

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

TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN
December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Gibraltar, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2016, and the respective changes in financial position 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.

Change in Accounting Principle

As discussed in Note C.1, the Town implemented GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on pages 28 and 29 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Report on Summarized Financial Information

We have previously audited the Town of Gibraltar's 2015 financial statements, and our report dated February 12, 2016, expressed unmodified opinions on those respective financial statements of the governmental activities, the major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
April 3, 2017

BASIC FINANCIAL STATEMENTS

TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN
Statement of Net Position
42735

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

	Governmental Activities	
	2016	2015
ASSETS		
Cash and investments	\$ 2,555,057	\$ 3,543,530
Receivables		
Taxes	6,731,786	5,410,069
Delinquent personal property taxes	4,127	3,242
Accounts	9,659	15,801
Inventories and prepaid items	28,612	41,180
Restricted cash	42,848	42,575
Net pension asset	-	35,247
Capital assets, nondepreciable		
Land	3,832,711	2,432,711
Construction in progress	1,049,131	42,469
Capital assets, depreciable		
Land improvements	771,281	771,281
Buildings	4,465,555	4,465,555
Machinery and equipment	663,883	691,561
Vehicles	1,314,422	1,207,465
Infrastructure	5,780,823	5,780,823
Less: Accumulated depreciation	(6,524,940)	(6,159,795)
TOTAL ASSETS	20,724,955	18,323,714
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	137,280	36,246
LIABILITIES		
Accounts payable	116,937	59,012
Accrued and other current liabilities	18,400	13,344
Special deposits	31,315	35,615
Unearned revenue	19,591	32,852
Due to other governments	5,921,829	5,720,344
Long-term obligations		
Due within one year	549,874	368,414
Due in more than one year	4,899,865	3,329,907
Net pension liability	23,968	-
TOTAL LIABILITIES	11,581,779	9,559,488
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for subsequent year	1,838,685	1,784,605
Deferred inflows related to pension	54,350	3,159
Total Deferred Inflows of Resources	1,893,035	1,787,764
NET POSITION		
Net investment in capital assets	5,903,127	5,533,749
Restricted for		
Cemetery	42,848	42,575
Parks	1,627	792
Pension benefits	-	35,247
Unrestricted	1,439,819	1,400,345
TOTAL NET POSITION	\$ 7,387,421	\$ 7,012,708

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

**TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN**

Statement of Activities

For the Year Ended December 31, 2016

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	2015
Governmental Activities						
General government	\$ 496,429	\$ 14,544	\$ 3,648	\$ -	\$ (478,237)	\$ (386,060)
Public safety	525,769	32,300	22,153	-	(471,316)	(399,822)
Public works	825,385	78,641	114,263	-	(632,481)	(456,789)
Culture and recreation	331,189	351,713	14,625	-	35,149	(69,105)
Health and human services	6,170	9,725	-	-	3,555	(1,285)
Conservation and development	80,365	-	-	-	(80,365)	(39,068)
Interest and fiscal charges	85,855	-	-	-	(85,855)	(108,461)
Total Governmental Activities	\$ 2,351,162	\$ 486,923	\$ 154,689	\$ -	(1,709,550)	(1,460,590)
General revenues						
Property taxes					1,788,211	1,730,223
Other taxes					192,502	189,276
Federal and state grants and other contributions not restricted to specific functions					32,254	32,545
Rental income					42,704	41,233
Interest and investment earnings					4,640	4,750
Miscellaneous					21,963	46,648
Gain on disposal of capital assets					1,989	4,150
Total general revenues					2,084,263	2,048,825
Change in net position					374,713	588,235
Net position - January 1					7,012,708	6,424,473
Net position - December 31					\$ 7,387,421	\$ 7,012,708

