

Town of Gibraltar
Door County, Wisconsin

ANNUAL FINANCIAL REPORT

December 31, 2017



Town of Gibraltar Door County, Wisconsin

DECEMBER 31, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2017, 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.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules relating to pensions on page 30 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.

REPORT ON SUMMARIZED FINANCIAL INFORMATION

We have previously audited the Town's 2016 financial statements, and our report dated April 3, 2017, expressed unmodified opinions on those respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

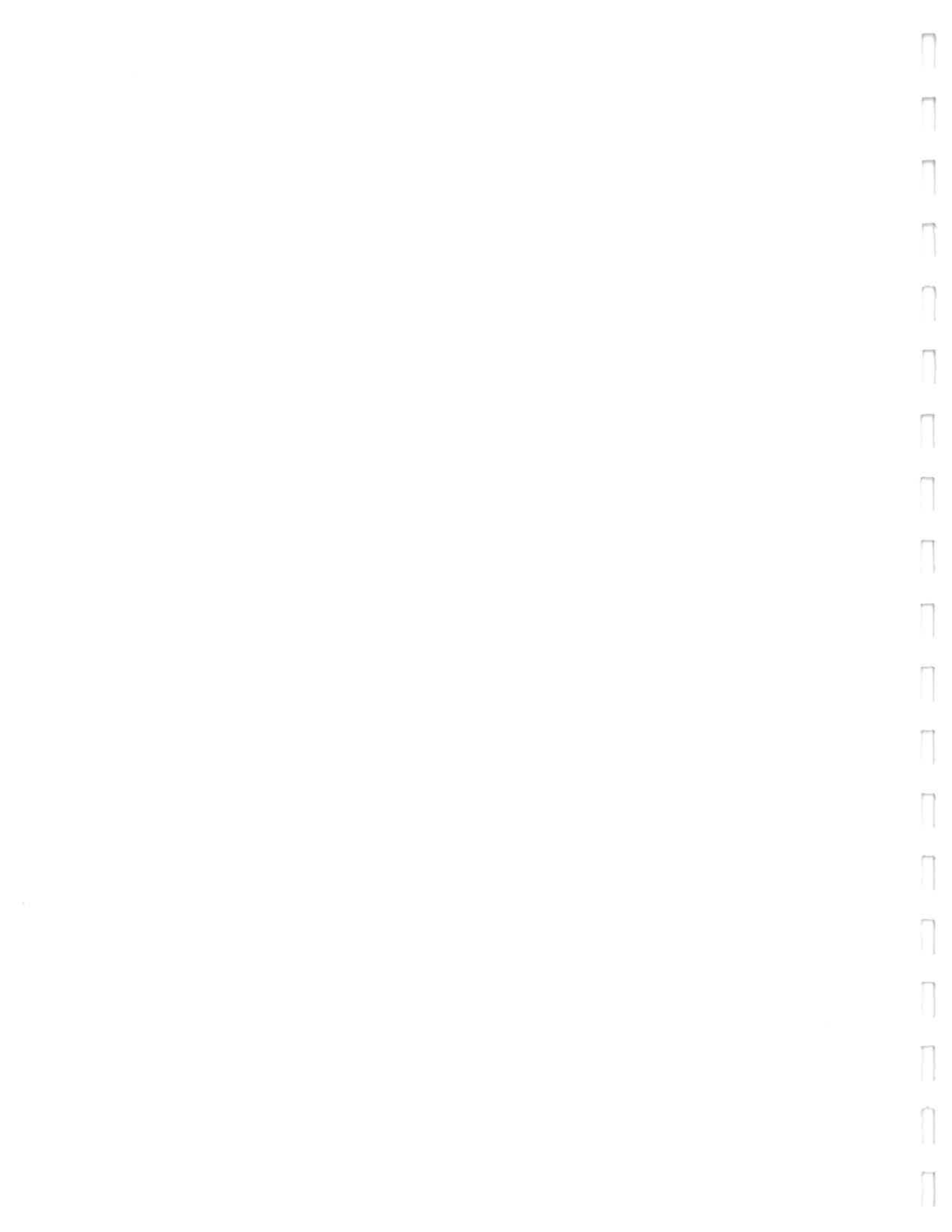
OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants

