

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016**

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
December 31, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Liberty Grove
Door County, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, and each major fund of the Town as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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 opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the Town of Liberty Grove, Wisconsin's 2015 financial statements, and our report dated March 9, 2016, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2017, on our consideration of the Town'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 the 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 Town's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
April 17, 2017

BASIC FINANCIAL STATEMENTS

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Net Position

December 31, 2016

(With summarized financial information as of December 31, 2015)

	Governmental Activities	Business-type Activities	Total	
			2016	2015
ASSETS				
Cash and investments	\$ 2,632,005	\$ 544,033	\$ 3,176,038	\$ 3,604,053
Receivables				
Accounts	13,199	23,933	37,132	47,634
Taxes	7,675,863	-	7,675,863	7,133,477
Tower investment	14,000	-	14,000	14,000
Inventories and prepaid items	30,812	-	30,812	80,505
Restricted assets				
Cash and investments	-	26,799	26,799	26,774
Investment in joint venture				
Fire Department	1,255,831	-	1,255,831	1,120,868
Capital assets, nondepreciable				
Land	1,813,111	8,000	1,821,111	1,821,111
Capital assets, depreciable				
Improvements other than buildings	201,753	157,883	359,636	261,731
Buildings	4,067,511	-	4,067,511	4,067,511
Machinery and equipment	1,596,752	791	1,597,543	1,660,194
Infrastructure	4,049,738	2,646,938	6,696,676	6,121,039
Less: Accumulated depreciation	(3,425,489)	(1,266,954)	(4,692,443)	(4,443,825)
TOTAL ASSETS	19,925,086	2,141,423	22,066,509	21,515,072
LIABILITIES				
Accounts payable	38,704	31,106	69,810	21,703
Accrued and other current liabilities	4,950	-	4,950	1,685
Accrued interest payable	11,733	-	11,733	17,347
Due to other governments	7,328,460	-	7,328,460	7,247,898
Long-term obligations				
Due within one year	606,202	-	606,202	596,202
Due in more than one year	634,418	-	634,418	1,242,732
TOTAL LIABILITIES	8,624,467	31,106	8,655,573	9,127,567
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	2,185,727	-	2,185,727	2,152,807
NET POSITION				
Net investment in capital assets	7,077,369	1,546,658	8,624,027	7,666,017
Restricted for capital assets	-	26,799	26,799	26,774
Unrestricted	2,037,523	536,860	2,574,383	2,541,907
TOTAL NET POSITION	\$ 9,114,892	\$ 2,110,317	\$ 11,225,209	\$ 10,234,698

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Activities

For the Year Ended December 31, 2016

(With summarized financial information for the year ended December 31, 2015)

Expenses	Program Revenues		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General government	\$ 389,483	\$ 89,718	\$ 596
Public safety	182,119	-	-
Public works	850,992	15,240	249,440
Culture, recreation and education	128,200	12,697	-
Health and human services	8,824	27,757	-
Conservation and development	52,001	-	-
Debt service	52,722	-	-
Total Governmental Activities	1,664,341	145,412	250,036
Business-type Activities			
Water utility	58,605	45,703	-
Sewer utility	108,722	60,256	-
Total Business-type Activities	167,327	105,959	-
Total	\$ 1,831,668	\$ 251,371	\$ 250,036

General revenues

Property taxes, levied for general purposes

Other taxes and fees

State and federal aids not restricted to specific functions

Interest and investment earnings

Miscellaneous

Gain on disposition of capital assets

Total general revenues

Change in net position

Net position - January 1

Net position - December 31

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	
		2016	2015

\$ (299,169)	\$ -	\$ (299,169)	\$ (301,417)
(182,119)	-	(182,119)	(314,016)
(586,312)	-	(586,312)	(414,695)
(115,503)	-	(115,503)	(54,604)
18,933	-	18,933	29,623
(52,001)	-	(52,001)	(30,870)
(52,722)	-	(52,722)	(70,951)
<u>(1,268,893)</u>	<u>-</u>	<u>(1,268,893)</u>	<u>(1,156,930)</u>

-	(12,902)	(12,902)	(18,788)
-	(48,466)	(48,466)	(32,397)
<u>-</u>	<u>(61,368)</u>	<u>(61,368)</u>	<u>(51,185)</u>