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

**TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN**

Balance Sheet
Governmental Funds
December 31, 2016

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

	2016			2015	
	General	Capital Projects	Non-Major Airport	Total Governmental Funds	Total
ASSETS					
Cash and investments	\$ 1,544,147	\$ 998,192	\$ 12,718	\$ 2,555,057	\$ 3,543,530
Restricted cash and investments	42,848	-	-	42,848	42,575
Receivables					
Property taxes	6,731,786	-	-	6,731,786	5,410,069
Delinquent personal property tax	4,127	-	-	4,127	3,242
Other receivables	9,659	-	-	9,659	15,801
Due from other funds	2,763	-	-	2,763	1,652
Inventories and prepaid items	21,690	-	6,922	28,612	41,180
TOTAL ASSETS	\$ 8,357,020	\$ 998,192	\$ 19,640	\$ 9,374,852	\$ 9,058,049
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 23,211	\$ 93,704	\$ 22	\$ 116,937	\$ 59,012
Accrued and other current liabilities	18,400	-	-	18,400	13,344
Due to other governments	5,919,066	-	2,763	5,921,829	5,720,344
Due to other funds	-	-	2,763	2,763	1,652
Unearned revenues	19,591	-	-	19,591	32,852
Special deposits	28,815	-	2,500	31,315	35,615
Total Liabilities	6,009,083	93,704	8,048	6,110,835	5,862,819
Deferred inflows of Resources					
Property taxes levied for subsequent year	1,838,685	-	-	1,838,685	1,784,605
Fund Balances					
Nonspendable					
Inventories and prepaid items	21,690	-	6,922	28,612	41,180
Restricted					
Cemetery	42,848	-	-	42,848	42,575
Parks	1,627	-	-	1,627	792
Committed					
Capital outlay	-	904,488	-	904,488	725,951
Debt service	106,380	-	-	106,380	3,032
Door county coastal byways	1,407	-	-	1,407	1,407
Airport	-	-	4,670	4,670	-
Assigned					
Fire district	-	-	-	-	5,000
Library	-	-	-	-	923
Park improvements	3,602	-	-	3,602	5,600
Fire department	-	-	-	-	51,000
Fire truck debt service	-	-	-	-	200,000
Harbor	-	-	-	-	22,330
Fish Creek restoration	3,400	-	-	3,400	-
Unassigned					
General fund	328,298	-	-	328,298	310,835
Total Fund Balances	509,252	904,488	11,592	1,425,332	1,410,625
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,357,020	\$ 998,192	\$ 19,640	\$ 9,374,852	\$ 9,058,049

(Continued)

**TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN**
Balance Sheet (Continued)
Governmental Funds
December 31, 2016

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

Governmental Activities	
2016	2015

Reconciliation to the Statement of Net Position

Total Fund Balances as shown on previous page

\$ 1,425,332 \$ 1,410,625

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.

11,352,866 9,232,070

The Town's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:

Net pension asset

- 35,247

Deferred outflows of resources

137,280 36,246

Deferred inflows of resources

(54,350) (3,159)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Notes payable

(5,449,739) (3,698,321)

Net pension liability

(23,968) -

Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 4)

\$ 7,387,421 \$ 7,012,708

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

TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016
(With summarized financial information for the year ended December 31, 2015)

	2016			2015	
	General	Capital Projects	Non-Major Airport	Total Governmental Funds	Total
Revenues					
Taxes	\$ 1,980,713	\$ -	\$ -	\$ 1,980,713	\$ 1,919,499
Intergovernmental	173,890	-	-	173,890	162,894
Licenses and permits	52,338	-	-	52,338	64,957
Fines and forfeits	2,232	-	-	2,232	2,834
Public charges for services	369,334	-	74,612	443,946	431,038
Intergovernmental charges for services	1,839	-	-	1,839	3,556
Miscellaneous	68,041	-	887	68,928	84,424
Total Revenues	2,648,387	-	75,499	2,723,886	2,669,202
Expenditures					
General government	448,818	-	-	448,818	359,908
Public safety	377,914	-	-	377,914	333,571
Public works	571,121	-	73,814	644,935	628,307
Culture and recreation	292,976	-	-	292,976	374,317
Health and human services	6,070	-	-	6,070	4,919
Conservation and development	80,365	-	-	80,365	39,068
Debt service					
Principal	573,939	-	-	573,939	3,463,810
Interest and fiscal charges	85,855	-	-	85,855	141,194
Capital outlay	-	2,541,664	-	2,541,664	284,305
Total Expenditures	2,437,058	2,541,664	73,814	5,052,536	5,629,399
Excess of Revenues Over (Under)					
Expenditures	211,329	(2,541,664)	1,685	(2,328,650)	(2,960,197)
Other Financing Sources (Uses)					
Long-term debt issued	-	2,325,357	-	2,325,357	608,710
Sale of capital assets	18,000	-	-	18,000	10,425
Transfers in	215,900	1,336,695	-	1,552,595	-
Transfers out	(1,336,695)	(215,900)	-	(1,552,595)	-
Total Other Financing Sources (Uses)	(1,102,795)	3,446,152	-	2,343,357	619,135
Net Change in Fund Balances	(891,466)	904,488	1,685	14,707	(2,341,062)
Fund Balances - January 1	1,400,718	-	9,907	1,410,625	3,751,687
Fund Balances - December 31	\$ 509,252	\$ 904,488	\$ 11,592	\$ 1,425,332	\$ 1,410,625