Green Bay, Wisconsin
April 12, 2018



BASIC FINANCIAL STATEMENTS



Town of Gibraltar

Door County, Wisconsin

STATEMENT OF NET POSITION

DECEMBER 31, 2017

WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2016

	Governmental Activities	
	2017	2016
ASSETS		
Cash and investments	\$ 3,748,736	\$ 2,553,428
Receivables		
Taxes and special charges	5,646,790	6,731,786
Delinquent taxes	2,411	4,127
Other	9,857	9,659
Due from other governments	1,866	-
Inventories and prepaid items	22,252	28,612
Restricted assets		
Cash and investments	45,054	44,477
Capital assets, nondepreciable	3,896,917	4,881,842
Capital assets, depreciable	7,281,490	6,471,024
Total assets	<u>20,655,373</u>	<u>20,724,955</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related amounts	<u>105,788</u>	<u>137,280</u>
LIABILITIES		
Accounts payable	129,843	116,937
Accrued and other current liabilities	13,852	18,400
Due to other governments	5,789,922	5,921,829
Special deposits	30,015	31,315
Unearned revenues	53,871	19,591
Long-term obligations		
Due within one year	457,217	549,874
Due in more than one year	4,664,544	4,899,865
Net pension liability	13,402	23,968
Total liabilities	<u>11,152,666</u>	<u>11,581,779</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes levied for subsequent year	1,897,576	1,838,685
Pension related amounts	46,386	54,350
Total deferred inflows of resources	<u>1,943,962</u>	<u>1,893,035</u>
NET POSITION		
Net investment in capital assets	6,056,646	5,903,127
Restricted	45,054	44,477
Unrestricted	1,562,833	1,439,817
Total net position	<u>\$ 7,664,533</u>	<u>\$ 7,387,421</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, 2017

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 409,185	\$ 15,774	\$ 2,024	\$ -
Public safety	525,579	39,519	23,441	-
Public works	946,682	86,768	113,794	-
Health and human services	6,667	15,603	-	-
Culture and recreation	397,744	340,407	5,056	-
Conservation and development	82,492	-	-	-
Interest and fiscal charges	147,730	-	-	-
Total governmental activities	<u>\$ 2,516,079</u>	<u>\$ 498,071</u>	<u>\$ 144,315</u>	<u>\$ -</u>

General revenues

Taxes

Property taxes

Other taxes

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

Rental income

Interest and investment earnings

Miscellaneous

Gain on sale of asset

Total general revenues

Change in net position

Net position - January 1

Net position - December 31

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

Totals	
2017	2016
\$ (391,387)	\$ (478,237)
(462,619)	(417,702)
(746,120)	(2,086,095)
8,936	3,555
(52,281)	1,435,149
(82,492)	(80,365)
(147,730)	(85,855)
(1,873,693)	(1,709,550)
1,842,360	1,788,211
210,609	192,502
35,137	32,254
45,695	42,704
9,442	4,640
2,610	21,963
4,952	1,989
2,150,805	2,084,263
277,112	374,713
7,387,421	7,012,708
\$ 7,664,533	\$ 7,387,421

Town of Gibraltar

Door County, Wisconsin

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

	General	Capital Projects	Nonmajor Airport	Totals	
				2017	2016
ASSETS					
Cash and investments	\$ 2,747,305	\$ 966,322	\$ 35,109	\$ 3,748,736	\$ 2,553,428
Restricted cash and investments	45,054	-	-	45,054	44,477
Receivables					
Taxes and special charges	5,646,790	-	-	5,646,790	6,731,786
Delinquent taxes	2,411	-	-	2,411	4,127
Other	9,857	-	-	9,857	9,659
Due from other funds	10,897	-	-	10,897	2,763
Due from other governments	-	-	1,866	1,866	-
Inventories and prepaid items	18,809	-	3,443	22,252	28,612
Total assets	<u>\$ 8,481,123</u>	<u>\$ 966,322</u>	<u>\$ 40,418</u>	<u>\$ 9,487,863</u>	<u>\$ 9,374,852</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 129,811	\$ -	\$ 32	\$ 129,843	\$ 116,937
Accrued and other current liabilities	13,852	-	-	13,852	18,400
Due to other funds	-	-	10,897	10,897	2,763
Due to other governments	5,777,159	-	12,763	5,789,922	5,921,829
Special deposits	30,015	-	-	30,015	31,315
Unearned revenues	53,871	-	-	53,871	19,591
Total liabilities	<u>6,004,708</u>	<u>-</u>	<u>23,692</u>	<u>6,028,400</u>	<u>6,110,835</u>
Deferred inflows of resources					
Property taxes levied for subsequent year	<u>1,897,576</u>	<u>-</u>	<u>-</u>	<u>1,897,576</u>	<u>1,838,685</u>
Fund balances					
Nonspendable	18,809	-	3,443	22,252	28,612
Restricted	45,054	-	-	45,054	44,477
Committed	5,426	966,322	13,283	985,031	1,016,945
Assigned	74,755	-	-	74,755	7,002
Unassigned	434,795	-	-	434,795	328,296
Total fund balances	<u>578,839</u>	<u>966,322</u>	<u>16,726</u>	<u>1,561,887</u>	<u>1,425,332</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,481,123</u>	<u>\$ 966,322</u>	<u>\$ 40,418</u>	<u>\$ 9,487,863</u>	<u>\$ 9,374,852</u>

