

Town of Liberty Grove
Door County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2017

Town of Liberty Grove Door County, Wisconsin

DECEMBER 31, 2017

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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, Door County, Wisconsin (the "Town") as of and for the year ended December 31, 2017, 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, 2017, 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's 2016 financial statements, and our report dated April 17, 2017, 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, 2016, 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 March 26, 2018, 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

March 26, 2018

BASIC FINANCIAL STATEMENTS

Town of Liberty Grove

Door County, Wisconsin

STATEMENT OF NET POSITION

DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Totals	
			2017	2016
ASSETS				
Cash and investments	\$ 3,009,506	\$ 530,903	\$ 3,540,409	\$ 3,176,038
Receivables				
Taxes and special charges	7,328,082	-	7,328,082	7,675,863
Accounts	27,015	23,608	50,623	37,132
Tower investment	7,000	-	7,000	14,000
Inventories	52,380	-	52,380	30,812
Investment in joint venture fire department	1,140,744	-	1,140,744	1,255,831
Restricted assets				
Cash and investments	-	34,496	34,496	26,799
Capital assets, nondepreciable	1,813,111	8,000	1,821,111	1,821,111
Capital assets, depreciable	6,722,347	1,496,416	8,218,763	8,028,923
Total assets	20,100,185	2,093,423	22,193,608	22,066,509
LIABILITIES				
Accounts payable	8,210	25,028	33,238	69,810
Accrued and other current liabilities	8,232	-	8,232	4,950
Due to other governments	7,219,870	-	7,219,870	7,328,460
Accrued interest payable	5,995	-	5,995	11,733
Long-term obligations				
Due within one year	620,736	-	620,736	606,202
Due in more than one year	16,736	-	16,736	634,418
Total liabilities	7,879,779	25,028	7,904,807	8,655,573
DEFERRED INFLOWS OF RESOURCES				
Property taxes levied for subsequent year	2,196,904	-	2,196,904	2,185,727
NET POSITION				
Net investment in capital assets	7,914,722	1,504,416	9,419,138	8,624,027
Restricted for capital assets	-	34,496	34,496	26,799
Unrestricted	2,108,780	529,483	2,638,263	2,574,383
Total net position	\$ 10,023,502	\$ 2,068,395	\$ 12,091,897	\$ 11,225,209

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, 2017

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 389,986	\$ 95,571	\$ -	\$ -
Public safety	476,441	-	-	-
Public works	758,886	4,868	228,249	-
Health and human services	9,547	36,770	-	-
Culture and recreation	137,803	18,474	-	48,057
Conservation and development	61,220	-	-	-
Interest and fiscal charges	34,026	-	-	-
Total governmental activities	<u>1,867,909</u>	<u>155,683</u>	<u>228,249</u>	<u>48,057</u>
BUSINESS-TYPE ACTIVITIES				
Water utility	72,124	51,810	-	-
Sewer utility	99,017	60,066	-	-
Total business-type activities	<u>171,141</u>	<u>111,876</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,039,050</u>	<u>\$ 267,559</u>	<u>\$ 228,249</u>	<u>\$ 48,057</u>

General revenues

Taxes

Property taxes

Other taxes

Federal and state grants and other contributions
not restricted to specific functions

Interest and investment earnings

Miscellaneous

Gain on sale of asset

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	Totals	
		2017	2016
\$ (294,415)	\$ -	\$ (294,415)	\$ (299,169)
(476,441)	-	(476,441)	(182,119)
(525,769)	-	(525,769)	(586,312)
27,223	-	27,223	18,933
(71,272)	-	(71,272)	(115,503)
(61,220)	-	(61,220)	(52,001)
(34,026)	-	(34,026)	(52,722)
<u>(1,435,920)</u>	<u>-</u>	<u>(1,435,920)</u>	<u>(1,268,893)</u>
-	(20,314)	(20,314)	(13,387)
-	(38,951)	(38,951)	(47,981)
-	(59,265)	(59,265)	(61,368)
<u>(1,435,920)</u>	<u>(59,265)</u>	<u>(1,495,185)</u>	<u>(1,330,261)</u>
2,172,227	13,462	2,185,689	2,152,775
98,594	-	98,594	95,972
58,305	-	58,305	57,244
7,443	3,447	10,890	5,047
7,961	434	8,395	6,434
-	-	-	3,300
<u>2,344,530</u>	<u>17,343</u>	<u>2,361,873</u>	<u>2,320,772</u>
908,610	(41,922)	866,688	990,511
<u>9,114,892</u>	<u>2,110,317</u>	<u>11,225,209</u>	<u>10,234,698</u>
<u>\$ 10,023,502</u>	<u>\$ 2,068,395</u>	<u>\$ 12,091,897</u>	<u>\$ 11,225,209</u>