(Continued)

TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended December 31, 2016
(With summarized financial information for the year ended December 31, 2015)

Governmental Activities	
2016	2015

Reconciliation to the Statement of Activities

Net Change in Fund Balances as shown on previous page \$ 14,707 \$ (2,341,062)

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	2,526,506	457,681
Depreciation expense reported in the statement of activities	(389,699)	(379,829)

In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported. The book value of capital assets disposed of during the year:	(16,011)	(38,002)
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Some capital assets acquired during the year were financed with debt. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net position, however, debt constitutes a long-term liability. The amount of debt reported in the governmental funds statement is:	(2,325,357)	(608,710)
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Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments in the current year is:	573,939	3,463,810
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Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues.	-	32,733
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Change in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan	(9,372)	1,614
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Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see page 5)	\$ 374,713	\$ 588,235
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The notes to the basic financial statements are an integral part of this statement.

TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 1,978,805	\$ 1,978,805	\$ 1,980,713	\$ 1,908
Intergovernmental	151,894	151,894	173,890	21,996
Licenses and permits	33,618	33,618	52,338	18,720
Fines and forfeits	-	-	2,232	2,232
Public charges for services	375,337	375,337	369,334	(6,003)
Intergovernmental charges for services	3,000	3,000	1,839	(1,161)
Miscellaneous	30,526	46,381	68,041	21,660
Total Revenues	2,573,180	2,589,035	2,648,387	59,352
Expenditures				
General government	461,604	470,950	448,818	22,132
Public safety	431,764	467,499	377,914	89,585
Public works	670,545	685,945	571,121	114,824
Culture and recreation	352,695	354,997	292,976	62,021
Health and human services	7,010	7,010	6,070	940
Conservation and development	77,243	77,243	80,365	(3,122)
Debt service				
Principal	370,440	570,440	573,939	(3,499)
Interest and fiscal charges	142,809	142,809	85,855	56,954
Capital outlay	51,000	51,000	-	51,000
Total Expenditures	2,565,110	2,827,893	2,437,058	390,835
Excess of Revenues Over (Under) Expenditures	8,070	(238,858)	211,329	450,187
Other Financing Sources (Uses)				
Sale of capital assets	-	-	18,000	18,000
Transfers in	-	200,000	215,900	15,900
Transfers out	(60,000)	(985,951)	(1,336,695)	(350,744)
Total Other Financing Sources (Uses)	(60,000)	(785,951)	(1,102,795)	(316,844)
Net Change in Fund Balance	(51,930)	(1,024,809)	(891,466)	133,343
Fund Balance - January 1	1,400,718	1,400,718	1,400,718	-
Fund Balance - December 31	\$ 1,348,788	\$ 375,909	\$ 509,252	\$ 133,343

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Gibraltar, 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:

1. Reporting Entity

The Town of Gibraltar 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 not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. Related Organization

The Town Board is responsible for appointing the members to the Fish Creek Sanitary District, but the Town's accountability for this organization does not extend beyond making the appointments. Therefore this organization is not included in the Town's reporting entity.

