

Town of Gibraltar
Door County, Wisconsin
ANNUAL FINANCIAL REPORT

December 31, 2019



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Town of Gibraltar

Door County, Wisconsin

DECEMBER 31, 2019

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Independent auditors' report

To the Town Board
Town of Gibraltar
Door County, 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, 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, each major fund and the aggregate remaining fund information of the Town as of December 31, 2019, 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.

EMPHASIS OF MATTER

As described in Note 4.C. to the financial statements, the Town recorded a prior period adjustment of \$314,566 in the governmental activities to remove airport capital assets to properly reflect that the airport is a joint venture as described in Note 1.B. As a result, the Town restated the January 1, 2019 capital assets, accumulated depreciation and net position amounts. Our opinions are not modified with respect to this matter.

As described in Note 1.C., during 2019, the Town adopted new accounting guidance, Statement No. 84, *Fiduciary Activities*. As a result, the Town established a custodial fund for taxes and specials 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

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions and other postemployment benefits on pages 39 and 40 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 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 March 12, 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 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Green Bay, Wisconsin
March 12, 2020

BASIC FINANCIAL STATEMENTS

Town of Gibraltar

Door County, Wisconsin

STATEMENT OF NET POSITION DECEMBER 31, 2019

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,575,993
Receivables	
Taxes and special charges	1,639,893
Delinquent taxes	2,894
Other	38,772
Due from other governments	12,763
Inventories	24,784
Restricted assets	
Cash and investments	4,734,256
Capital assets, nondepreciable	5,714,641
Capital assets, depreciable	7,123,668
	<hr/>
Total assets	20,867,664
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	210,638
Other postemployment related amounts	6,412
	<hr/>
Total deferred outflows of resources	217,050
LIABILITIES	
Accounts payable	19,303
Accrued and other current liabilities	36,406
Accrued interest payable	12,201
Special deposits	36,115
Unearned revenues	16,999
Long-term obligations	
Due within one year	681,551
Due in more than one year	9,075,871
Net pension liability	75,414
Net other postemployment benefits	14,594
	<hr/>
Total liabilities	9,968,454
DEFERRED INFLOWS OF RESOURCES	
Property taxes levied for subsequent year	2,238,054
Pension related amounts	107,125
Other postemployment related amounts	3,903
	<hr/>
Total deferred inflows of resources	2,349,082
NET POSITION	
Net investment in capital assets	7,518,326
Restricted	47,104
Unrestricted	1,201,748
	<hr/>
Total net position	<u>\$ 8,767,178</u>

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, 2019

Functions/Programs	Expenses	Program Revenues			Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General government	\$ 551,110	\$ 61,913	\$ 1,871	\$ -	\$ (487,326)
Public safety	577,822	46,478	24,251	260,781	(246,312)
Public works	732,593	4,310	142,939	75,000	(510,344)
Health and human services	5,376	7,640	-	-	2,264
Culture and recreation	433,151	421,357	24,850	-	13,056
Conservation and development	155,167	-	-	-	(155,167)
Interest and fiscal charges	337,273	-	-	-	(337,273)
Total governmental activities	<u>\$ 2,792,492</u>	<u>\$ 541,698</u>	<u>\$ 193,911</u>	<u>\$ 335,781</u>	<u>(1,721,102)</u>
General revenues					
Taxes					
Property taxes					
Tax increments					
Other taxes					
Federal and state grants and other contributions not restricted to specific functions					
Interest and investment earnings					
Miscellaneous					
Gain on sale of asset					
Total general revenues					
Change in net position					
Net position - January 1, as originally reported					
Prior period adjustment					
Net position - January 1, as restated					
Net position - December 31					

