

Town of Liberty Grove
Door County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2019



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Town of Liberty Grove Door County, Wisconsin

DECEMBER 31, 2019

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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, each major fund, and the aggregate remaining fund information of the Town of Liberty Grove, Door County, Wisconsin (the "Town") as of and for the year ended December 31, 2019, 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, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2019, 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.

EMPHASIS OF MATTER

As described in Note 1.C., during 2019, the Town adopted new accounting guidance, GASB Statement No. 84, *Fiduciary Activities*. As a result, the Town established a custodial fund for taxes and special charges collected for other governments. In prior years, these amounts were reported in the general fund. Our opinions are not modified with respect to this matter.

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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2020, 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 solely 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 effectiveness of the Town's 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.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
April 24, 2020

BASIC FINANCIAL STATEMENTS

Town of Liberty Grove

Door County, Wisconsin

STATEMENT OF NET POSITION DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 1,671,632	\$ 484,884	\$ 2,156,516
Receivables			
Taxes and special charges	1,825,699	-	1,825,699
Accounts	35,404	22,977	58,381
Tower investment	7,600	-	7,600
Internal balances	(179)	179	-
Inventories and prepaid items	91,121	-	91,121
Investment in joint venture fire department	1,096,956	-	1,096,956
Restricted assets			
Cash and investments	-	51,771	51,771
Capital assets, nondepreciable	3,372,451	8,000	3,380,451
Capital assets, depreciable	7,197,315	1,417,376	8,614,691
Total assets	<u>15,297,999</u>	<u>1,985,187</u>	<u>17,283,186</u>
LIABILITIES			
Accounts payable	-	27,910	27,910
Accrued and other current liabilities	38,539	-	38,539
Accrued interest payable	16,941	-	16,941
Unearned revenues	100	-	100
Long-term obligations			
Due within one year	139,408	-	139,408
Due in more than one year	1,287,485	-	1,287,485
Total liabilities	<u>1,482,473</u>	<u>27,910</u>	<u>1,510,383</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes levied for subsequent year	<u>2,401,397</u>	-	<u>2,401,397</u>
NET POSITION			
Net investment in capital assets	9,160,504	1,425,376	10,585,880
Restricted for capital assets	-	51,771	51,771
Unrestricted	<u>2,253,625</u>	<u>480,130</u>	<u>2,733,755</u>
Total net position	<u>\$ 11,414,129</u>	<u>\$ 1,957,277</u>	<u>\$ 13,371,406</u>

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 628,422	\$ 130,206	\$ -	\$ -
Public safety	372,142	75	-	-
Public works	952,944	5,214	247,086	-
Health and human services	10,355	41,826	-	-
Culture and recreation	130,153	20,468	-	76,443
Conservation and development	96,532	-	-	-
Interest and fiscal charges	48,248	-	-	-
Total governmental activities	<u>2,238,796</u>	<u>197,789</u>	<u>247,086</u>	<u>76,443</u>
BUSINESS-TYPE ACTIVITIES				
Water utility	75,385	51,660	-	-
Sewer utility	108,495	63,010	-	-
Total business-type activities	<u>183,880</u>	<u>114,670</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,422,676</u>	<u>\$ 312,459</u>	<u>\$ 247,086</u>	<u>\$ 76,443</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

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
\$ (498,216)	\$ -	\$ (498,216)
(372,067)	-	(372,067)
(700,644)	-	(700,644)
31,471	-	31,471
(33,242)	-	(33,242)
(96,532)	-	(96,532)
(48,248)	-	(48,248)
(1,717,478)	-	(1,717,478)
-	(23,725)	(23,725)
-	(45,485)	(45,485)
-	(69,210)	(69,210)
(1,717,478)	(69,210)	(1,786,688)
2,342,846	15,000	2,357,846
108,689	-	108,689
61,474	-	61,474
14,078	10,458	24,536
54,048	241	54,289
2,581,135	25,699	2,606,834
863,657	(43,511)	820,146
10,550,472	2,000,788	12,551,260
\$ 11,414,129	\$ 1,957,277	\$ 13,371,406