Town of Liberty Grove

Door County, Wisconsin

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2017

WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	2017	2016
ASSETS		
Cash and investments	\$ 3,009,506	\$ 2,632,005
Receivables		
Taxes and special charges	7,328,082	7,675,863
Accounts	27,015	13,199
Tower investment	7,000	14,000
Inventories	52,380	30,812
Total assets	<u>\$ 10,423,983</u>	<u>\$ 10,365,879</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 8,210	\$ 38,703
Accrued and other current liabilities	8,232	4,951
Due to other governments	7,219,870	7,328,460
Total liabilities	<u>7,236,312</u>	<u>7,372,114</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	2,196,904	2,185,727
Tower investment receivable	7,000	14,000
Total deferred inflows of resources	<u>2,203,904</u>	<u>2,199,727</u>
Fund balances		
Nonspendable	52,380	30,812
Committed	370,808	333,688
Assigned	122,356	106,537
Unassigned	438,223	323,001
Total fund balances	<u>983,767</u>	<u>794,038</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,423,983</u>	<u>\$ 10,365,879</u>

Town of Liberty Grove

Door County, Wisconsin

BALANCE SHEET

GENERAL FUND

DECEMBER 31, 2017

WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	2017	2016
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 983,767	\$ 794,038
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.	8,535,458	8,303,376
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	7,000	14,000
Investment in joint venture related to governmental activities	1,140,744	1,255,831
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(620,736)	(1,226,007)
Compensated absences	(16,736)	(14,613)
Accrued interest on long-term obligations	(5,995)	(11,733)
Net position of governmental activities as reported on the Statement of Net Position (see page 3)	<u>\$ 10,023,502</u>	<u>\$ 9,114,892</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, 2017

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017	2016
REVENUES		
Taxes	\$ 2,271,245	\$ 2,234,392
Intergovernmental	334,611	308,221
Licenses and permits	77,178	72,858
Public charges for services	62,077	56,362
Intergovernmental charges for services	3,170	2,807
Miscellaneous	28,038	21,781
Total revenues	2,776,319	2,696,421
EXPENDITURES		
Current		
General government	369,998	377,976
Public safety	315,967	283,882
Public works	405,272	480,733
Health and human services	7,672	6,722
Culture and recreation	108,712	108,020
Conservation and development	61,220	52,001
Debt service		
Principal	605,271	595,737
Interest and fiscal charges	39,764	58,336
Capital outlay	672,714	840,656
Total expenditures	2,586,590	2,804,063
Excess of revenues over (under) expenditures	189,729	(107,642)
OTHER FINANCING SOURCES		
Proceeds from sale of capital assets	-	8,000
Net change in fund balance	189,729	(99,642)
Fund balance - January 1	794,038	893,680
Fund balance - December 31	\$ 983,767	\$ 794,038