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, 2019**

	General	Debt Service	2019 G.O. Notes	Capital Projects	Totals
ASSETS					
Cash and investments	\$ 975,726	\$ -	\$ -	\$ 600,267	\$ 1,575,993
Restricted cash and investments	47,104	249,713	4,437,439	-	4,734,256
Receivables					
Taxes and special charges	959,383	680,510	-	-	1,639,893
Delinquent taxes	2,894	-	-	-	2,894
Other	38,772	-	-	-	38,772
Due from other governments	12,763	-	-	-	12,763
Inventories	24,784	-	-	-	24,784
	<u>2,061,426</u>	<u>930,223</u>	<u>4,437,439</u>	<u>600,267</u>	<u>8,029,355</u>
Total assets	<u>\$ 2,061,426</u>	<u>\$ 930,223</u>	<u>\$ 4,437,439</u>	<u>\$ 600,267</u>	<u>\$ 8,029,355</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 19,303	\$ -	\$ -	\$ -	\$ 19,303
Accrued and other current liabilities	36,406	-	-	-	36,406
Special deposits	36,115	-	-	-	36,115
Unearned revenues	16,999	-	-	-	16,999
	<u>108,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,823</u>
Total liabilities	<u>108,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,823</u>
Deferred inflows of resources					
Property taxes levied for subsequent year	1,307,831	930,223	-	-	2,238,054
	<u>1,307,831</u>	<u>930,223</u>	<u>-</u>	<u>-</u>	<u>2,238,054</u>
Fund balances					
Nonspendable	24,784	-	-	-	24,784
Restricted	47,104	-	4,437,439	-	4,484,543
Committed	1,407	-	-	600,267	601,674
Assigned	177,300	-	-	-	177,300
Unassigned	394,177	-	-	-	394,177
	<u>644,772</u>	<u>-</u>	<u>4,437,439</u>	<u>600,267</u>	<u>5,682,478</u>
Total fund balances	<u>644,772</u>	<u>-</u>	<u>4,437,439</u>	<u>600,267</u>	<u>5,682,478</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,061,426</u>	<u>\$ 930,223</u>	<u>\$ 4,437,439</u>	<u>\$ 600,267</u>	<u>\$ 8,029,355</u>

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, 2019

	<u>2019</u>
RECONCILIATION TO THE STATEMENT OF NET POSITION	
Total fund balances as shown on previous page	\$ 5,682,478
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.	12,838,309
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.	
Deferred outflows related to pensions	210,638
Deferred inflows related to pensions	(107,125)
Deferred outflows related to other postemployment benefits	6,412
Deferred inflows related to other postemployment benefits	(3,903)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Notes payable	(9,425,782)
Premium on debt	(331,640)
Net pension liability	(75,414)
Net other postemployment benefit	(14,594)
Accrued interest on long-term obligations	<u>(12,201)</u>
Net position of governmental activities as reported on the Statement of Net Position (see page 4)	<u>\$ 8,767,178</u>

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, 2019

	General	Debt Service	2019 G.O. Notes	Capital Projects	Totals
REVENUES					
Taxes	\$ 1,522,810	\$ 891,784	\$ -	\$ -	\$ 2,414,594
Intergovernmental	216,283	-	75,000	-	291,283
Licenses and permits	71,289	-	-	-	71,289
Fines and forfeits	924	-	-	-	924
Public charges for services	439,248	-	-	-	439,248
Intergovernmental charges for services	4,725	-	-	-	4,725
Miscellaneous	63,018	-	-	5,086	68,104
Total revenues	<u>2,318,297</u>	<u>891,784</u>	<u>75,000</u>	<u>5,086</u>	<u>3,290,167</u>
EXPENDITURES					
Current					
General government	498,557	-	-	-	498,557
Public safety	429,873	-	-	-	429,873
Public works	533,886	-	-	-	533,886
Health and human services	5,276	-	-	-	5,276
Culture and recreation	382,824	-	-	-	382,824
Conservation and development	155,167	-	-	-	155,167
Debt service					
Principal	-	8,832,698	-	-	8,832,698
Interest and fiscal charges	-	330,484	-	-	330,484
Capital outlay	114,457	-	1,500,526	-	1,614,983
Total expenditures	<u>2,120,040</u>	<u>9,163,182</u>	<u>1,500,526</u>	<u>-</u>	<u>12,783,748</u>
Excess of revenues over (under) expenditures	<u>198,257</u>	<u>(8,271,398)</u>	<u>(1,425,526)</u>	<u>5,086</u>	<u>(9,493,581)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	7,915,000	5,830,000	-	13,745,000
Premium on debt issued	-	331,640	-	-	331,640
Proceeds from sale of capital assets	35,000	-	-	-	35,000
Transfers in	109,816	24,758	53,704	31,988	220,266
Transfers out	(89,711)	-	(20,739)	(109,816)	(220,266)
Total other financing sources (uses)	<u>55,105</u>	<u>8,271,398</u>	<u>5,862,965</u>	<u>(77,828)</u>	<u>14,111,640</u>
Net change in fund balances	253,362	-	4,437,439	(72,742)	4,618,059
Fund balances - January 1	<u>391,410</u>	<u>-</u>	<u>-</u>	<u>673,009</u>	<u>1,064,419</u>
Fund balances - December 31	<u>\$ 644,772</u>	<u>\$ -</u>	<u>\$ 4,437,439</u>	<u>\$ 600,267</u>	<u>\$ 5,682,478</u>