<u>(1,268,893)</u>	<u>(61,368)</u>	<u>(1,330,261)</u>	<u>(1,208,115)</u>
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2,139,307	13,468	2,152,775	2,145,681
95,972	-	95,972	87,329
57,244	-	57,244	40,267
2,308	2,739	5,047	5,180
6,141	293	6,434	142,614
3,300	-	3,300	27,138
<u>2,304,272</u>	<u>16,500</u>	<u>2,320,772</u>	<u>2,448,209</u>

1,035,379	(44,868)	990,511	1,240,094
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<u>8,079,513</u>	<u>2,155,185</u>	<u>10,234,698</u>	<u>8,994,604</u>
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<u>\$ 9,114,892</u>	<u>\$ 2,110,317</u>	<u>\$ 11,225,209</u>	<u>\$ 10,234,698</u>
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**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Balance Sheet - General Fund
December 31, 2016

(With summarized financial information as of December 31, 2015)

	2016	2015
ASSETS		
Cash and investments	\$ 2,632,005	\$ 3,059,099
Receivables		
Taxes	7,675,863	7,133,477
Accounts	13,199	22,989
Tower investment	14,000	14,000
Inventories and prepaid items	30,812	80,505
TOTAL ASSETS	\$ 10,365,879	\$ 10,310,070
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 38,704	\$ -
Payroll liabilities	4,950	1,685
Due to other governments	7,328,460	7,247,898
Total Liabilities	7,372,114	7,249,583
Deferred Inflows of Resources		
Property taxes levied for subsequent year	2,185,727	2,152,807
Tower investment	14,000	14,000
Total Deferred Inflows of Resources	2,199,727	2,166,807
Fund Balance		
Nonspendable for inventory and prepaid items	30,812	80,505
Committed		
Capital reserve	175,953	113,953
Parks capital outlay	32,226	10,226
Community kitchen	15,509	15,509
Public works carryover	110,000	16,033
Assigned		
Subsequent years budget	19,332	159,473
Subsequent years expenditures	87,205	215,553
Unassigned	323,001	282,428
Total Fund Balance	794,038	893,680
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 10,365,879	\$ 10,310,070

(Continued)

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Balance Sheet - General Fund (Continued)
December 31, 2016

(With summarized financial information as of December 31, 2015)

	2016	2015
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balance as shown above	\$ 794,038	\$ 893,680
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	8,303,376	7,907,246
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds		
Tower investment receivable	14,000	14,000
Investment in joint venture related to governmental activities	1,255,831	1,120,868
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(1,226,007)	(1,821,744)
Compensated absences	(14,613)	(17,190)
Accrued interest on long-term obligations	(11,733)	(17,347)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 3)	<u>\$ 9,114,892</u>	<u>\$ 8,079,513</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Revenues, Expenditures and Changes in Fund Balance -
General Fund

For the Year Ended December 31, 2016

(With summarized financial information for the year ended December 31, 2015)

	2016	2015
Revenues		
Taxes	\$ 2,234,392	\$ 2,219,402
Intergovernmental	308,221	328,093
Licenses and permits	72,858	64,596
Public charges for services	56,362	63,236
Intergovernmental charges for services	2,807	2,958
Miscellaneous	21,781	157,640
Total Revenues	2,696,421	2,835,925
Expenditures		
General government	380,728	378,628
Public safety	283,882	280,818
Public works	1,192,576	1,083,059
Culture, recreation and education	233,721	109,899
Health and human services	6,949	6,535
Conservation and development	52,001	30,870
Debt service		
Principal	595,737	586,202
Interest and fiscal charges	58,469	76,641
Total Expenditures	2,804,063	2,552,652
Excess of Revenues Over (Under) Expenditures	(107,642)	283,273
Other Financing Sources		
Sale of capital assets	8,000	30,717
Net Change in Fund Balance	(99,642)	313,990
Fund Balance - January 1	893,680	579,690
Fund Balance - December 31	\$ 794,038	\$ 893,680

(Continued)

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Revenues, Expenditures and Changes in Fund Balance -
General Fund (Continued)

For the Year Ended December 31, 2016

(With summarized financial information for the year ended December 31, 2015)

Reconciliation to the Statement of Activities

Net Change in Fund Balance as shown on previous page	\$	(99,642)	\$	313,990
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as expenditures in the governmental fund statements	708,381		651,221
Depreciation expense reported in the statement of activities	(298,851)		(276,108)

In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.