Town of Liberty Grove

Door County, Wisconsin

**BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2019**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 1,671,632
Receivables	
Taxes and special charges	1,825,699
Accounts	35,404
Tower investment	7,600
Inventories and prepaid items	<u>91,121</u>
 Total assets	 <u><u>\$ 3,631,456</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities	
Accrued and other current liabilities	\$ 38,539
Due to other funds	<u>179</u>
 Total liabilities	 <u>38,718</u>
Deferred inflows of resources	
Property taxes levied for subsequent year	2,401,397
Tower investment receivable	<u>7,100</u>
 Total deferred inflows of resources	 <u>2,408,497</u>
Fund balances	
Nonspendable	91,121
Committed	456,782
Assigned	168,707
Unassigned	<u>467,631</u>
 Total fund balances	 <u>1,184,241</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u><u>\$ 3,631,456</u></u>

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

Town of Liberty Grove Door County, Wisconsin

BALANCE SHEET GOVERNMENTAL FUND DECEMBER 31, 2019

RECONCILIATION TO THE STATEMENT OF NET POSITION

Total fund balances as shown on previous page	\$ 1,184,241
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.	10,569,766
Other long-term assets are not available to pay current period expenditures and therefore are deferred in the funds.	7,000
Investment in joint venture related to governmental activities	1,096,956
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(1,325,000)
Premium on debt	(84,262)
Compensated absences	(17,631)
Accrued interest on long-term obligations	(16,941)
	<hr/>
Net position of governmental activities as reported on the statement of net position (see page 3)	<u>\$ 11,414,129</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 GOVERNMENTAL FUND FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>
REVENUES	
Taxes	\$ 2,451,313
Intergovernmental	385,225
Licenses and permits	100,396
Public charges for services	69,770
Intergovernmental charges for services	2,826
Miscellaneous	39,292
	<hr/>
Total revenues	3,048,822
	<hr/>
EXPENDITURES	
Current	
General government	605,084
Public safety	338,943
Public works	498,487
Health and human services	10,355
Culture and recreation	107,361
Conservation and development	96,532
Debt service	
Principal	175,000
Interest and fiscal charges	40,667
Capital outlay	2,352,353
	<hr/>
Total expenditures	4,224,782
	<hr/>
Excess of revenues under expenditures	(1,175,960)
OTHER FINANCING SOURCES	
Proceeds from sale of capital assets	250
	<hr/>
Net change in fund balance	(1,175,710)
Fund balance - January 1	2,359,951
	<hr/>
Fund balance - December 31	<u>\$ 1,184,241</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 BALANCES GOVERNMENTAL FUND FOR THE YEAR ENDED DECEMBER 31, 2019

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

Net change in fund balances as shown on previous page	\$ (1,175,710)
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	2,201,688
Depreciation expense reported in the statement of activities	(355,463)
Net book value of disposals	(16,689)
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 by:	43,781
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	175,000
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	(16,941)
Amortization of premiums, discounts and loss on advance refunding	9,360
Compensated absences	(1,369)
Change in net position of governmental activities as reported in the statement of activities (see pages 4 - 5)	<u>\$ 863,657</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, 2019