Town of Liberty Grove

Door County, Wisconsin

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2017</u>	<u>2016</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ 189,729	\$ (99,642)
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 capital outlay in governmental fund statements	582,470	708,381
Depreciation expense reported in the statement of activities	(322,636)	(298,851)
Net book value of disposals	(27,752)	(13,400)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	(7,000)	-
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. The change in investment increased (decreased) by:	(115,087)	134,963
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repaid	605,271	595,737
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	5,738	5,614
Compensated absences	(2,123)	2,577
Change in net position of governmental activities as reported in the statement of activities (see page 4)	<u>\$ 908,610</u>	<u>\$ 1,035,379</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
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)	2016 Actual
REVENUES				
Taxes	\$ 2,248,556	\$ 2,271,245	\$ 22,689	\$ 2,234,392
Intergovernmental	296,383	334,611	38,228	308,221
Licenses and permits	53,855	77,178	23,323	72,858
Public charges for services	43,795	62,077	18,282	56,362
Intergovernmental charges for services	3,100	3,170	70	2,807
Miscellaneous	22,450	28,038	5,588	21,781
Total revenues	<u>2,668,139</u>	<u>2,776,319</u>	<u>108,180</u>	<u>2,696,421</u>
EXPENDITURES				
Current				
General government	390,629	369,998	20,631	377,976
Public safety	304,573	315,967	(11,394)	283,882
Public works	458,999	405,272	53,727	480,733
Health and human services	14,381	7,672	6,709	6,722
Culture and recreation	92,749	108,712	(15,963)	108,020
Conservation and development	72,920	61,220	11,700	52,001
Debt service				
Principal	605,737	605,271	466	595,737
Interest and fiscal charges	39,343	39,764	(421)	58,336
Capital outlay	708,350	672,714	35,636	840,656
Total expenditures	<u>2,687,681</u>	<u>2,586,590</u>	<u>101,091</u>	<u>2,804,063</u>
Excess of revenues over (under) expenditures	<u>(19,542)</u>	<u>189,729</u>	<u>209,271</u>	<u>(107,642)</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	210	-	(210)	8,000
Net change in fund balance	<u>(19,332)</u>	<u>189,729</u>	<u>209,061</u>	<u>(99,642)</u>
Fund balance - January 1	<u>794,038</u>	<u>794,038</u>	<u>-</u>	<u>893,680</u>
Fund balance - December 31	<u>\$ 774,706</u>	<u>\$ 983,767</u>	<u>\$ 209,061</u>	<u>\$ 794,038</u>

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

DECEMBER 31, 2017

WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and investments	\$ 530,903	\$ 544,033
Receivables		
Customer accounts	<u>23,608</u>	<u>23,933</u>
Total current assets	<u>554,511</u>	<u>567,966</u>
Noncurrent assets		
Restricted assets		
Cash and investments	<u>34,496</u>	<u>26,799</u>
Capital assets		
Nondepreciable	8,000	8,000
Depreciable	<u>1,496,416</u>	<u>1,538,658</u>
Total capital assets	<u>1,504,416</u>	<u>1,546,658</u>
Total assets	<u>2,093,423</u>	<u>2,141,423</u>
LIABILITIES		
Current liabilities		
Accounts payable	<u>25,028</u>	<u>31,106</u>
NET POSITION		
Net investment in capital assets	1,504,416	1,546,658
Restricted for capital assets	34,496	26,799
Unrestricted	<u>529,483</u>	<u>536,860</u>
Total net position	<u>\$ 2,068,395</u>	<u>\$ 2,110,317</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

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	Water Utility	Sewer Utility	Totals	
			2017	2016
OPERATING REVENUES				
Charges for services	\$ 44,042	\$ 59,498	\$ 103,540	\$ 105,374
Other	7,768	568	8,336	585
Total operating revenues	51,810	60,066	111,876	105,959
OPERATING EXPENSES				
Operation and maintenance	43,899	69,793	113,692	110,829
Administrative and general	6,474	5,612	12,086	11,163
Depreciation	21,698	23,612	45,310	45,263
Taxes	53	-	53	72
Total operating expenses	72,124	99,017	171,141	167,327
Operating loss	(20,314)	(38,951)	(59,265)	(61,368)
NONOPERATING REVENUES				
General property taxes			13,462	13,468
Interest income			3,447	2,739
Other nonoperating revenues			434	293
Total nonoperating revenues			17,343	16,500
Change in net position			(41,922)	(44,868)
Net position - January 1			2,110,317	2,155,185
Net position - December 31			<u>\$ 2,068,395</u>	<u>\$ 2,110,317</u>

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

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 112,201	\$ 106,671
Cash paid for services provided	(131,909)	(112,661)
Net cash used by operating activities	(19,708)	(5,990)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
General property taxes	13,462	13,468
Other non-operating revenues	434	293
Net cash provided by noncapital financing activities	13,896	13,761
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(3,068)	(11,406)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	3,447	2,739
Change in cash and investments	(5,433)	(896)
Cash and investments - January 1	570,832	571,728
Cash and investments - December 31	<u>\$ 565,399</u>	<u>\$ 570,832</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (59,265)	\$ (61,368)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	45,310	45,263
Change in operating assets and liabilities		
Accounts receivables	325	712
Accounts payable	(6,078)	9,403
Net cash used by operating activities	<u>\$ (19,708)</u>	<u>\$ (5,990)</u>
Reconciliation of cash and cash equivalents to the statement of net position		
Cash and cash equivalents in current assets	\$ 530,903	\$ 544,033
Cash and cash equivalents in restricted assets	34,496	26,799
Total cash and investments	<u>\$ 565,399</u>	<u>\$ 570,832</u>
Noncash capital and related financing activities		
None		