Proceeds from the disposition of capital assets as reported on the governmental funds operating statement	\$	(8,700)		
Loss on disposition reported on the statement of activities		(8,000)		
Gain on disposition reported on the statement of activities		<u>3,300</u>		
Book value of capital assets disposed of			(13,400)	(3,579)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. This year the accrual of these benefits decreased by:

	2,577		(17,190)
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Repayment of principal on long-term receivable and loans made are reported in the governmental funds as a revenue or expenditure, but are reported as a change in the long-term receivable in the statement of net position and does not affect the statement of activities. Current year activity consist of:

Tower investment receivable	-		14,000
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Payments to the Joint Fire District are reported as expenditures in the governmental funds. The statement of activities reports the change in the Town's investment in the Fire District at year end. This year the change in investment increased by:

	134,963		-
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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 is:

	595,737		586,202
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Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues.

	<u>5,614</u>		<u>5,691</u>
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Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see pages 4 and 5)

	<u>\$ 1,035,379</u>		<u>\$ 1,274,227</u>
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The notes to the basic financial statements are an integral part of this statement.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended December 31, 2016

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes	\$ 2,205,307	\$ 2,234,392	\$ 29,085
Intergovernmental	296,383	308,221	11,838
Licenses and permits	53,855	72,858	19,003
Public charges for services	43,795	56,362	12,567
Intergovernmental charges for services	3,300	2,807	(493)
Miscellaneous	16,900	21,781	4,881
Total Revenues	2,619,540	2,696,421	76,881
Expenditures			
General government	358,562	380,728	(22,166)
Public safety	297,033	283,882	13,151
Public works	1,058,183	1,192,576	(134,393)
Culture, recreation and education	200,585	233,721	(33,136)
Health and human services	16,032	6,949	9,083
Conservation and development	84,470	52,001	32,469
Debt service			
Principal	595,737	595,737	-
Interest and fiscal charges	58,204	58,469	(265)
Total Expenditures	2,668,806	2,804,063	(135,257)
Excess of Revenues Under Expenditures	(49,266)	(107,642)	(58,376)
Other Financing Sources			
Proceeds from sale of assets	-	8,000	8,000
Net Change in Fund Balance	(49,266)	(99,642)	(50,376)
Fund Balance - January 1	893,680	893,680	-
Fund Balance - December 31	\$ 844,414	\$ 794,038	\$ (50,376)

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Net Position

Proprietary Fund - Water and Sewer Utility Enterprise Fund

December 31, 2016

(With summarized financial information as of December 31, 2015)

	2016	2015
ASSETS		
Cash and investments	\$ 544,033	\$ 544,954
Receivables		
Accounts	23,933	24,645
Restricted assets		
Cash and investments	26,799	26,774
Capital assets, nondepreciable		
Land	8,000	8,000
Capital assets, depreciable		
Improvements other than buildings	157,883	157,883
Machinery and equipment	791	791
Infrastructure	2,646,938	2,638,577
Less: Accumulated depreciation	<u>(1,266,954)</u>	<u>(1,224,736)</u>
TOTAL ASSETS	<u>2,141,423</u>	<u>2,176,888</u>
LIABILITIES		
Accounts payable	<u>31,106</u>	<u>21,703</u>
NET POSITION		
Net investment in capital assets	1,546,658	1,580,515
Restricted for capital assets	26,799	26,774
Unrestricted	<u>536,860</u>	<u>547,896</u>
TOTAL NET POSITION	<u><u>\$ 2,110,317</u></u>	<u><u>\$ 2,155,185</u></u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund - Water and Sewer Utility Enterprise Fund
For the Year Ended December 31, 2016

(With summarized financial information for the year ended December 31, 2015)

	Water Utility	Sewer Utility	Total	
			2016	2015
Operating Revenues				
Charges for services	\$ 42,711	\$ 60,117	\$ 102,828	\$ 105,825
Other	2,992	139	3,131	3,123
Total Operating Revenues	45,703	60,256	105,959	108,948
Operating Expenses				
Operation and maintenance	31,173	84,752	115,925	107,673
Administrative and general	5,581	486	6,067	7,299
Depreciation	21,779	23,484	45,263	45,116
Taxes	72	-	72	45
Total Operating Expenses	58,605	108,722	167,327	160,133
Operating Loss	\$ (12,902)	\$ (48,466)	(61,368)	(51,185)
Nonoperating Revenues				
Interest income			2,739	3,526
Town property tax levy			13,468	13,467
Miscellaneous			293	59
Total Nonoperating Revenues			16,500	17,052
Change in Net Position			(44,868)	(34,133)
Net Position - January 1			2,155,185	2,189,318
Net Position - December 31			\$ 2,110,317	\$ 2,155,185