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, 2019

	<u>2019</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES	
Net change in fund balances as shown on previous page	\$ 4,618,059
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	1,875,764
Depreciation expense reported in the statement of activities	(427,484)
Net book value of disposals	(31,833)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Long-term debt issued	(13,745,000)
Premium on debt issued	(331,640)
Principal repaid	8,832,698
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	(6,789)
Net pension asset	(52,957)
Net pension liability	(75,414)
Deferred outflows of resources related to pensions	107,492
Deferred inflows of resources related to pensions	865
Net other postemployment benefits	(782)
Deferred outflows of resources related to other postemployment benefits	2,352
Deferred inflows of resources related to other postemployment benefits	<u>(3,708)</u>
Change in net position of governmental activities as reported in the statement of activities (see page 5)	<u>\$ 761,623</u>

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, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,487,831	\$ 1,487,831	\$ 1,522,810	\$ 34,979
Intergovernmental	222,612	222,612	216,283	(6,329)
Licenses and permits	44,874	44,874	71,289	26,415
Fines and forfeits	-	-	924	924
Public charges for services	382,218	382,218	439,248	57,030
Intergovernmental charges for services	500	500	4,725	4,225
Miscellaneous	47,486	47,486	63,018	15,532
Total revenues	<u>2,185,521</u>	<u>2,185,521</u>	<u>2,318,297</u>	<u>132,776</u>
EXPENDITURES				
Current				
General government	479,026	492,204	498,557	(6,353)
Public safety	448,574	448,574	429,873	18,701
Public works	728,886	731,386	533,886	197,500
Health and human services	7,915	7,915	5,276	2,639
Culture and recreation	422,959	425,407	382,824	42,583
Conservation and development	162,573	162,573	155,167	7,406
Capital outlay	1,500	64,324	114,457	(50,133)
Total expenditures	<u>2,251,433</u>	<u>2,332,383</u>	<u>2,120,040</u>	<u>212,343</u>
Excess of revenues over (under) expenditures	<u>(65,912)</u>	<u>(146,862)</u>	<u>198,257</u>	<u>345,119</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	35,000	35,000
Transfers in	-	78,502	109,816	31,314
Transfers out	(31,988)	(31,988)	(89,711)	(57,723)
Total other financing sources (uses)	<u>(31,988)</u>	<u>46,514</u>	<u>55,105</u>	<u>8,591</u>
Net change in fund balance	<u>(97,900)</u>	<u>(100,348)</u>	<u>253,362</u>	<u>353,710</u>
Fund balance - January 1	<u>391,410</u>	<u>391,410</u>	<u>391,410</u>	<u>-</u>
Fund balance - December 31	<u>\$ 293,510</u>	<u>\$ 291,062</u>	<u>\$ 644,772</u>	<u>\$ 353,710</u>

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

Town of Gibraltar

Door County, Wisconsin

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUND DECEMBER 31, 2019

	<u>Custodial Fund</u>
ASSETS	
Cash and investments	<u>\$ 1,626,357</u>
LIABILITIES	
Liabilities	
Due to other governments	<u>1,626,357</u>
NET POSITION	
Fiduciary net position - held for others	<u><u>\$ -</u></u>

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

Town of Gibraltar

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	\$ 3,974,723
DEDUCTIONS	
Payments to other taxing districts	<u>3,974,723</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 Gibraltar

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 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:

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 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 in GASB Statement No. 61.

B. JOINT VENTURE

The Town 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 EGAC does not issue separate financial statements.

C. JOINTLY GOVERNED ORGANIZATION

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 recorded \$230,108 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.

D. 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.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

E. 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 Town has no business-type activities.

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, special revenue and capital projects funds. The Town has no proprietary funds. The 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 primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Debt Service

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

2019 G.O. Notes

This fund is used to account for capital expenditures funded by the 2019 general obligation note issuance.

Capital Projects Fund

This fund accounts for the acquisition or construction of major capital facilities.

The Town also reports the following fiduciary fund:

Custodial Fund

The custodial fund accounts for property taxes and specials collected on behalf of other governments. These amounts were recorded in the general fund in prior years. Due to the implementation of GASB 84, *Fiduciary Activities*, they are now recorded in a custodial fund.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide and fiduciary fund 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, 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.

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.

G. 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.

Town of Gibraltar

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NOTES TO BASIC FINANCIAL STATEMENTS
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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.

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

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.

5. 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.

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6. 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 a 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.

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 Years
Land improvements	10 - 50
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Vehicles	5 - 25
Infrastructure	15 - 75

7. 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.

8. 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. 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.

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9. 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.

10. Other Postemployment Benefits Other Than Pensions (OPEB)

Local Retiree Life Insurance Fund

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expenses, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

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 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.