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, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Liberty Grove, Door County, 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:

A. REPORTING ENTITY

The Town 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 Town has identified the following component unit that is required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

Town of Liberty Grove Sanitary District #1

The Town of Liberty Grove Sanitary District #1 (the "District") is governed by a 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.

B. JOINT VENTURE

Sister Bay/Liberty Grove Joint Fire Department

The Town 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 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 the 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 2017, the Town remitted \$259,823 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, 2017 the Town's equity interest was \$1,140,744. Complete financial information for Sister Bay/Liberty Grove Joint Fire Department can be obtained from the department office in Sister Bay, Wisconsin.

Joint Public Library Facility

The Town 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 the Town and three members from Sister Bay. During 2017, 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, 2017

Jointly Governed Organization

Door County Tourism Zone

The Town 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 2017, the Town of Liberty Grove received \$97,206 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, Wisconsin.

C. 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 and proprietary funds. Governmental funds include the general fund. Proprietary funds include the enterprise fund. The Town has no internal service funds. The major individual government fund and major individual enterprise fund are reported as separate columns in the fund financial statements.

The Town reports the following major governmental fund:

General Fund

This is the Town's primary 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.

D. 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as 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, 2017

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

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

1. 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 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.

2. Property Taxes and Special Charges Receivable

Property taxes and special charges consist of taxes on real estate and personal property and user charges assessed against Town properties. 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 and special charges 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. Special charges not paid by January 31 are held in trust by the County and remitted to the Town, including interest, when collected by the County.

Town of Liberty Grove

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

In addition to its levy, the Town 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.

2. 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 basic financial statements.

3. 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.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns 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 of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities	Business-type Activities
	Years	
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

5. Compensated Absences

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

6. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

Town of Liberty Grove Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Governmental funds may report deferred inflows of resources for unavailable revenues. The Town reports unavailable revenues for tower investment receivable. These inflows are recognized as revenues in the government-wide financial statements.

7. Long-term Obligations

In the government-wide financial statements, and proprietary funds 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. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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.

8. 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.

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.

Town of Liberty Grove

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

- ▶ **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.

F. 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.

G. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the Town's financial position and operations. The comparative amounts may be summarized in total and 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 government's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

H. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

Town of Liberty Grove

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. During November, Town management submits to the Town 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 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.
3. During the year, formal budgetary integration is employed as a management control device for the general fund.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.
5. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2017.

B. EXCESS OF EXPENDITURES OVER BUDGET APPROPRIATIONS

The following expenditure accounts of the general fund had actual expenditures in excess of budget appropriations for the year ended December 31, 2017 as follows:

<u>Fund & Function</u>	<u>Excess Expenditures</u>
General Fund	
General Government	
Legal	\$ 5,455
Clerk	8,936
Assessment of property	2,617
Public Safety	
Building inspection	18,136
Culture and Recreation	
Parks	5,195
Community center	10,768
Capital Outlay	
Parks	62,207
Debt Service	
Interest and fiscal charges	421

Town of Liberty Grove

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

C. 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 2017 and 2018 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2017 budget was 1.21%. The actual limit for the Town for the 2018 budget was 0.80%. 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.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The Town maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as "Cash and investments".

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 \$3,574,905 on December 31, 2017 as summarized below:

Deposits with financial institutions	<u>\$ 3,574,905</u>
Reconciliation to the basic financial statements:	
Government-wide Statement of Net Position	
Cash and investments	\$ 3,540,409
Restricted cash and investments	34,496
	<u>\$ 3,574,905</u>

Fair Value Measurements

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 that are subject to fair value measurement.

Deposits and investments of the Town are subject to various risks. Presented below is a discussion of the Town's deposits and investments and the related risks.