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**

Statement of Cash Flows

Proprietary Fund - Water and Sewer Utility Enterprise Fund

For the Year Ended December 31, 2016

(With summarized financial information for the year ended December 31, 2015)

	2016	2015
Cash Flows from Operating Activities		
Cash received from user charges	\$ 106,671	\$ 108,903
Cash payments to suppliers and contractors	(112,661)	(115,732)
Net Cash Used by Operating Activities	<u>(5,990)</u>	<u>(6,829)</u>
Cash Flows from Noncapital Financing Activities		
Cash received from miscellaneous revenues	293	59
Property tax levy	13,468	13,467
Net Cash Provided by Noncapital Financing Activities	<u>13,761</u>	<u>13,526</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(11,406)	-
Collection of special assessments	-	9,574
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(11,406)</u>	<u>9,574</u>
Cash Flows from Investing Activities		
Interest received	<u>2,739</u>	<u>3,526</u>
Change in Cash and Cash Equivalents	(896)	19,797
Cash and Cash Equivalents - Beginning of Year	<u>571,728</u>	<u>551,931</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 570,832</u></u>	<u><u>\$ 571,728</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	\$ (61,368)	\$ (51,185)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	45,263	45,116
Changes in assets and liabilities		
Accounts receivable	712	(45)
Accounts payable	9,403	(715)
Net Cash Used by Operating Activities	<u><u>\$ (5,990)</u></u>	<u><u>\$ (6,829)</u></u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and investments	\$ 544,033	\$ 544,954
Restricted assets	26,799	26,774
Total cash and cash equivalents	<u><u>\$ 570,832</u></u>	<u><u>\$ 571,728</u></u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Liberty Grove, Wisconsin (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Town are described below:

1. Reporting Entity

The Town of Liberty Grove, Wisconsin, is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town. The component unit discussed below is included in the Town's reporting entity because of the significance of their operational and/or financial relationship with the Town.

2. Component Unit Disclosure

The Town of Liberty Grove Sanitary District #1 (District) is governed by the five member Town Board of Liberty Grove. Although legally separate from the Town, the District is reported as if it was part of the primary government because the Town Board is serving as their governing body. The District provides water and sanitary services to parts of the Town.

3. Joint Ventures

Sister Bay/Liberty Grove Joint Fire Department

The Town of Liberty Grove and the Village of Sister Bay formed a joint fire department in the 1930's to provide for services to its citizens. An intergovernmental agreement was adopted in 2010 to provide for the continuing operation of the joint fire department. The agreement creates a Fire Board composed of three members from the Town of Liberty Grove and two from Sister Bay Boards. All Fire Board members shall be elected officials of the Town and Village. In accordance with the agreement, the costs of these services are shared by the Town and Village on a basis of 2/3 of the cost being paid by the Town and 1/3 of the cost being paid by the Village. These percentages are based on the approximate percentage of the assessed property value of the Town and the Village to the total assessed property of each entity combined. During 2016, the Town remitted \$241,580 to the joint fire department. The Town has an equity interest in the net position of the Sister Bay/Liberty Grove Joint Fire Department. At December 31, 2016 the Town's equity interest was \$1,255,831. Complete financial information for Sister Bay/Liberty Grove Fire Department can be obtained from the department office in Sister Bay.

Joint Public Library Facility

The Town of Liberty Grove and the Village of Sister Bay entered into an agreement on June 12, 2001 for the purpose of constructing and maintaining a building to be used as a joint public library facility. The construction costs and annual building operation and maintenance costs are financed 1/2 by the Town and 1/2 by the Village. The Sister Bay Liberty Grove Library Building Commission is governed by a six member board of commissioners composed of three members from Liberty Grove and 3 members from Sister Bay. During 2016, the Town remitted an operating appropriation of \$30,000 to the joint library facility. The Town accounts for its share of the operations in the general fund. The Town does not have an equity interest in the joint venture. Complete financial statements for the Sister Bay Liberty Grove Library Building Commission can be obtained from the Commission located in Sister Bay, Wisconsin.