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Government-Wide 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.

H. 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 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 budget accounts maintained for each functional area 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.

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B. 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 .66%. The actual limit for the Town for the 2020 budget was 1.18%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

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

The carrying amount of the Town's cash and investments totaled \$7,939,606 on December 31, 2019 as summarized below:

Deposits with financial institutions	\$ 7,929,145
Investments	
Dreyfus GNMA Mutual Funds	<u>7,461</u>
	<u>\$ 7,936,606</u>
Government-wide Statement of Net Position	
Cash and investments	\$ 1,575,993
Restricted cash and investments	4,734,256
Fiduciary Fund Statement of Net Position	
Custodial fund	<u>1,626,357</u>
	<u>\$ 7,936,606</u>

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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 has the following fair value measurements as of December 31, 2019:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Dreyfus GNMA Mutual Fund	\$ 7,461	\$ -	\$ -

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.

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, \$6,812,671 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. \$1,626,357 were tax collections which were remitted to other taxing districts by January 15, 2020. No amounts were collateralized.

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NOTES TO BASIC FINANCIAL STATEMENTS
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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 investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
Dreyfus GNMA Mutual Fund	\$ 7,461	\$ -	\$ -	\$ -	\$ 7,461

Concentration of Credit Risk

At December 31, 2019, the Town had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Town investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Town does not have an interest rate risk policy. 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 24 Months	25 to 60 Months	More Than 60 Months
Dreyfus GNMA Mutual Fund	\$ 7,461	\$ 7,461	\$ -	\$ -	\$ -

B. RESTRICTED ASSETS

Restricted assets on December 31, 2019 totaled \$4,734,256 and consisted of cash and investments held for the following purposes:

Fund	Amount	Purpose
General		
Parks	\$ 3,765	To account for park and land donations collected to finance park and land improvements
Cemetery	43,339	To account for cemetery trust funds to be used to finance cemetery expenditures
Total General fund	47,104	
Debt Service	249,713	To account for 2020 advance tax collections to finance 2020 budgeted debt payments
2019 G.O. Notes		
Note proceeds	4,437,439	To account for unused debt proceeds to fund future capital expenditures
Total	\$ 4,734,256	

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C. 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	\$ 3,716,905	\$ -	\$ -	\$ 3,716,905
Construction in progress	945,812	1,500,526	448,602	1,997,736
Total capital assets, nondepreciable	<u>4,662,717</u>	<u>1,500,526</u>	<u>448,602</u>	<u>5,714,641</u>
Capital assets, being depreciated:				
Land improvements	548,051	62,824	-	610,875
Buildings and improvements	5,516,495	448,602	-	5,965,097
Machinery and equipment	670,562	16,633	46,406	640,789
Vehicles	1,345,933	295,781	35,011	1,606,703
Infrastructure	5,780,823	-	-	5,780,823
Subtotals	<u>13,861,864</u>	<u>823,840</u>	<u>81,417</u>	<u>14,604,287</u>
Less accumulated depreciation for:				
Land improvements	356,855	34,474	-	391,329
Buildings and improvements	1,383,780	132,045	-	1,515,825
Machinery and equipment	389,459	40,814	46,083	384,190
Vehicles	780,372	107,290	3,501	884,161
Infrastructure	4,192,253	112,861	-	4,305,114
Subtotals	<u>7,102,719</u>	<u>427,484</u>	<u>49,584</u>	<u>7,480,619</u>
Total capital assets, being depreciated, net	<u>6,759,145</u>	<u>396,356</u>	<u>31,833</u>	<u>7,123,668</u>
Governmental activities capital assets, net	<u>\$ 11,421,862</u>	<u>\$ 1,896,882</u>	<u>\$ 480,435</u>	12,838,309
Less: Capital related debt				4,988,343
Less: Debt premium				<u>331,640</u>
Net investment in capital assets				<u>\$ 7,518,326</u>

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

Governmental activities	
General government	\$ 42,959
Public safety	146,168
Public works	187,930
Health and human services	100
Culture and recreation	50,327
Total depreciation expense	<u>\$ 427,484</u>

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D. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2019 were as follows:

Fund	Transfer In	Transfer Out
General	\$ 109,816	\$ 89,711
Debt Service	24,758	-
2019 G.O. Notes capital projects	53,704	20,739
Capital projects	31,988	109,816
Totals	<u>\$ 220,266</u>	<u>\$ 220,266</u>

Interfund transfers were recorded for the following purposes:

Board approved action to transfer unassigned funds to capital projects	\$ 31,988
Transfers from capital projects to general fund for equipment purchases	78,502
Transfers from 2019 G.O. Notes and general fund for debt service deficit	24,758
Board approved action to transfer capital projects funds to cover minimum fund balance requirements	31,314
Transfer 2018 grant revenues received to the 2019 G.O. Notes fund, where the grant expenditures are recorded	<u>53,704</u>
	<u>\$ 220,266</u>

E. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ -	\$ 7,915,000	\$ -	\$ 7,915,000	\$ 370,000
Notes from direct borrowings	<u>4,513,480</u>	<u>-</u>	<u>3,002,698</u>	<u>1,510,782</u>	<u>311,551</u>
Total General Obligation Debt	4,513,480	7,915,000	3,002,698	9,425,782	681,551
Bond anticipation notes	-	5,830,000	5,830,000	-	-
Debt premium	<u>-</u>	<u>331,640</u>	<u>-</u>	<u>331,640</u>	<u>-</u>
Governmental activities					
Long-term obligations	<u>\$ 4,513,480</u>	<u>\$14,076,640</u>	<u>\$ 8,832,698</u>	<u>\$ 9,757,422</u>	<u>\$ 681,551</u>

The Town's outstanding notes from direct borrowings of \$1,510,782 contain a provision that in an event of default, outstanding amounts shall at the option of the lender, without notice, mature and become immediately payable.

Total interest paid during the year on long-term debt totaled \$145,247.

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General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/19
Notes from direct borrowings	11/24/14	12/31/24	2.30%	\$ 2,494,100	\$ 1,294,761
Notes from direct borrowings	12/3/14	12/31/24	2.53%	565,000	216,021
General obligation refunding bonds	12/19/19	6/1/38	2.0 - 4.0%	7,915,000	7,915,000
Total outstanding general obligation debt					<u>\$ 9,425,782</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$9,425,782 on December 31, 2019 are detailed below:

Year Ended December 31,	Governmental Activities					
	G.O. Refunding Bonds		Notes from Direct Borrowings		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 370,000	\$ 216,966	\$ 311,551	\$ 32,447	\$ 681,551	\$ 249,413
2021	375,000	213,875	319,133	24,866	694,133	238,741
2022	390,000	198,575	326,801	17,199	716,801	215,774
2023	395,000	182,875	304,189	9,500	699,189	192,375
2024	425,000	166,475	249,108	2,879	674,108	169,354
2025-2029	1,990,000	601,125	-	-	1,990,000	601,125
2030-2034	2,270,000	320,004	-	-	2,270,000	320,004
2035-2038	1,700,000	73,334	-	-	1,700,000	73,334
	<u>\$ 7,915,000</u>	<u>\$ 1,973,229</u>	<u>\$ 1,510,782</u>	<u>\$ 86,891</u>	<u>\$ 9,425,782</u>	<u>\$ 2,060,120</u>

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

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2019 was \$28,676,873 as follows:

Equalized valuation of the Town		\$ 762,053,100
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		<u>38,102,655</u>
Total outstanding general obligation debt applicable to debt limitation	\$ 9,425,782	
Less: Amounts available for financing general obligation debt		
Debt service fund		<u>-</u>
Net outstanding general obligation debt applicable to debt limitation		9,425,782
Legal margin for new debt		<u>\$ 28,676,873</u>

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General Obligation Debt Limit Policy

The Town revised its debt management policy on September 12, 2019. The policy imposes a more restrictive direct debt burden limitation on the Town. The Town's policy states that the Town's goal is to maintain a level of debt not to exceed 50% of the legal debt limit. The Town's debt limit per its policy is calculated as follows:

General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	\$ 38,102,655
Town's debt limit %	(x) 50%
Town's debt limit amount	<u>\$ 19,051,328</u>

The Town's net outstanding general obligation debt at December 31, 2019 is \$9,425,782. The Town is in compliance with its debt limit policy.

F. PENSION PLAN

1. 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 district 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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 executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

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Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

2. Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3%	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
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

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3. 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, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. 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 year ending December 31, 2019, the WRS recognized \$29,052 in contributions from the Town.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At December 31, 2019, the Town reported a liability of \$75,414 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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, 2018, the Town's proportion was 0.00211977%, which was an increase of 0.00033616% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Town recognized pension expense of \$48,965.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2019

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 58,736	\$ 103,824
Net differences between projected and actual earnings on pension plan investments	110,138	-
Changes in assumptions	12,712	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,301
Employer contributions subsequent to the measurement date	29,052	-
Total	<u>\$ 210,638</u>	<u>\$ 107,125</u>

\$29,052 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 (asset) in the year ended December 31, 2020. 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,	Expense
2020	\$ 26,609
2021	6,166
2022	11,798
2023	29,888
2024	-
Total	<u>\$ 74,461</u>

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

5. Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

* *No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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:

	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5%	4.0%	1.5%
Inflation Sensitive Assets	15.5%	3.8%	1.3%
Real Estate	9%	6.5%	3.9%
Private Equity/Debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. Equities	70%	7.6%	5.0%
International Equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single Discount Rate. A single discount rate of 7.0% 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 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% 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 members 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 municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2019

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 7.0 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 (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
Town's proportionate share of the net pension liability (asset)	\$ 299,706	\$ 75,414	\$ (91,363)

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://etf.wi.gov/publications/cafr.htm>.