Town of Gibraltar

Door County, Wisconsin

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2017

WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2016

	2017	2016
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 1,561,887	\$ 1,425,332
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	11,178,407	11,352,866
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	105,788	137,280
Deferred inflows related to pensions	(46,386)	(54,350)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes payable	(5,121,761)	(5,449,739)
Net pension liability	(13,402)	(23,968)
Net position of governmental activities as reported on the Statement of Net Position (see page 4)	<u>\$ 7,664,533</u>	<u>\$ 7,387,421</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, 2017

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

	General	Capital Projects	Nonmajor Airport	Totals	
				2017	2016
REVENUES					
Taxes	\$ 2,052,969	\$ -	\$ -	\$ 2,052,969	\$ 1,980,713
Intergovernmental	166,227	-	-	166,227	173,890
Licenses and permits	60,008	-	-	60,008	52,338
Fines and forfeits	2,299	-	-	2,299	2,232
Public charges for services	362,030	-	85,550	447,580	443,946
Intergovernmental charges for services	2,570	-	-	2,570	1,839
Miscellaneous	53,752	2,327	507	56,586	68,928
Total revenues	<u>2,699,855</u>	<u>2,327</u>	<u>86,057</u>	<u>2,788,239</u>	<u>2,723,886</u>
EXPENDITURES					
Current					
General government	360,089	-	-	360,089	448,818
Public safety	391,226	-	-	391,226	377,914
Public works	648,557	-	80,923	729,480	644,935
Health and human services	6,567	-	-	6,567	6,070
Culture and recreation	334,200	-	-	334,200	292,976
Conservation and development	143,198	-	-	143,198	80,365
Debt service					
Principal	534,391	-	-	534,391	573,939
Interest and fiscal charges	147,730	-	-	147,730	85,855
Capital outlay	173,415	42,961	-	216,376	2,541,664
Total expenditures	<u>2,739,373</u>	<u>42,961</u>	<u>80,923</u>	<u>2,863,257</u>	<u>5,052,536</u>
Excess of revenues over (under) expenditures	<u>(39,518)</u>	<u>(40,634)</u>	<u>5,134</u>	<u>(75,018)</u>	<u>(2,328,650)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	206,413	-	-	206,413	2,325,357
Proceeds from sale of capital assets	5,160	-	-	5,160	18,000
Transfers in	-	102,468	-	102,468	1,552,595
Transfers out	(102,468)	-	-	(102,468)	(1,552,595)
Total other financing sources (uses)	<u>109,105</u>	<u>102,468</u>	<u>-</u>	<u>211,573</u>	<u>2,343,357</u>
Net change in fund balances	<u>69,587</u>	<u>61,834</u>	<u>5,134</u>	<u>136,555</u>	<u>14,707</u>
Fund balances - January 1	<u>509,252</u>	<u>904,488</u>	<u>11,592</u>	<u>1,425,332</u>	<u>1,410,625</u>
Fund balances - December 31	<u>\$ 578,839</u>	<u>\$ 966,322</u>	<u>\$ 16,726</u>	<u>\$ 1,561,887</u>	<u>\$ 1,425,332</u>

Town of Gibraltar, Wisconsin

Door County, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2017</u>	<u>2016</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ 136,555	\$ 14,707
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	216,376	2,526,506
Depreciation expense reported in the statement of activities	(390,627)	(389,699)
Net book value of disposals	(208)	(16,011)
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	(206,413)	(2,325,357)
Principal repaid	534,391	573,939
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:		
Net pension asset	-	(35,247)
Net pension liability	10,566	(23,968)
Deferred outflows of resources related to pensions	(31,492)	101,034
Deferred inflows of resources related to pensions	7,964	(51,191)
Change in net position of governmental activities as reported in the statement of activities (see pages 5 - 6)	<u>\$ 277,112</u>	<u>\$ 374,713</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, 2017