The operation of the library is part of the Door County Consolidated Library System in accordance with an agreement with Door County.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Jointly Governed Organization

DOOR COUNTY TOURISM ZONE

The Town of Liberty Grove is a participant with all other Door County municipalities in a joint venture to create the Door County Tourism Zone as prescribed under Wisconsin Statute 66.0615. The Tourism Zone is responsible for collecting a 5.5% room tax on the gross receipts from retail furnishing of rooms or lodgings over all of the member municipalities. The Tourism Zone pays 66% of the room tax collected to the Door County Visitor Bureau, 30% to the member municipalities and retains 4% for its operations. During 2016, the Town of Liberty Grove received \$93,636 of room tax from the Tourism Zone. Complete financial information for the Door County Tourism Zone Commission can be obtained from their office in Sister Bay.

5. Government-wide and Fund 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 Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services.

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

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include the general fund. Proprietary funds include the enterprise fund. The Town has no internal service funds.

The Town reports the following major governmental fund:

GENERAL FUND

This is the Town's main operating fund. It accounts for all financial resources of the general government.

The Town reports the following major enterprise fund:

WATER AND SEWER UTILITY FUND

This fund accounts for the operations of the Town of Liberty Grove Sanitary District #1.

6. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and 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.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town 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.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and wastewater functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 Town's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

7. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants in an orderly transaction between market participants at the measurement date. 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 date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable of proprietary funds is recorded at gross amount 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 basic financial statements.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

d. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by nonspendable fund balance amounts to indicate that they do not represent spendable available financial resources.

e. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The Town does not have a formal capitalization policy. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Governmental Activities	Business-type Activities
	Years	
<u>Assets</u>		
Improvements other than buildings	25 - 50	25 - 100
Buildings	25 - 40	25 - 40
Machinery and equipment	10 - 20	3 - 10
Infrastructure	25 - 50	18 - 135

f. Compensated absences

It is the Town's policy to permit employees to accumulate earned but unused sick leave benefits. All sick leave is accrued when incurred in the government-wide statements. A liability for these amounts is reported in the general fund only if they have matured, for example, as a result of employee resignations and retirements.

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently does not have any items that qualify for reporting in this category.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied. The Town also has an additional type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, tower investment receivable. The amount is deferred and recognized as an inflow of resources in the period the amount becomes available.

h. Long-term Obligations

In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses in the government-wide and proprietary fund financial statements.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

i. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance** - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- **Restricted fund balance** - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** - Amounts that are constrained for specific purposes by action of the Town Board. These constraints can only be removed or changed by the Town Board using the same action that was used to create them.
- **Assigned fund balance** - Amounts that are constrained for specific purposes by action of Town management. The Town Board has not authorized an employee to assign fund balance.
- **Unassigned fund balance** - Amounts that are available for any purpose.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net position - Net position that is neither classified as restricted nor as net investment in capital assets.

8. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

9. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Town's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

NOTE B - STEWARDSHIP AND COMPLIANCE

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. During November, the Town Clerk and Administrator submit 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 Town Board action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. 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.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2016

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

3. During the year, formal budgetary integration is employed as a management control device for the general fund.
4. Expenditures may not exceed appropriations at the function level for the Town. Amendments to the budget during the year are authorized by the Town Board.
5. Encumbrance accounting is not formally used by the Town.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2016.

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Town maintains various cash and investment accounts. Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the Town's cash and investments totaled \$3,202,837 on December 31, 2016 and consisted entirely of deposits with financial institutions.

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position

Cash and investments	\$ 3,176,038
Restricted cash and investments	26,799
	<u>\$ 3,202,837</u>

Fair Value Measurements

The Town implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending December 31, 2016. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Town currently has no investments subject to fair value measurement.

Deposits and investments of the Town are subject to various risks. The following is a discussion of the specific risks and the Town's policy related to the risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Town does not have an additional custodial credit risk policy.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2016, \$1,895,494 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits and uncollateralized. Uninsured deposits consist entirely of advance tax collections that will be remitted to other local governments in January of 2017.

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year 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 January 31 are purchased by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Town.