6. Payables to the Pension Plan

At December 31, 2019, the Town reported a payable of \$4,006 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2019.

G. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of December 31, 2019 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are listed below:

Life Insurance Employee Contribution Rates For the Year Ended December 31, 2018	
<u>Attained Age</u>	<u>Basic</u>
Under 30	\$0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the year ending December 31, 2019, the LRLIF recognized \$147 in contributions from the employer.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019, the Town reported a liability of \$14,594 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The Town's proportion of the net OPEB liability was based on the Town's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the Town's proportion was 0.00565600%, which was an increase of 0.001065% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$2,249.

At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 740
Net differences between projected and actual earnings on OPEB plan investments	349	-
Changes in assumptions	1,393	3,163
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,670	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 6,412</u>	<u>\$ 3,903</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Expense
2020	\$ 512
2021	512
2022	512
2023	463
2024	413
Thereafter	97
Total	<u>\$ 2,509</u>

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

Actuarial assumptions. The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2018
Measurement date of net OPEB liability (asset):	December 31, 2018
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	4.10%
Long-term expected rate of return:	5.00%
Discount rate:	4.22%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The Total OPEB Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto. The target allocation and best estimates of geometric real rate of return for each major asset class are summarized in the following table:

Asset Class	Index	Target Allocation	Long-term Expected Geometric Real Rate of Return %
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
US Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-term expected rate of return			5.00%

Town of Gibraltar

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NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2019

Single discount rate. A single discount rate of 4.22% was used to measure the total OPEB liability, for the current year as opposed to a discount rate of 3.63% for the prior year. The Plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan’s fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan’s fiduciary net position is projected to be insufficient. The plan’s fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

Sensitivity of the Town’s proportionate share of net OPEB liability to changes in the discount rate. The following presents the Town’s proportionate share of the net OPEB liability calculated using the discount rate of 4.22%, as well as what the Town’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
Town's proportionate share of the net OPEB liability	\$ 20,761	\$ 14,594	\$ 9,838

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

Payable to the OPEB Plan

At December 31, 2019, the Town reported a payable of \$226 for the outstanding amount of contribution to the Plan required for the year ended December 31, 2019.

H. 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	
Dock fuel inventory	<u>\$ 24,784</u>

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2019, restricted fund balance was as follows:

General Fund	
Restricted for	
Parks and land	\$ 3,765
Cemetery	43,339
Total general fund restricted fund balance	<u>47,104</u>
2019 G.O. Notes fund	
Restricted for	
capital expenditures	<u>4,437,439</u>
Total restricted fund balance	<u>\$ 4,484,543</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	
Coastal byways	\$ 1,407
Capital projects fund	
Committed for	
Capital projects	<u>600,267</u>
Total committed fund balance	<u>\$ 601,674</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, \$177,300 was assigned for subsequent year's expenditures.

Minimum General Fund Balance Policy

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

2019 General fund budgeted operating expenditures	\$ 2,463,608
Minimum fund balance %	<u>(x) 16%</u>
Minimum fund balance amount	<u>\$ 394,177</u>

The Town's unassigned general fund balance of \$394,177 meets the minimum fund balance policy.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

Net Position

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

Governmental Activities	
Restricted for	
Parks	\$ 3,765
Cemetery	43,339
Total governmental activities restricted net position	<u>\$ 47,104</u>

NOTE 4: OTHER INFORMATION

A. 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 any of the coverage amounts in any of the last three fiscal years.

B. 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.

C. PRIOR PERIOD ADJUSTMENT

As described in Note 1.B., the Town is a participant with the Village of Ephraim in a joint venture to operate the Ephraim-Gibraltar Airport. The Town previously presented the Ephraim-Gibraltar Airport as a non-major fund on the Town's fund financial statements and part of the governmental activities on the government-wide financial statements in error. In 2019, the Airport activity was removed from the Town's financial statements.