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 2,344,688	\$ 2,451,313	\$ 106,625
Intergovernmental	318,784	385,225	66,441
Licenses and permits	60,255	100,396	40,141
Public charges for services	41,645	69,770	28,125
Intergovernmental charges for services	3,100	2,826	(274)
Miscellaneous	19,900	39,292	19,392
	<u>2,788,372</u>	<u>3,048,822</u>	<u>260,450</u>
Total revenues			
EXPENDITURES			
Current			
General government	568,528	605,084	(36,556)
Public safety	479,963	338,943	141,020
Public works	635,842	498,487	137,355
Health and human services	12,868	10,355	2,513
Culture and recreation	186,639	107,361	79,278
Conservation and development	89,000	96,532	(7,532)
Debt service			
Principal	177,630	175,000	2,630
Interest and fiscal charges	-	40,667	(40,667)
Capital outlay	742,120	2,352,353	(1,610,233)
	<u>2,892,590</u>	<u>4,224,782</u>	<u>(1,332,192)</u>
Total expenditures			
Excess of revenues under expenditures	(104,218)	(1,175,960)	(1,071,742)
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	210	250	40
	<u>210</u>	<u>250</u>	<u>40</u>
Net change in fund balance	(104,008)	(1,175,710)	(1,071,702)
Fund balance - January 1	2,359,951	2,359,951	-
Fund balance - December 31	<u>\$ 2,255,943</u>	<u>\$ 1,184,241</u>	<u>\$ (1,071,702)</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
 DECEMBER 31, 2019

	<u>Water and Sewer Utility</u>
ASSETS	
Current assets	
Cash and investments	\$ 484,884
Customer accounts	22,977
Due from other funds	179
	<u>508,040</u>
Total current assets	<u>508,040</u>
Noncurrent assets	
Restricted assets	
Cash and investments	51,771
	<u>51,771</u>
Capital assets	
Nondepreciable	8,000
Depreciable	1,417,376
	<u>1,425,376</u>
Total capital assets	<u>1,425,376</u>
Total assets	<u>1,985,187</u>
LIABILITIES	
Current liabilities	
Accounts payable	27,910
	<u>27,910</u>
NET POSITION	
Net investment in capital assets	1,425,376
Restricted for capital assets	51,771
Unrestricted	480,130
	<u>480,130</u>
Total net position	<u>\$ 1,957,277</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
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Water Utility	Sewer Utility	Totals
OPERATING REVENUES			
Charges for services	\$ 44,703	\$ 62,024	\$ 106,727
Other	6,957	986	7,943
Total operating revenues	<u>51,660</u>	<u>63,010</u>	<u>114,670</u>
OPERATING EXPENSES			
Operation and maintenance	40,818	79,784	120,602
Administrative and general	12,854	4,886	17,740
Depreciation	21,654	23,825	45,479
Taxes	59	-	59
Total operating expenses	<u>75,385</u>	<u>108,495</u>	<u>183,880</u>
Operating loss	<u>\$ (23,725)</u>	<u>\$ (45,485)</u>	<u>(69,210)</u>
NONOPERATING REVENUES			
General property taxes			15,000
Interest income			10,458
Other nonoperating revenues			<u>241</u>
Total nonoperating revenues			<u>25,699</u>
Change in net position			(43,511)
Net position - January 1			<u>2,000,788</u>
Net position - December 31			<u>\$ 1,957,277</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 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Water and Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 115,222
Cash paid for services provided	(142,786)
Net cash used by operating activities	<u>(27,564)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
General property taxes	15,000
Other nonoperating revenues	241
Due to/from other funds	(179)
Net cash provided by noncapital financing activities	<u>15,062</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(5,277)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>10,458</u>
Change in cash and investments	(7,321)
Cash and investments - January 1	<u>543,976</u>
Cash and investments - December 31	<u>\$ 536,655</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (69,210)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	45,479
Change in operating assets and liabilities	
Accounts receivables	552
Due to other funds	(29,066)
Accounts payable	24,681
Net cash used by operating activities	<u>\$ (27,564)</u>
Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents in current assets	\$ 484,884
Cash and cash equivalents in restricted assets	<u>51,771</u>
Total cash and investments	<u>\$ 536,655</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

STATEMENT OF NET POSITION FIDUCIARY FUND DECEMBER 31, 2019

	<u>Custodial Fund</u>
ASSETS	
Cash and investments	\$ 1,841,529
LIABILITIES	
Due to other governments	<u>1,841,529</u>
NET POSITION	
Fiduciary net position	<u><u>\$ -</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 CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Custodial Fund</u>
ADDITIONS	
Taxes and special charges collected	\$ 4,850,675
DEDUCTIONS	
Payments to other taxing districts	<u>4,850,675</u>
Change in net position	-
Net position - January 1	<u>-</u>
Net position - December 31	<u><u>\$ -</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, 2019

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.