3. Joint Venture

GIBRALTAR-EPHRAIM AIRPORT

The Town of Gibraltar is a participant with the Village of Ephraim in a joint venture to operate the Ephraim-Gibraltar Airport. The Ephraim-Gibraltar Airport Commission (EGAC) was created for that purpose. The EGAC is governed by a six-member board composed of three appointees from each municipality. Both municipalities are obligated by agreement to share equally in providing the local funds necessary for the operation and improvement of the airport. The Town's financial statements include all revenues and expenditures of the Ephraim-Gibraltar Airport.

4. Jointly Governed Organization

DOOR COUNTY TOURISM ZONE

The Town of Gibraltar is a participant with all other Door County municipalities in a joint venture to create the Door County Tourism Zone as prescribed under Wisconsin Statute 66.0615. The Tourism Zone is responsible for collecting a 5.5% room tax on the gross receipts from retail furnishing of rooms or lodgings over all of the member municipalities. The Tourism Zone pays 66% of the room tax collected to the Door County Visitor Bureau, 30% to the member municipalities and retains 4% for its operations. During 2016, the Town of Gibraltar recorded \$192,502 of room tax revenue from the Tourism Zone. Complete financial information for the Door County Tourism Zone Commission can be obtained from their office in Sister Bay, Wisconsin.

5. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which primarily are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The Town has no business-type activities.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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*.

Financial statements are provided for governmental funds. Governmental funds include the general fund and the airport special revenue fund. The Town has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

GENERAL FUND

This is the Town's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

CAPITAL PROJECTS FUND

This fund is used to account for financial resources to be used for projects in the Town.

6. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

a. Cash and Investments

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

b. Accounts Receivable

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

c. 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" on the fund financial statements.

d. 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.

e. Prepaid Items

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

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

f. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$1,500 or higher and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

<u>Assets</u>	<u>Governmental Activities Years</u>
Land improvements	20 - 40
Buildings	25
Machinery and equipment	5 - 20
Vehicles	3 - 10
Infrastructure	30

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category in the government-wide statement of net position. The item is related to the Town's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category in the government-wide statement of net position. The first is property taxes, which will be recognized as an inflow of resources in the subsequent year for which it was levied. The second is related to the Town's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

h. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as interest and fiscal charges expenses.

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. The Town has adopted a debt management policy to set forth parameters and goals for issuing debt and managing the level of outstanding debt.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Pensions

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

j. 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 authorized itself to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The Town has adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE STATEMENTS

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

- Net investment in capital position - 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 are 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.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

9. Summarized Comparative Information

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

10. 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 to previously reported net position, changes in net position, fund balance or changes in fund balance.

NOTE B - STEWARDSHIP AND COMPLIANCE

Budgets and Budgetary Accounting

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

1. During November, 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, 2016.

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

NOTE C - DETAILED NOTES ON ALL FUNDS

1. 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 in 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 \$2,597,905 on December 31, 2016. The cash and investments consist of the following:

Deposits with financial institutions	\$ 2,590,915
Investments:	
Dreyfus GNMA Mutual Funds	6,990
	\$ 2,597,905

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 2,555,057
Restricted cash	42,848
	\$ 2,597,905

Fair Value Measurements

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

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Dreyfus GNMA Mutual Fund	\$ 6,990	\$ -	\$ -

Deposits and investments of the Town are subject to various risks. Presented below is a discussion of the Town's deposits and investments 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 Town does not have an additional custodial credit risk policy.

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

On December 31, 2016, \$1,904,285 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of December 31, 2016 for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Dreyfus GNMA Mutual Fund	\$ 6,990	\$ -	\$ -	\$ -	\$ 6,990

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 36 Months	37 to 60 Months	More Than 60 Months
Dreyfus GNMA Mutual Fund	\$ 6,990	\$ 38	\$ 273	\$ 465	\$ 6,213

2. Property Taxes

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

The Town bills its own property taxes and also levies taxes for the Gibraltar School Town, Door County, Northeast Wisconsin Technical College, and the State of Wisconsin. The Town contracts with the Door County Treasurer to collect property taxes.