Town of Liberty Grove

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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 policy.

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. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. 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. This coverage has been considered in determining custodial credit risk.

As of December 31, 2017, \$2,150,652 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. Uninsured deposits consist primarily of advance tax collections that will be remitted to other local governments in January of 2018. No amounts were collateralized.

B. 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 the 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 the 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 number 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 a second level of subscribers.

The Town reached the first level of subscribers during 2017 and \$7,000 was re-paid to the Town. The investment in this project as of December 31, 2017 was \$7,000 and is shown as a receivable in the statement of net position and the balance sheet.

C. RESTRICTED ASSETS

Restricted assets on December 31, 2017 totaled \$34,496 and consisted of cash and investments collected from water utility impact fees.

Town of Liberty Grove

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 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:				
Land improvements	201,753	190,355	-	392,108
Buildings and improvements	4,067,511	-	-	4,067,511
Machinery and equipment	1,596,752	63,867	115,378	1,545,241
Infrastructure	4,049,738	328,248	-	4,377,986
Subtotals	9,915,754	582,470	115,378	10,382,846
Less accumulated depreciation for:				
Land improvements	75,902	5,550	-	81,452
Buildings and improvements	1,060,182	86,841	-	1,147,023
Machinery and equipment	1,078,858	52,246	87,626	1,043,478
Infrastructure	1,210,547	177,999	-	1,388,546
Subtotals	3,425,489	322,636	87,626	3,660,499
Total capital assets, being depreciated, net	6,490,265	259,834	27,752	6,722,347
Governmental activities capital assets, net	\$ 8,303,376	\$ 259,834	\$ 27,752	8,535,458
Less: Capital related debt				620,736
Net investment in capital assets				\$ 7,914,722
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Capital assets, being depreciated:				
Improvements other than buildings	157,883	-	-	157,883
Machinery and equipment	791	1,794	-	2,585
Infrastructure	2,646,938	1,274	345	2,647,867
Subtotals	2,805,612	3,068	345	2,808,335
Less accumulated depreciation	1,266,954	45,310	345	1,311,919
Total capital assets, being depreciated, net	1,538,658	(42,242)	-	1,496,416
Business-type activities capital assets, net	\$ 1,546,658	\$ (42,242)	\$ -	1,504,416
Less: Capital related debt				-
Net investment in capital assets				\$ 1,504,416

Town of Liberty Grove

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

Governmental activities	
General government	\$ 18,287
Public safety	33,199
Public works	255,753
Health and human services	1,875
Culture and recreation	13,522
Total depreciation expense - governmental activities	<u>\$ 322,636</u>
Business-type activities	
Water utility	\$ 21,698
Sewer utility	23,612
Total depreciation expense - business-type activities	<u>\$ 45,310</u>

E. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2017:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt	\$ 1,226,007	\$ -	\$ 605,271	\$ 620,736	\$ 620,736
Compensated absences	14,613	2,123	-	16,736	-
Governmental activities Long-term obligations	<u>\$ 1,240,620</u>	<u>\$ 2,123</u>	<u>\$ 605,271</u>	<u>\$ 637,472</u>	<u>\$ 620,736</u>

Total interest paid during the year on long-term debt totaled \$39,342.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/17
General obligation notes					
GO Promissory Notes	10/17/08	9/1/18	5.00%	\$ 2,570,000	\$ 240,000
Baylake Bank Loan	1/6/14	9/15/18	2.25%	750,000	163,236
GO Refunding Bank Loan	9/2/14	9/15/18	1.96%	870,000	217,500
Total Outstanding General Obligation Debt					<u>\$ 620,736</u>

Principal and interest maturities of the outstanding general obligation debt of \$620,736 on December 31, 2017 is detailed below:

Year Ended	Governmental Activities		Total
December 31,	Principal	Interest	
2018	<u>\$ 620,736</u>	<u>\$ 20,046</u>	<u>\$ 640,782</u>

Town of Liberty Grove Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2017 was \$45,119,109 as follows:

Equalized valuation of the Town	\$ 914,796,900
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>45,739,845</u>
Total outstanding general obligation debt applicable to debt limitation	620,736
Legal margin for new debt	<u><u>\$ 45,119,109</u></u>