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 2019, the Town remitted \$275,463 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, 2019 the Town's equity interest was \$1,096,956. 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 2019, 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.

Town of Liberty Grove

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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

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 2019, the Town of Liberty Grove received \$104,484 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.

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The Town also reports the following fiduciary fund:

Custodial Fund

The custodial fund accounts for property taxes and special charges collected on behalf of other governments. These amounts were recorded in the general fund in prior years. Due to the implementation of GASB Statement No. 84, *Fiduciary Activities*, they are now recorded in a custodial fund.

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.

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.

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

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.

In addition to its levy, the Town also levies taxes for the Gibraltar School District, Door County, and Northeast Wisconsin Technical College. The Town contracts with Door County to perform the tax collection function.

3. 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.

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

The amount reported on the statement of net position for internal balances represents the residual balance outstanding between the governmental and business-type activities.

Town of Liberty Grove

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5. Prepaid items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

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

6. 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 classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

7. 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	
Land improvements	25 - 50	25 - 100
Buildings and improvements	25 - 40	25 - 40
Machinery and equipment	10 - 20	3 - 10
Infrastructure	25 - 50	18 - 135

8. 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.

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9. 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.

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.

10. 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.

11. 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.

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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.

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.

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.

Town of Liberty Grove

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NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2019

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, 2019.

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, 2019 as follows:

Fund & Function	Excess Expenditures
General Fund	
General government	
Board	\$ 17,221
Clerk	42,954
Deputy clerk	34,411
Office wages and expenses	544
Other general government	68,790
Public safety	
Building inspection	13,989
Culture and recreation	
Community center	766
Conservation and development	
Economic development	7,532
Debt service	
Interest and fiscal charges	40,667
Capital outlay	
General government	85,034
Highway equipment	131,785
Parks	1,448,655

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 2019 and 2020 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 2019 budget was 1.11%. The actual limit for the Town for the 2020 budget was 0.58%. 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.

Town of Liberty Grove

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NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 \$4,049,816 on December 31, 2019 as summarized below:

Deposits with financial institutions	<u>\$ 4,049,816</u>
Reconciliation to the basic financial statements:	
Government-wide Statement of Net Position	
Cash and investments	\$ 2,156,516
Restricted cash and investments	51,771
Fiduciary Fund Statement of Net Position	
Cash and investments	<u>1,841,529</u>
	<u>\$ 4,049,816</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.

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.

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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. This coverage has been considered in determining custodial credit risk.

As of December 31, 2019, \$2,951,512 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 2020. 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 repaid to the Town. The receivable in the statement of net position and the balance sheet as of December 31, 2019 represents the investment in this project of \$7,000 and the 2019 base rent of \$600.

C. RESTRICTED ASSETS

Restricted assets on December 31, 2019 totaled \$51,771 and consisted of cash and investments held for the following purposes.

Funds	Amount	Purpose
Enterprise		
Water and Sewer Utility		
Impact fees	<u>\$ 51,771</u>	To account for impact fees collected and held by the utility to finance system improvements