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,432,711	\$ 1,400,000	\$ -	\$ 3,832,711
Construction in progress	42,469	1,006,662	-	1,049,131
Total capital assets, not being depreciated	<u>2,475,180</u>	<u>2,406,662</u>	<u>-</u>	<u>4,881,842</u>
Capital assets, being depreciated:				
Land improvements	771,281	-	-	771,281
Buildings	4,465,555	-	-	4,465,555
Machinery and equipment	691,561	12,887	40,565	663,883
Vehicles	1,207,465	106,957	-	1,314,422
Infrastructure	5,780,823	-	-	5,780,823
Subtotals	<u>12,916,685</u>	<u>119,844</u>	<u>40,565</u>	<u>12,995,964</u>
Less accumulated depreciation for:				
Land improvements	407,800	32,082	-	439,882
Buildings	1,094,983	95,925	-	1,190,908
Machinery and equipment	312,425	44,741	24,554	332,612
Vehicles	508,540	90,045	-	598,585
Infrastructure	3,836,047	126,906	-	3,962,953
Subtotals	<u>6,159,795</u>	<u>389,699</u>	<u>24,554</u>	<u>6,524,940</u>
Total capital assets, being depreciated, net	<u>6,756,890</u>	<u>(269,855)</u>	<u>16,011</u>	<u>6,471,024</u>
Governmental activities capital assets, net	<u>\$ 9,232,070</u>	<u>\$ 2,136,807</u>	<u>\$ 16,011</u>	<u>11,352,866</u>
Less related long-term debt outstanding				<u>5,449,739</u>
Net investment in capital assets				<u>\$ 5,903,127</u>
Depreciation expense was charged to functions of the Town as follows:				
Governmental activities				
General government				\$ 42,341
Public safety				136,109
Public works				172,936
Culture and recreation				38,213
Health and human services				100
Total depreciation expense - governmental activities				<u>\$ 389,699</u>

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Interfund Receivable, Payable and Transfers

Interfund receivables and payables between individual funds of the Town, as reported in the fund financial statements, as of December 31, 2016 are detailed below:

	Interfund Receivables	Interfund Payables
Operating accounts between funds		
General Fund	\$ 2,763	\$ -
Airport	-	2,763
Totals	<u>\$ 2,763</u>	<u>\$ 2,763</u>

Interfund transfers for the year ended December 31, 2016 were as follows:

	Transfer to:		
	General Fund	Capital Projects Fund	Total
Transfers from:			
General fund	\$ -	\$ 1,336,695	\$ 1,336,695
Capital projects fund	215,900	-	215,900
Totals	<u>\$ 215,900</u>	<u>\$ 1,336,695</u>	<u>\$ 1,552,595</u>

5. Long-term Obligations

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

	Outstanding 1/1/16	Issued	Retired	Outstanding 12/31/16	Due Within One Year
General Obligation Debt Notes	<u>\$ 3,698,321</u>	<u>\$ 2,325,357</u>	<u>\$ 573,939</u>	<u>\$ 5,449,739</u>	<u>\$ 549,874</u>

Total interest paid during the year on long-term debt totaled \$85,735.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes

\$2,494,100 issued 11/24/14; \$234,901 to \$270,139 due annually through 2024; interest 2.30%	\$ 2,018,332
\$370,000 issued 12/3/14; \$101,590 due in 2017; interest 2.30%	101,590
\$565,000 issued 12/3/14; \$52,803 to \$63,176 due annually through 2024; interest 2.53%	462,848
\$608,710 issued 10/14/15; \$5,528 to \$65,549 due annually through 2026; interest 2.19%	546,234
\$925,357 issued 12/6/16; \$53,867 to \$697,604 due annually through 2021; interest 2.31%	920,735
\$1,400,000 issued 12/21/16; \$51,823 to \$872,410 due annually through 2026; interest 3.01%	1,400,000

Total Outstanding General Obligation Debt	<u>\$ 5,449,739</u>
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TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2016