The Sanitary District's legal margin for the creation of additional general obligation debt on December 31, 2017 was \$45,739,845 as follows:

Equalized valuation of the Sanitary District	\$ 914,796,900
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>45,739,845</u>
Total outstanding general obligation debt applicable to debt limitation	-
Legal margin for new debt	<u><u>\$ 45,739,845</u></u>

F. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At December 31, 2017, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Inventories	<u><u>\$ 52,380</u></u>

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by Town Board action. At December 31, 2017, General Fund balance was committed as follows:

General Fund	
Committed for	
Capital reserve	\$ 202,153
Parks - capital outlay	8,655
Capital reserve fire equipment	<u>160,000</u>
Total General Fund Committed Fund Balance	<u><u>\$ 370,808</u></u>

Town of Liberty Grove

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2017, fund balance was assigned as follows:

General Fund	
Assigned for subsequent years budget	\$ 9,748
Assigned for subsequent years expenditures	112,608
	<hr/>
Total	\$ 122,356
	<hr/>

NOTE 4: OTHER INFORMATION

A. 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 2017, the maximum contributions for each employee were \$18,000 or \$24,000 for those employees age 50 or older.

B. 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.

C. 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 2017 annual financial report. Any amount the Town collects from the Village will be reflected at the time of collection.

D. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The Town is currently evaluating the impact this standard will have on the financial statements when adopted.

SUPPLEMENTARY INFORMATION

Town of Liberty Grove

Door County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)	2016 Actual
Taxes				
General property	\$ 2,172,556	\$ 2,172,227	\$ (329)	\$ 2,139,307
Delinquent personal property	1,500	-	(1,500)	-
Managed forest lands	4,500	1,382	(3,118)	1,395
Private managed forest land	-	6	6	-
Room tax	70,000	97,206	27,206	93,636
Interest and taxes	-	424	424	54
Total taxes	<u>2,248,556</u>	<u>2,271,245</u>	<u>22,689</u>	<u>2,234,392</u>
Intergovernmental				
State				
State shared taxes	20,000	19,592	(408)	20,428
Fire insurance dues	26,000	27,082	1,082	25,537
Tax exempt computer aid	280	564	284	274
Transportation	223,503	223,503	-	223,503
Other highway aid	-	-	-	20,000
Recycling grant	5,200	4,746	(454)	5,937
DNR - in lieu of taxes	21,000	11,067	(9,933)	11,005
Municipal services	-	-	-	596
Forest croplands	400	-	(400)	941
Other state payments	-	48,057	48,057	-
Total intergovernmental	<u>296,383</u>	<u>334,611</u>	<u>38,228</u>	<u>308,221</u>
Licenses and permits				
Licenses				
Liquor and malt beverage	8,955	10,045	1,090	10,055
Dog	200	80	(120)	131
Permits				
Building	35,000	44,130	9,130	46,601
Sanitary inspections	-	7,400	7,400	600
Franchise fee - cable TV	9,500	15,223	5,723	15,071
Other	200	300	100	400
Total licenses and permits	<u>53,855</u>	<u>77,178</u>	<u>23,323</u>	<u>72,858</u>

Town of Liberty Grove

Door County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)	2016 Actual
Public charges for services				
General government	3,795	5,435	1,640	3,875
Highway	-	4,568	4,568	14,840
Docks	23,000	18,474	(4,526)	12,697
Cemetery	17,000	33,600	16,600	24,950
Total public charges for services	<u>43,795</u>	<u>62,077</u>	<u>18,282</u>	<u>56,362</u>
Intergovernmental charges for services				
Recycling	<u>3,100</u>	<u>3,170</u>	<u>70</u>	<u>2,807</u>
Miscellaneous				
Interest on investments	1,500	7,019	5,519	2,254
Rent	11,900	14,308	2,408	13,386
Insurance recoveries	550	147	(403)	36
Refunds	200	294	94	2,018
Other	8,300	6,270	(2,030)	4,087
Total miscellaneous	<u>22,450</u>	<u>28,038</u>	<u>5,588</u>	<u>21,781</u>
Total Revenues	<u>\$ 2,668,139</u>	<u>\$ 2,776,319</u>	<u>\$ 108,180</u>	<u>\$ 2,696,421</u>