The Town bills and collects its own property taxes and also levies and collects taxes for the Gibraltar School District, Door County, Northeast Wisconsin Technical College and the State of Wisconsin. The Town contracts with Door County to perform the tax collection function.

3. Restricted Assets

Restricted assets on December 31, 2016 totaled \$26,799 and consisted of cash and investments collected from water utility impact fees.

4. Tower Investment Receivable

In 2015, the Town entered into an agreement with a private entity to lease Town property on which a wireless tower will be constructed. Under terms of the agreement, the Town will receive monthly lease rental payments in various amounts dependent upon certain conditions.

As part of the lease agreement, the Town has provided \$14,000 toward the cost of tower construction. The Town will own a portion of the tower equal to its initial investment of \$14,000 until the private entity reaches specified numbers of subscribers. Upon reaching the first level of subscribers, the Town will be repaid \$7,000 of its investment. The remaining \$7,000 will be repaid upon reaching the second level of subscribers.

The Town has recorded its \$14,000 investment in this project as a receivable in the Statement of Net Position and the Balance Sheet.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,813,111	\$ -	\$ -	\$ 1,813,111
Capital assets, being depreciated:				
Improvements other buildings	103,848	97,905	-	201,753
Buildings	4,067,511	-	-	4,067,511
Machinery and equipment	1,659,403	43,200	105,851	1,596,752
Infrastructure	3,482,462	567,276	-	4,049,738
Subtotals	9,313,224	708,381	105,851	9,915,754
Less accumulated depreciation	(3,219,089)	(298,851)	(92,451)	(3,425,489)
Total capital assets, being depreciated, net	6,094,135	409,530	13,400	6,490,265
Governmental activities capital assets, net	<u>\$ 7,907,246</u>	<u>\$ 409,530</u>	<u>\$ 13,400</u>	8,303,376
Less related long-term debt outstanding				<u>1,226,007</u>
Net investment in capital assets				<u><u>\$ 7,077,369</u></u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Capital assets, being depreciated:				
Improvements other buildings	157,883	-	-	157,883
Machinery and equipment	791	-	-	791
Infrastructure	2,638,577	11,406	3,045	2,646,938
Subtotals	2,797,251	11,406	3,045	2,805,612
Less accumulated depreciation	(1,224,736)	(45,263)	(3,045)	(1,266,954)
Total capital assets, being depreciated, net	1,572,515	(33,857)	-	1,538,658
Business-type activities capital assets, net	<u>\$ 1,580,515</u>	<u>\$ (33,857)</u>	<u>\$ -</u>	1,546,658
Less related long-term debt outstanding				<u>-</u>
Net investment in capital assets				<u><u>\$ 1,546,658</u></u>

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities		
General government	\$	18,287
Public safety		33,199
Public works		234,906
Culture, recreation and education		10,584
Health and human services		1,875
Total depreciation expense - governmental activities	\$	<u>298,851</u>
Business-type activities		
Water	\$	21,779
Sewer		23,484
Total depreciation expense - business-type activities	\$	<u>45,263</u>

6. Long-term Obligations

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2016:

	Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes	\$ 680,000	\$ -	\$ 215,000	\$ 465,000	\$ 225,000
Bank loans	1,141,744	-	380,737	761,007	381,202
Compensated absences	17,190	-	2,577	14,613	-
Total Long-term Obligations	<u>\$ 1,838,934</u>	<u>\$ -</u>	<u>\$ 598,314</u>	<u>\$ 1,240,620</u>	<u>\$ 606,202</u>

Total interest paid during the year on long-term obligations totaled \$58,194.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes		
\$2,570,000 of promissory notes issued in 2008; \$225,000 due in 2017 and \$240,000 due in 2018; interest at 5.00%	\$	465,000
Bank Loans		
\$870,000 loan issued in 2014; \$217,500 due annually through 2018; interest at 1.96%		435,000
\$750,000 loan issued in 2014; \$162,306 to \$163,702 due annually through 2018; interest at 2.25%		<u>326,007</u>
Total Outstanding General Obligation Debt	\$	<u>1,226,007</u>

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$1,226,007 on December 31, 2016 are detailed below:

Year Ended December 31	Principal	Interest	Total
2017	\$ 606,202	\$ 39,321	\$ 645,523
2018	619,805	20,014	639,819
	<u>\$ 1,226,007</u>	<u>\$ 59,335</u>	<u>\$ 1,285,342</u>