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$5,449,739 on December 31, 2016 is detailed below:

Year Ended December 31	Principal	Interest	Total
2017	\$ 549,874	\$ 136,206	\$ 686,080
2018	459,262	123,407	582,669
2019	470,512	112,318	582,830
2020	481,914	100,069	581,983
2021	1,132,377	84,755	1,217,132
2022-2026	2,355,800	195,984	2,551,784
	<u>\$ 5,449,739</u>	<u>\$ 752,739</u>	<u>\$ 6,202,478</u>

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2016 was \$31,644,201 as follows:

Equalized valuation of the Town	\$ 741,878,800
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	37,093,940
Total outstanding general obligation debt applicable to debt limitation	<u>5,449,739</u>
Legal Margin for New Debt	<u><u>\$ 31,644,201</u></u>

6. Minimum Fund Balance Policy

The Town has also adopted a minimum fund balance policy of 16% of actual year general fund expenditures, not including debt service and capital outlay funded by debt. These funds are to be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

2016 General fund actual expenditures	\$ 1,777,264
Minimum Fund Balance %	<u>(x) 16%</u>
Minimum Fund Balance Amount	<u><u>\$ 284,362</u></u>

The Town's unassigned general fund balance totaled \$328,298 on December 31, 2016.

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Pension Plan

a. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school Town educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

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

The WRS also provides death and disability benefits for employees.

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

b. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%
2015	2.9%	2%

c. Contributions

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

During the reporting period, the WRS recognized \$14,048 in contributions from the Town.

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

- d. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Town reported a liability of \$23,968 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Town's proportion was 0.00147500%, which was an increase of 0.00004001 % from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Town recognized pension expense of \$27,821.

At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,055	\$ 50,441
Changes in assumptions	16,769	-
Net differences between projected and actual earnings on pension plan investments	98,134	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,909
Employer contributions subsequent to the measurement date	18,322	-
Total	\$ 137,280	\$ 54,350

\$18,322 reported as deferred outflows related to pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 30,886	\$ 13,283
2017	30,886	13,283
2018	30,886	13,283
2019	25,763	12,841
2020	537	1,660
	\$ 118,958	\$ 54,350

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability:	December 31, 2015
Actuarial Cost Method:	Entry Age
Liability Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

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

Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class				
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

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

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
Town's proportionate share of the net pension liability (asset)	\$ 168,115	\$ 23,968	\$ (88,613)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://ef.wi.gov/publications/cafr.htm>.

f. Payable to the WRS

At December 31, 2016 the Town reported a payable of \$3,858 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2016.

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

NOTE D - OTHER INFORMATION

1. 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.

2. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2016 and 2017 budget years, the increase in the maximum allowable tax levy is limited to the greater of the percentage change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2016 budget was 0.80%. The actual limit for the Town for the 2017 budget was 0.78%. 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.

3. Contingencies

From time to time, the Town is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Last 10 Fiscal Years*

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
12/31/15	0.00143499%	\$ (35,247)	\$ 211,162	-16.69%	102.74%
12/31/16	0.00147500%	23,968	206,591	11.60%	98.20%

* The Town implemented GASB Statement Nos. 68 and 71 for the year ended December 31, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN
Schedule of Contributions
Wisconsin Retirement System
Last 10 Fiscal Years*

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 14,781	\$ 14,781	\$ -	\$ 211,162	7.00%
12/31/16	14,048	14,048	-	206,591	6.80%

* The Town implemented GASB Statement Nos. 68 and 71 for the year ended December 31, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end of the prior year.

See Notes to Required Supplementary Information.

TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN
Notes to Required Supplementary Information
December 31, 2016

NOTE A - WISCONSIN RETIREMENT SYSTEM

There were no changes of benefit terms or assumptions for any participating employer in WRS.