Town of Liberty Grove

Door County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)	2016 Actual
General Government				
Board	\$ 45,450	\$ 44,638	\$ 812	\$ 43,233
Legal	5,000	10,455	(5,455)	5,010
Clerk	42,848	51,784	(8,936)	61,255
Treasurer	64,975	61,038	3,937	60,570
Office wages and expenses	104,956	102,155	2,801	98,021
Elections	6,200	3,176	3,024	6,029
Assessment of property	42,000	44,617	(2,617)	41,018
Hall	20,650	17,582	3,068	19,027
Insurance	36,000	31,503	4,497	35,120
Information technology	11,850	-	11,850	415
Other general government	10,700	3,050	7,650	8,278
Total general government	<u>390,629</u>	<u>369,998</u>	<u>20,631</u>	<u>377,976</u>
Public Safety				
Fire protection	279,573	272,831	6,742	253,657
Building inspection	25,000	43,136	(18,136)	30,225
Total public safety	<u>304,573</u>	<u>315,967</u>	<u>(11,394)</u>	<u>283,882</u>
Public Works				
Highway maintenance	418,559	369,291	49,268	444,235
Street lighting	13,440	13,412	28	13,327
Recycling	27,000	22,569	4,431	23,171
Total public works	<u>458,999</u>	<u>405,272</u>	<u>53,727</u>	<u>480,733</u>
Health and Human Services				
Animal and insect control	400	218	182	273
Cemetery	13,981	7,454	6,527	6,449
Total health and human services	<u>14,381</u>	<u>7,672</u>	<u>6,709</u>	<u>6,722</u>
Culture and Recreation				
Library	30,000	30,000	-	30,000
Parks	57,549	62,744	(5,195)	61,721
Community center	5,200	15,968	(10,768)	16,299
Total culture and recreation	<u>92,749</u>	<u>108,712</u>	<u>(15,963)</u>	<u>108,020</u>
Conservation and Development				
Economic development	<u>72,920</u>	<u>61,220</u>	<u>11,700</u>	<u>52,001</u>

Town of Liberty Grove

Door County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)	2016 Actual
Debt service				
Principal	605,737	605,271	466	595,737
Interest and fiscal charges	39,343	39,764	(421)	58,336
Total debt service	<u>645,080</u>	<u>645,035</u>	<u>45</u>	<u>654,073</u>
Capital outlay				
General government	-	-	-	2,750
Fire protection	50,000	-	50,000	-
Highway construction	454,820	411,778	43,042	711,976
Highway equipment	72,000	67,199	4,801	-
Cemetery	-	-	-	227
Parks	131,530	193,737	(62,207)	125,703
Total capital outlay	<u>708,350</u>	<u>672,714</u>	<u>35,636</u>	<u>840,656</u>
Total Expenditures	<u>\$ 2,687,681</u>	<u>\$ 2,586,590</u>	<u>\$ 101,091</u>	<u>\$ 2,804,063</u>

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, Door County, Wisconsin, (the "Town") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 26, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 certain deficiencies in internal control that we consider to be a material weakness and 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 2017-001 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 2017-002 and 2017-003 to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Town'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'S RESPONSE TO FINDINGS

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town'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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

Green Bay, Wisconsin
March 26, 2018

Town of Liberty Grove

Door County, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2017-001	Segregation of Duties - Clerk/Treasurer Repeat of Finding 2016-001
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 the 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 FOR THE YEAR ENDED DECEMBER 31, 2017

FINDING NO.	CONTROL DEFICIENCIES
2017-002	<p>Preparation of Annual Financial Report Repeat of Finding 2016-002</p>
Condition:	<p>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 format, 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.</p>
Criteria:	<p>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.</p>
Cause:	<p>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.</p>
Effect:	<p>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.</p>
Recommendation:	<p>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.</p>
Management Response:	<p>Management believes the cost for additional staff time and training to prepare year-end closing entries and reports outweigh the benefits to be received. Management has reviewed and approved the annual financial report prior to issuance.</p>

Town of Liberty Grove

Door County, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2017

FINDING NO.	CONTROL DEFICIENCIES
2017-003	Adjustments to the Town's Financial Records Repeat of Finding 2016-003
Condition:	As part of our 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 outweighs the benefits to be received. Management will continue to review information reviewed 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, 2017.