The Town had a prior period adjustment in the amount of \$314,566 to remove the airport activity from the governmental activities net position. Net position at January 1, 2019 was adjusted for the effect of the restatement. The cumulative effect of this change is summarized below:

	Governmental
	Activities
Net Position January 1, 2019, as originally stated	\$ 8,320,121
Prior period adjustment	(314,566)
Fund Balance January 1, 2019, as restated	<u>\$ 8,005,555</u>

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

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll (Plan Year)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.00143499%	\$ (35,247)	\$ 211,162	16.69%	102.74%
12/31/15	0.00147500%	23,968	206,591	11.60%	98.20%
12/31/16	0.00162598%	13,402	269,342	4.98%	99.12%
12/31/17	0.00178361%	(52,957)	270,038	19.61%	102.93%
12/31/18	0.00211977%	75,414	339,065	22.24%	96.45%

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 (Fiscal Year)	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 14,048	\$ 14,048	\$ -	\$ 206,591	6.80%
12/31/16	18,322	18,322	-	269,342	6.80%
12/31/17	19,888	19,888	-	270,038	7.36%
12/31/18	25,253	25,253	-	339,065	7.45%
12/31/19	29,052	29,052	-	381,468	7.62%

See notes to required supplementary information.

Town of Gibraltar

Door County, Wisconsin

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll (plan year)	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	0.00459100%	\$ 13,812	\$ 270,038	5.11%	44.81%
12/31/18	0.00565600%	14,594	301,000	4.85%	48.69%

SCHEDULE OF CONTRIBUTIONS LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered - Employee Payroll	Contributions as a Percentage of Covered - Employee Payroll
12/31/18	\$ 108	\$ 108	\$ -	\$ 301,000	0.04%
12/31/19	147	147	-	381,468	0.04%

See notes to required supplementary information.

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019

A. WISCONSIN RETIREMENT SYSTEM

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

The Town is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

B. LOCAL RETIREE LIFE INSURANCE FUND

There were no changes of benefit terms for any participating employer in LRLIF.

Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

SUPPLEMENTARY INFORMATION

Town of Gibraltar

Door County, Wisconsin

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

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Taxes				
General property	\$ 1,282,831	\$ 1,282,831	\$ 1,282,831	\$ -
Managed forest land	5,000	5,000	9,871	4,871
Room tax	200,000	200,000	230,108	30,108
Total taxes	<u>1,487,831</u>	<u>1,487,831</u>	<u>1,522,810</u>	<u>34,979</u>
Intergovernmental				
State				
State shared taxes	16,714	16,714	16,714	-
Exempt computer aid	320	320	327	7
Forest crop severance/yield withdrawal	-	-	461	461
Fire insurance tax	21,000	21,000	23,931	2,931
Transportation	141,468	141,468	141,403	(65)
Municipal service aid	2,000	2,000	1,871	(129)
DNR in lieu of taxes	4,600	4,600	4,870	270
Police training	160	160	320	160
Recycling grant	1,600	1,600	1,536	(64)
Other grants	34,750	34,750	24,850	(9,900)
Total intergovernmental	<u>222,612</u>	<u>222,612</u>	<u>216,283</u>	<u>(6,329)</u>
Licenses and permits				
Licenses				
Liquor and malt beverage	9,200	9,200	10,298	1,098
Cable TV franchise fee	9,500	9,500	14,591	5,091
Other licenses and permits	1,174	1,174	2,196	1,022
Inspection fees	25,000	25,000	44,204	19,204
Total licenses and permits	<u>44,874</u>	<u>44,874</u>	<u>71,289</u>	<u>26,415</u>
Fines and forfeits				
Court fines and penalties	-	-	924	924

Town of Gibraltar

Door County, Wisconsin

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

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Public charges for services				
General government	3,600	3,600	7,946	4,346
Roads	-	-	2,220	2,220
Cemetery	4,000	4,000	7,640	3,640
Dock	374,468	374,468	421,306	46,838
Miscellaneous	150	150	136	(14)
Total public charges for services	<u>382,218</u>	<u>382,218</u>	<u>439,248</u>	<u>57,030</u>
Intergovernmental charges for services				
Fire and EMS services	500	500	2,635	2,135
Airport	-	-	2,090	2,090
Total intergovernmental charges for services	<u>500</u>	<u>500</u>	<u>4,725</u>	<u>4,225</u>
Miscellaneous				
Interest on investments	6,500	6,500	14,488	7,988
Rent of Town property	40,461	40,461	41,323	862
Insurance claims and refunds	-	-	5,284	5,284
Donations	500	500	1,858	1,358
Blossomberg trust income	25	25	65	40
Total miscellaneous	<u>47,486</u>	<u>47,486</u>	<u>63,018</u>	<u>15,532</u>
Total revenues	<u>\$ 2,185,521</u>	<u>\$ 2,185,521</u>	<u>\$ 2,318,297</u>	<u>\$ 132,776</u>