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 1,834,086	\$ 1,538,365	\$ -	\$ 3,372,451
Construction in progress	15,000	-	15,000	-
Total capital assets, nondepreciable	<u>1,849,086</u>	<u>1,538,365</u>	<u>15,000</u>	<u>3,372,451</u>
Capital assets, depreciable:				
Land improvements	515,658	-	-	515,658
Buildings and improvements	4,067,511	-	-	4,067,511
Machinery and equipment	1,374,417	206,028	58,988	1,521,457
Infrastructure	4,926,486	472,295	-	5,398,781
Subtotals	<u>10,884,072</u>	<u>678,323</u>	<u>58,988</u>	<u>11,503,407</u>
Less accumulated depreciation for:				
Land improvements	94,261	12,809	-	107,070
Buildings and improvements	1,232,989	79,403	-	1,312,392
Machinery and equipment	1,059,399	43,550	42,299	1,060,650
Infrastructure	1,606,279	219,701	-	1,825,980
Subtotals	<u>3,992,928</u>	<u>355,463</u>	<u>42,299</u>	<u>4,306,092</u>
Total capital assets, depreciable, net	<u>6,891,144</u>	<u>322,860</u>	<u>16,689</u>	<u>7,197,315</u>
Governmental activities capital assets, net	<u>\$ 8,740,230</u>	<u>\$ 1,861,225</u>	<u>\$ 31,689</u>	10,569,766
Less: Capital related debt				1,325,000
Less: Debt premium				<u>84,262</u>
Net investment in capital assets				<u>\$ 9,160,504</u>
Business-type activities:				
Capital assets, nondepreciable:				
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Capital assets, depreciable:				
Buildings and improvements	157,883	-	-	157,883
Machinery and equipment	2,585	-	-	2,585
Infrastructure	2,652,776	5,277	526	2,657,527
Subtotals	<u>2,813,244</u>	<u>5,277</u>	<u>526</u>	<u>2,817,995</u>
Less accumulated depreciation	<u>1,355,666</u>	<u>45,479</u>	<u>526</u>	<u>1,400,619</u>
Total capital assets, depreciable, net	<u>1,457,578</u>	<u>(40,202)</u>	<u>-</u>	<u>1,417,376</u>
Business-type activities capital assets, net	<u>\$ 1,465,578</u>	<u>\$ (40,202)</u>	<u>\$ -</u>	<u>\$ 1,425,376</u>

Town of Liberty Grove

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

Governmental activities	
General government	\$ 18,287
Public safety	33,199
Public works	285,072
Culture and recreation	18,905
Total depreciation expense - governmental activities	<u>\$ 355,463</u>
Business-type activities	
Water utility	\$ 21,654
Sewer utility	23,825
Total depreciation expense - business-type activities	<u>\$ 45,479</u>

E. INTERFUND RECEIVABLE AND PAYABLES

Interfund receivables and payables between individual funds of the Town, as reported in the fund financial statements, as of December 31, 2019 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Temporary cash advances to finance operating activities		
Governmental Fund		
General	\$ -	\$ 179
Proprietary Fund		
Water and Sewer Utility	<u>179</u>	<u>-</u>
Totals	<u>\$ 179</u>	<u>\$ 179</u>

F. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Debt					
Notes	\$ 1,500,000	\$ -	\$ 175,000	\$ 1,325,000	\$ 135,000
Debt premium	93,622	-	9,360	84,262	-
Compensated absences	<u>16,262</u>	<u>1,369</u>	<u>-</u>	<u>17,631</u>	<u>4,408</u>
Governmental activities					
Long-term obligations	<u>\$ 1,609,884</u>	<u>\$ 1,369</u>	<u>\$ 184,360</u>	<u>\$ 1,426,893</u>	<u>\$ 139,408</u>

Total interest paid during the year on long-term debt totaled \$20,024.

Town of Liberty Grove

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NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/19</u>
General obligation notes					
GO Promissory Notes	12/27/18	9/1/28	4.00%	\$ 1,500,000	<u>\$ 1,325,000</u>

Principal and interest maturities of the outstanding general obligation debt of \$1,325,000 on December 31, 2019 is detailed below:

Year Ended December 31,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 135,000	\$ 53,000	\$ 188,000
2021	130,000	47,600	177,600
2022	135,000	42,400	177,400
2023	140,000	37,000	177,000
2024	145,000	31,400	176,400
2024 - 2028	640,000	65,400	705,400
	<u>\$ 1,325,000</u>	<u>\$ 276,800</u>	<u>\$ 1,601,800</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2019 was \$46,853,305 as follows:

Equalized valuation of the Town	\$ 963,566,100
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	48,178,305
Total outstanding general obligation debt applicable to debt limitation	<u>1,325,000</u>
Legal margin for new debt	<u>\$ 46,853,305</u>

Town of Liberty Grove

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

G. 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, 2019, nonspendable fund balance was as follows:

General Fund	
Nonspendable	
Inventories and prepaid items	<u>\$ 91,121</u>

Committed Fund Balance

In the fund financial statements, portions of government fund balances are committed by Town Board action. At December 31, 2019, General Fund balance was committed as follows:

General Fund	
Committed for	
Capital reserve	\$ 251,153
Parks - capital outlay	1,155
Capital reserve office	500
Capital reserve information technology	96,435
Capital reserve fire equipment	107,539
Total general fund committed fund balance	<u>\$ 456,782</u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At December 31, 2019, fund balance was assigned as follows:

General Fund	
Assigned for subsequent years expenditures	<u>\$ 168,707</u>

Net Position

The Town reports restricted net position at December 31, 2019 as follows:

Business-type Activities	
Restricted for	
Impact fees	<u>\$ 51,771</u>

Town of Liberty Grove

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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 2019, the maximum contributions for each employee were \$18,500 or \$37,000 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. Settled claims have not exceeded this coverage in the past three years.

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 2019 annual financial report. Any amount the Town collects from the Village will be reflected at the time of collection.

D. SUBSEQUENT EVENTS

On February 20, 2020, the Town issued \$500,000 in general obligation promissory notes. The Town will begin principal payments ranging from \$165,411 to \$166,620 beginning in 2021 through 2023. The interest rate on the notes is 3.360%.

SUPPLEMENTARY INFORMATION

Town of Liberty Grove

Door County, Wisconsin

GENERAL FUND DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES FOR THE YEAR ENDED DECEMBER 31, 2019

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)
Taxes			
General property	\$ 2,343,188	\$ 2,342,846	\$ (342)
Delinquent personal property	1,500	-	(1,500)
Managed forest lands	-	3,977	3,977
Private managed forest land	-	6	6
Room tax	-	104,484	104,484
Total taxes	<u>2,344,688</u>	<u>2,451,313</u>	<u>106,625</u>
Intergovernmental			
State			
State shared taxes	20,000	25,457	5,457
Fire insurance dues	25,500	27,574	2,074
Tax exempt computer aid	-	4,528	4,528
Transportation	242,484	242,484	-
Recycling grant	4,600	4,602	2
DNR - in lieu of taxes	21,000	3,606	(17,394)
Municipal services	300	309	9
Forest croplands	4,900	222	(4,678)
Other state payments	-	76,443	76,443
Total intergovernmental	<u>318,784</u>	<u>385,225</u>	<u>66,441</u>
Licenses and permits			
Licenses			
Liquor and malt beverage	10,355	11,366	1,011
Dog	200	259	59
Permits			
Building	37,500	71,429	33,929
Franchise fee - cable TV	12,000	16,652	4,652
Other	200	690	490
Total licenses and permits	<u>60,255</u>	<u>100,396</u>	<u>40,141</u>
Public charges for services			
General government	3,645	6,702	3,057
Fire	-	75	75
Highway	5,000	3,685	(1,315)
Docks	15,000	20,308	5,308
Cemetery	18,000	39,000	21,000
Total public charges for services	<u>41,645</u>	<u>69,770</u>	<u>28,125</u>
Intergovernmental charges for services			
Recycling	<u>3,100</u>	<u>2,826</u>	<u>(274)</u>

Town of Liberty Grove

Door County, Wisconsin

GENERAL FUND
 DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)
Miscellaneous			
Interest on investments	5,000	14,078	9,078
Rent	11,650	15,620	3,970
Refunds	750	-	(750)
Other	2,500	9,594	7,094
Total miscellaneous	<u>19,900</u>	<u>39,292</u>	<u>19,392</u>
Total revenues	<u>\$ 2,788,372</u>	<u>\$ 3,048,822</u>	<u>\$ 260,450</u>