Legal Margin for New Debt

The Town and Sanitary District have separate legal debt margins. The Town's legal margin for creation of additional general obligation debt on December 31, 2016 was \$44,700,408 as follows:

Equalized valuation of the Town	\$ 918,528,300
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	45,926,415
Outstanding general obligation debt applicable to debt limitation	1,226,007
Legal Margin for New Debt	<u>\$ 44,700,408</u>

The Sanitary District's legal margin for the creation of additional general obligation debt on December 31, 2016 was \$45,926,415 as follows:

Equalized valuation of the Sanitary District	\$ 918,528,300
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	45,926,415
Outstanding general obligation debt applicable to debt limitation	-
Legal Margin for New Debt	<u>\$ 45,926,415</u>

NOTE D - OTHER INFORMATION

1. Retirement Commitments

The Town has a deferred compensation plan for its employees established by Section 457(B) of the IRS code. The Town contributes 5% of salary for each full-time employee. Employees are eligible to increase the total contributions up to the IRS limits. In 2016, the maximum contributions for each employee were \$18,000 or \$24,000 for those employees age 50 or older.

2. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Town completes an annual review of its insurance coverage to ensure adequate coverage.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE D - OTHER INFORMATION (Continued)

3. Contingencies

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

In December 2015, the Town billed the Village of Sister Bay for the Town's portion of the sale of property and Wisconsin Department of Natural Resources grant money retained by the Village. In 2016, the Town billed the Village of Sister Bay interest on the amount. The amount totaled \$149,211. However, due to the uncertainty of collection, the revenue and corresponding receivable have not been recorded on the Town's general ledger, and the balance is not reflected in the Town's 2016 annual financial report. Any amount the Town collects from the Village will be reflected at the time of collection.

4. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2016 and 2017 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2016 budget was 0.33%. The actual limit for the Town for the 2017 budget was 1.21%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

SUPPLEMENTARY INFORMATION

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Detailed Schedule of General Fund Revenues
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)
Taxes			
Property taxes	\$ 2,139,307	\$ 2,139,307	\$ -
Managed forest lands	4,500	1,395	(3,105)
Room	60,000	93,636	33,636
Delinquent personal property collections	1,500	-	(1,500)
Interest and penalties on taxes	-	54	54
Total Taxes	2,205,307	2,234,392	29,085
Intergovernmental			
State aid			
Shared taxes	20,000	20,428	428
Fire insurance	26,000	25,537	(463)
Exempt computer aid	280	274	(6)
Transportation aid	223,503	223,503	-
Other highway aid	-	20,000	20,000
Recycling grant	5,200	5,937	737
Aids in lieu of taxes	21,000	11,005	(9,995)
Forest croplands	400	941	541
Municipal services	-	596	596
Total Intergovernmental	296,383	308,221	11,838
Licenses and Permits			
Liquor and other licenses	8,955	10,055	1,100
Dog licenses	200	131	(69)
Building permits	35,000	46,601	11,601
Sanitary inspections	-	600	600
Franchise fee - cable TV	9,500	15,071	5,571
Other permits and fees	200	400	200
Total Licenses and Permits	53,855	72,858	19,003
Public Charges for Services			
General government	3,795	3,875	80
Highway	-	14,840	14,840
Docks	23,000	12,697	(10,303)
Cemetery	17,000	24,950	7,950
Total Charges for Services	43,795	56,362	12,567
Intergovernmental Charges for Services			
Public works	3,300	2,807	(493)
Miscellaneous			
Interest	1,000	2,254	1,254
Rent	11,400	13,386	1,986
Insurance recoveries	-	36	36
Refunds	500	2,018	1,518
Miscellaneous	4,000	4,087	87
Total Miscellaneous	16,900	21,781	4,881
Total Revenues	\$ 2,619,540	\$ 2,696,421	\$ 76,881