Town of Gibraltar

Door County, Wisconsin

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

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
General government				
Legislative	\$ 54,966	\$ 54,966	\$ 52,331	\$ 2,635
Legal	43,590	43,590	71,288	(27,698)
General administration	249,852	249,852	241,725	8,127
Elections	5,668	5,668	2,758	2,910
Advertising	3,500	3,500	4,340	(840)
Accounting	15,000	15,000	11,505	3,495
Assessment of property	16,650	16,650	16,288	362
Community center	34,800	47,978	42,625	5,353
Property and liability insurance	55,000	55,000	55,697	(697)
Total general government	<u>479,026</u>	<u>492,204</u>	<u>498,557</u>	<u>(6,353)</u>
Public safety				
Police department	99,025	99,025	82,594	16,431
Fire department	283,069	283,069	268,662	14,407
First responders	43,030	43,030	36,528	6,502
Building inspection	23,450	23,450	42,089	(18,639)
Total public safety	<u>448,574</u>	<u>448,574</u>	<u>429,873</u>	<u>18,701</u>
Public works				
Salaries and benefits	200,486	200,486	196,187	4,299
Road maintenance - contracted	471,000	471,000	278,157	192,843
Town shop and equipment	41,200	41,200	41,033	167
Street lighting	-	-	2,863	(2,863)
Airport	-	2,500	408	2,092
Sanitation/Recycling	16,200	16,200	15,238	962
Total public works	<u>728,886</u>	<u>731,386</u>	<u>533,886</u>	<u>197,500</u>
Health and human services				
Cemetery	2,500	2,500	2,648	(148)
Watershed study	1,000	1,000	440	560
Flu shots	1,500	1,500	456	1,044
Animal control	2,915	2,915	1,732	1,183
Total health and human services	<u>7,915</u>	<u>7,915</u>	<u>5,276</u>	<u>2,639</u>

Town of Gibraltar

Door County, Wisconsin

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

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
Culture and recreation				
Library	835	835	200	635
Park and pavilion	36,150	36,150	20,790	15,360
Museum	51,300	53,748	26,302	27,446
Town hall	19,700	19,700	19,168	532
Chambers Island	16,374	16,374	520	15,854
Docks	298,600	298,600	310,863	(12,263)
Bath house	-	-	4,981	(4,981)
Total culture and recreation	<u>422,959</u>	<u>425,407</u>	<u>382,824</u>	<u>42,583</u>
Conservation and development				
Planning commission	94,473	94,473	90,473	4,000
Fish Creek Civic Association	68,000	68,000	64,594	3,406
Door County Coastal Byway	100	100	100	-
Total conservation and development	<u>162,573</u>	<u>162,573</u>	<u>155,167</u>	<u>7,406</u>
Capital outlay				
General Government				
Fire equipment	-	-	35,000	(35,000)
Culture and recreation				
Park	500	500	16,633	(16,133)
Dock	1,000	63,824	62,824	1,000
Total capital outlay	<u>1,500</u>	<u>64,324</u>	<u>114,457</u>	<u>(50,133)</u>
Total expenditures	<u>\$ 2,251,433</u>	<u>\$ 2,332,383</u>	<u>\$ 2,120,040</u>	<u>\$ 212,343</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 Gibraltar
Door County, 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, Door County, (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 March 12, 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.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

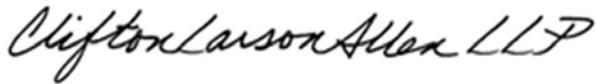
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 GIBRALTAR, WISCONSIN'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

March 12, 2020

Town of Gibraltar

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>Preparation of Annual Financial Report Repeat of Finding 2018-001</p>
Type of Finding:	Material Weakness 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 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.</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 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>
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 and municipal financial report.</p>
Management Response:	<p>Management believes the cost for additional staff time and training to prepare year-end 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 FOR THE YEAR ENDED DECEMBER 31, 2019

<u>FINDING NO.</u>	<u>CONTROL DEFICIENCIES</u>
2019-002	Adjustments to the Town's Financial Records
Type of Finding:	Material Weakness in Internal Control over Financial Reporting
Condition:	As part of our audit, we proposed adjusting journal entries that were material to the District'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 District 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 will thoroughly review the year-end adjusting and closing entries and will work with CLA to identify opportunities to reduce number and significance of year-end adjusting and closing entries.

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.