Town of Liberty Grove

Door County, Wisconsin

GENERAL FUND
DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)
General government			
Board	\$ 44,750	\$ 61,971	\$ (17,221)
Legal	25,000	15,064	9,936
Clerk	27,128	70,082	(42,954)
Deputy clerk	13,657	48,068	(34,411)
Treasurer	134,793	111,403	23,390
Office wages and expenses	110,680	111,224	(544)
Elections	43,350	3,138	40,212
Assessment of property	41,650	41,626	24
Hall	22,670	22,534	136
Insurance	40,200	34,058	6,142
Information technology	57,400	9,876	47,524
Other general government	7,250	76,040	(68,790)
Total general government	<u>568,528</u>	<u>605,084</u>	<u>(36,556)</u>
Public safety			
Fire protection	448,963	293,954	155,009
Building inspection	31,000	44,989	(13,989)
Total public safety	<u>479,963</u>	<u>338,943</u>	<u>141,020</u>
Public works			
Highway maintenance	596,142	462,637	133,505
Street lighting	14,700	13,347	1,353
Recycling	25,000	22,503	2,497
Total public works	<u>635,842</u>	<u>498,487</u>	<u>137,355</u>
Health and human services			
Animal and insect control	250	85	165
Cemetery	12,618	10,270	2,348
Total health and human services	<u>12,868</u>	<u>10,355</u>	<u>2,513</u>
Culture and recreation			
Library	30,000	30,000	-
Parks	151,239	71,195	80,044
Community center	5,400	6,166	(766)
Total culture and recreation	<u>186,639</u>	<u>107,361</u>	<u>79,278</u>
Conservation and development			
Economic development	<u>89,000</u>	<u>96,532</u>	<u>(7,532)</u>
Debt service			
Principal	177,630	175,000	2,630
Interest and fiscal charges	-	40,667	(40,667)
Total debt service	<u>177,630</u>	<u>215,667</u>	<u>(38,037)</u>

Town of Liberty Grove

Door County, Wisconsin

GENERAL FUND
 DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget - Positive (Negative)</u>
Capital outlay			
General government	-	85,034	(85,034)
Highway construction	712,120	656,879	55,241
Highway equipment	27,000	158,785	(131,785)
Parks	3,000	1,451,655	(1,448,655)
Total capital outlay	<u>742,120</u>	<u>2,352,353</u>	<u>(1,610,233)</u>
Total expenditures	<u>\$ 2,892,590</u>	<u>\$ 4,224,782</u>	<u>\$ (1,332,192)</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, each major fund, and the aggregate remaining fund information of the Town of Liberty Grove, Door County, Wisconsin, (the "Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 24, 2020.

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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify 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 2019-001 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 2019-002 and 2019-003 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.



CliftonLarsonAllen LLP

Green Bay, Wisconsin

April 24, 2020

Town of Liberty Grove

Door County, Wisconsin

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I. INTERNAL CONTROL OVER FINANCIAL REPORTING

FINDING NO.	CONTROL DEFICIENCIES
2019-001	<p>Segregation of Duties - Clerk/Treasurer Repeat of Finding 2018-001</p>
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
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.
Context:	While performing audit procedures, it was noted that management does not have internal controls in place to properly separate financial and recordkeeping duties.
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, 2019

FINDING NO.	CONTROL DEFICIENCIES
2019-002	<p>Preparation of Annual Financial Report Repeat of Finding 2018-002</p>
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
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>
Context:	<p>While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.</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>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, 2019

FINDING NO.	CONTROL DEFICIENCIES
2019-003	Adjustments to the Town's Financial Records Repeat of Finding 2018-003
Type of Finding:	Significant Deficiency in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the Town's financial statements.
Context:	While performing audit procedures, it was noted that management does not have sufficient controls in place related to year end closing procedures.
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 CliftonLarsonAllen.

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, 2019.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
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