SUPPLEMENTARY INFORMATION

**TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN**

General Fund

Detailed Comparison of Budgeted and Actual Revenues
For the Year Ended December 31, 2016

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

	Original Budget	Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
Taxes					
General property taxes	\$ 1,784,605	\$ 1,784,605	\$ 1,784,605	\$ -	\$ 1,726,719
Woodland/forest crop/MFL	-	-	3,606	3,606	3,504
Room tax	194,200	194,200	192,502	(1,698)	189,276
Total Taxes	1,978,805	1,978,805	1,980,713	1,908	1,919,499
Intergovernmental					
State aids					
State shared taxes	12,928	12,928	12,928	-	12,928
Exempt computer aid	400	400	510	110	462
Forest crop severance/yield, withdrawal	-	-	10,954	10,954	473
Fire insurance tax	20,000	20,000	21,833	1,833	20,397
Transportation	111,906	111,906	111,906	-	111,906
Municipal service aid	1,500	1,500	3,648	2,148	1,642
DNR in lieu of taxes	3,000	3,000	4,644	1,644	4,617
Police training	160	160	320	160	160
Other grants	-	-	4,790	4,790	8,085
Recycling grant	2,000	2,000	2,357	357	2,224
Total Intergovernmental	151,894	151,894	173,890	21,996	162,894
Licenses and permits					
Liquor and malt beverages	8,900	8,900	9,238	338	8,930
Cable TV franchise fee	10,000	10,000	13,053	3,053	14,065
Other licenses, and permits	1,718	1,718	1,366	(352)	2,670
Inspection fees	13,000	13,000	28,681	15,681	39,292
Total Licenses and Permits	33,618	33,618	52,338	18,720	64,957
Fines and Forfeits					
	-	-	2,232	2,232	2,834
Public Charges for Services					
Dock	372,337	372,337	351,668	(20,669)	340,970
Roads	-	-	4,029	4,029	5,496
Cemetery	2,000	2,000	9,725	7,725	1,728
General government	1,000	1,000	3,684	2,684	2,437
Miscellaneous	-	-	228	228	4,427
Total Public Charges for Services	375,337	375,337	369,334	(6,003)	355,058

(Continued)

**TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN**

General Fund

Detailed Comparison of Budgeted and Actual Revenues (Continued)

For the Year Ended December 31, 2016

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

	Original Budget	Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
Intergovernmental Charges for Services Fire and EMR	3,000	3,000	1,839	(1,161)	3,556
Miscellaneous					
Interest on Investments	2,000	2,000	4,640	2,640	4,750
Rent of Town property	28,526	28,526	42,704	14,178	41,233
Insurance claims and refunds	-	-	2,617	2,617	11,033
Donations	-	15,855	18,007	2,152	3,100
Blossomberg trust income	-	-	73	73	62
Miscellaneous	-	-	-	-	22,398
Total Miscellaneous	30,526	46,381	68,041	21,660	82,576
Total Revenues	<u>\$ 2,573,180</u>	<u>\$ 2,589,035</u>	<u>\$ 2,648,387</u>	<u>\$ 59,352</u>	<u>\$ 2,591,374</u>

**TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN**

General Fund

Detailed Comparison of Budgeted and Actual Expenditures

For the Year Ended December 31, 2016

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

	Original Budget	Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
General Government					
Legislative	\$ 50,449	\$ 56,275	\$ 57,019	\$ (744)	\$ 44,599
Legal	71,000	71,000	57,718	13,282	46,259
General administration	190,245	192,749	190,911	1,838	162,466
Elections	5,800	6,816	7,045	(229)	1,724
Advertising	2,000	2,000	1,068	932	-
Accounting	12,300	12,300	9,207	3,093	9,620
Assessment of property	15,810	15,810	16,809	(999)	16,517
Community center	35,000	35,000	32,797	2,203	41,373
Property and liability insurance	79,000	79,000	76,244	2,756	71,769
Total General Government	461,604	470,950	448,818	22,132	394,327
Public Safety					
Police department	125,125	125,125	105,551	19,574	55,740
Fire department	254,400	290,135	221,149	68,986	218,129
First responders	39,780	39,780	26,353	13,427	24,551
Building inspection	12,459	12,459	24,861	(12,402)	35,151
Total Public Safety	431,764	467,499	377,914	89,585	333,571
Public Works					
Salaries and benefits	188,295	203,695	206,094	(2,399)	179,108
Road maintenance - contracted	416,600	416,600	303,627	112,973	326,107
Town shop and equipment	47,050	47,050	30,661	16,389	35,120
Street lighting	1,600	1,600	2,893	(1,293)	-
Airport	-	-	13,190	(13,190)	-
Sanitation/Recycling	17,000	17,000	14,656	2,344	15,915
Total Public Works	670,545	685,945	571,121	114,824	556,250
Culture and Recreation					
Library	700	700	1,344	(644)	882
Park and pavilion	34,950	34,950	31,351	3,599	38,088
Museum	13,694	15,996	13,925	2,071	14,592
Town hall	21,000	21,000	18,496	2,504	27,296
Chambers Island	10,075	10,075	1,673	8,402	891
Docks	272,276	272,276	226,187	46,089	236,821
Total Culture and Recreation	352,695	354,997	292,976	62,021	318,570

