the future.

**#2015-004 – Material Account Adjustments** - The Village is aware of the reasons for material account adjustments and will take necessary action to implement procedures for preparation of year-end adjustments.

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