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Detailed Schedule of General Fund Expenditures
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)
General Government			
Board	\$ 54,200	\$ 43,233	\$ 10,967
Legal	-	5,010	(5,010)
Clerk	37,452	61,255	(23,803)
Treasurer	66,660	60,572	6,088
Office wages and expenses	97,319	98,021	(702)
Elections	6,200	6,029	171
Assessment of property	40,900	41,018	(118)
Hall	16,831	19,027	(2,196)
Insurance	34,000	35,120	(1,120)
Information technology	5,000	415	4,585
Other general government	-	8,278	(8,278)
Capital outlay	-	2,750	(2,750)
Total General Government	358,562	380,728	(22,166)
Public Safety			
Fire protection	267,230	253,657	13,573
Building inspection	29,803	30,225	(422)
Total Public Safety	297,033	283,882	13,151
Public Works			
Highway maintenance	371,043	444,102	(73,059)
Streets and highway outlay - roads	644,840	711,976	(67,136)
Street lightning	15,300	13,327	1,973
Recycling	27,000	23,171	3,829
Total Public Works	1,058,183	1,192,576	(134,393)
Culture, Recreation and Education			
Library	30,000	30,000	-
Parks	132,885	187,422	(54,537)
Community center	37,700	16,299	21,401
Total Culture, Recreation and Education	200,585	233,721	(33,136)
Health and Human Services			
Animal control	400	273	127
Cemeteries	15,632	6,676	8,956
Total Health and Human Services	16,032	6,949	9,083
Conservation and Development			
Land use planning	4,400	-	4,400
Economic development	80,070	52,001	28,069
Total Conservation and Development	84,470	52,001	32,469
Debt Service			
Principal	595,737	595,737	-
Interest and fiscal charges	58,204	58,469	(265)
Total Debt service	653,941	654,206	(265)
Total Expenditures	\$ 2,668,806	\$ 2,804,063	\$ (135,257)

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

**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 Town Board
Town of Liberty Grove
Door County, 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, and each major fund of the Town of Liberty Grove, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Liberty Grove, Wisconsin's basic financial statements, and have issued our report thereon dated April 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Liberty Grove, Wisconsin'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 Town of Liberty Grove, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Liberty Grove, Wisconsin'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 accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be material weakness and other deficiencies that we consider to be significant deficiencies.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2016-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-002 and 2016-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Liberty Grove, Wisconsin'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*.

Town of Liberty Grove, Wisconsin's Response to Findings

The Town of Liberty Grove, Wisconsin's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Liberty Grove, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the Town of Liberty, Wisconsin'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 Town of Liberty Grove, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
April 17, 2017

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Schedule of Findings and Responses
For the Year Ended December 31, 2016

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2016-001	Segregation of Duties - Clerk/Treasurer
	Repeat of Finding 2015-001
Condition:	The Town has a combined clerk/treasurer position to essentially complete all financial and recordkeeping duties of the general Town's operations. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of Town's operations. In addition, the Town has not completed a risk assessment and review of internal controls to identify additional mitigating and compensating controls which could be implemented to reduce the risk of errors or intentional fraud.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the Town perform a risk assessment of its operations and current procedures to identify and implement mitigating controls to reduce the risk of errors and intentional fraud. We also recommend the Town Board continue to monitor the transactions and the financial records of the Town.
Management Response:	Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2016

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2016-002	Preparation of Annual Financial Report
	Repeat of Finding 2015-002
Condition:	Current Town staff maintains accounting records which reflect the Town's financial transactions; however, preparing the Town's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The Town contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the Town contracts with us to compile the Wisconsin Municipal Report Form C and the Public Service Commission Report.
Criteria:	The preparation and review of the annual financial report, Municipal Financial Report, and Public Service Commission Report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or other required State Financial reports.
Cause:	Town management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the Town may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the Town continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Town is necessary to obtain a complete and adequate understanding of the Town's annual financial report, Municipal Financial Report and Public Service Commission Report.
Management Response:	Management believes the cost for additional staff time and training to prepare year end reports outweigh the benefits to be received. Management will continue to review and approve the financial information.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2016

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
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2016-003 Adjustments to the Town's Financial Records

Repeat of Finding 2015-003

Condition: As part of our 2016 audit, we proposed adjusting journal entries that were material to the Town's financial statements.

Criteria: Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.

Cause: While Town staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.

Effect: Year-end financial records prepared by the Town may contain material misstatements.

Recommendation: We recommend the Town designate an individual to obtain additional training in order to prepare the adjusting and closing entries. We are available to assist the individual in obtaining the understanding to prepare these entries.

Management Response: Management believes the cost for additional staff time and training to record adjusting entries outweigh the benefits to be received. Management will continue to review information prepared by Schenck.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2016.