(Continued)

**TOWN OF GIBRALTAR
DOOR COUNTY, WISCONSIN**

General Fund

Detailed Comparison of Budgeted and Actual Expenditures
For the Year Ended December 31, 2016

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

	Original Budget	Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
Health and Human Services					
Cemetery	2,770	2,770	3,528	(758)	1,054
Watershed study	1,110	1,110	820	290	859
Animal control	3,130	3,130	1,722	1,408	3,006
Total Health and Human Services	7,010	7,010	6,070	940	4,919
Conservation and Development					
Planning commission	10,915	10,915	5,504	5,411	4,649
Fish Creek Civic Association	66,028	66,028	74,561	(8,533)	55,447
Door County Coastal Byway	300	300	300	-	300
Total Conservation and Development	77,243	77,243	80,365	(3,122)	60,396
Debt Service					
Principal retirement	370,440	570,440	573,939	(3,499)	3,463,810
Interest and fiscal charges	142,809	142,809	85,855	56,954	141,194
Total Debt Service	513,249	713,249	659,794	53,455	3,605,004
Capital Outlay					
General government					
Equipment	-	-	-	-	2,010
Public safety					
Fire equipment	-	-	-	-	82,152
Public works					
Land purchase	-	-	-	-	70,000
Buildings	-	-	-	-	42,496
Equipment	-	-	-	-	70,282
Culture and recreation					
Dock	51,000	51,000	-	51,000	7,746
Total Capital Outlay	51,000	51,000	-	51,000	274,686
Total Expenditures	\$ 2,565,110	\$ 2,827,893	\$ 2,437,058	\$ 390,835	\$ 5,547,723

**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 Gibraltar, Wisconsin

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of the Town of Gibraltar, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town of Gibraltar's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated April 3, 2017.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Town of Gibraltar, Wisconsin's Response to Findings

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

Purpose of this Report

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



Certified Public Accountants
Green Bay, Wisconsin
April 3, 2017

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

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2016-001	<p>Preparation of Annual Financial Report Repeat of Finding 2014-001</p> <p>Condition: Current Town staff maintains accounting records which reflect the Town's financial transactions; however, preparing the Town's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The Town contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reason, the Town contracts with us to compile the Wisconsin Municipal Financial Report Form CT.</p> <p>Criteria: The preparation and review of the annual financial report and municipal financial 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, notes and other required State Financial report.</p> <p>Cause: Town management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.</p> <p>Effect: Without our involvement, the Town may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.</p> <p>Recommendation: We recommend the Town continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Town is necessary to obtain a complete and adequate understanding of the Town's annual financial report and the municipal financial report.</p> <p>Management Response: Management believes the cost for additional staff time and training to prepare yearend financial reports outweigh the benefits to be received. Management has reviewed financial information using the knowledge obtained from various trainings and continuing education on new GASB pronouncements.</p>

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

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
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**2016-002 Adjustments to the Town's Financial Records
Repeat of Finding 2014-002**

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

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: Administration is very willing and eager to learn the necessary adjusting and closing entries to ensure that the yearend financial statements are as accurate as possible.

Section II - Compliance and Other Matters

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