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

	Budget		Actual	Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final			
REVENUES					
Taxes	\$ 2,035,885	\$ 2,035,885	\$ 2,052,969	\$ 17,084	\$ 1,980,713
Intergovernmental	151,962	151,962	166,227	14,265	173,890
Licenses and permits	38,768	38,768	60,008	21,240	52,338
Fines and forfeits	-	-	2,299	2,299	2,232
Public charges for services	378,297	378,297	362,030	(16,267)	369,334
Intergovernmental charges for services	-	-	2,570	2,570	1,839
Miscellaneous	43,461	43,461	53,752	10,291	68,041
Total revenues	2,648,373	2,648,373	2,699,855	51,482	2,648,387
EXPENDITURES					
Current					
General government	417,448	417,448	360,089	57,359	448,818
Public safety	412,254	412,254	391,226	21,028	377,914
Public works	727,066	727,066	648,557	78,509	571,121
Health and human services	9,225	9,225	6,567	2,658	6,070
Culture and recreation	369,732	369,732	334,200	35,532	292,976
Conservation and development	147,055	147,055	143,198	3,857	80,365
Debt service					
Principal	397,728	500,089	534,391	(34,302)	573,939
Interest and fiscal charges	176,460	176,460	147,730	28,730	85,855
Capital outlay	-	206,413	173,415	32,998	-
Total expenditures	2,656,968	2,965,742	2,739,373	226,369	2,437,058
Excess of revenues over (under) expenditures	(8,595)	(317,369)	(39,518)	277,851	211,329
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	206,413	206,413	-	-
Proceeds from sale of capital assets	-	-	5,160	5,160	18,000
Transfers in	-	-	-	-	215,900
Transfers out	-	-	(102,468)	(102,468)	(1,336,695)
Total other financing sources (uses)	-	206,413	109,105	(97,308)	(1,102,795)
Net change in fund balance	(8,595)	(110,956)	69,587	180,543	(891,466)
Fund balance - January 1	509,252	509,252	509,252	-	1,400,718
Fund balance - December 31	<u>\$ 500,657</u>	<u>\$ 398,296</u>	<u>\$ 578,839</u>	<u>\$ 180,543</u>	<u>\$ 509,252</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, 2017

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 Town's financial statements include all revenues and expenditures of the Ephraim-Gibraltar Airport.

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 2017, the Town recorded \$210,609 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.

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*.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

Capital Projects Fund

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

F. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, 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 DECEMBER 31, 2017

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 offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

6. Prepaid Items

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

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

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual costs 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.

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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

8. 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.

9. 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.

The Town has a formal debt management policy to set forth parameters and goals for issuing debt and managing the level of outstanding debt and were in compliance with this policy during the year.

10. 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.

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:

Town of Gibraltar Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

- ▶ **Restricted fund balance.** Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- ▶ **Committed fund balance.** Amounts that are constrained for specific purposes by action of the Town Board. These constraints can only be removed or changed by the Town Board using the same action that was used to create them.
- ▶ **Assigned fund balance.** Amounts that are constrained for specific purposes by action of Town management. The Town Board has authorized itself to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

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

Government-Wide Statements

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

- ▶ **Net investment in capital 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.

I. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the Town's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

J. RECLASSIFICATIONS

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

Town of Gibraltar Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 2: STEWARDSHIP AND COMPLIANCE

A. BUDGETS AND BUDGETARY ACCOUNTING

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

1. During November, Town management submits to the Town Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Town Board action.
2. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
3. During the year, formal budgetary integration is employed as a management control device for the general fund.
4. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.
5. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

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

B. PROPERTY TAX LEVY LIMIT

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2017 and 2018 budget years, Wisconsin Statutes limit the increase in the maximum allowable tax levy to the change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2017 budget was 0.78%. The actual limit for the Town for the 2018 budget was 1.084%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

Town of Gibraltar Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

NOTE 3: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

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

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

The carrying amount of the Town's cash and investments totaled \$3,793,790 on December 31, 2017 as summarized below:

Deposits with financial institutions	\$ 3,786,729
Investments	
Dreyfus GNMA Mutual Funds	7,061
	<u>\$ 3,793,790</u>

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position	
Cash and investments	\$ 3,748,736
Restricted cash and investments	45,054
	<u>\$ 3,793,790</u>

Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The Town has the following fair value measurements as of December 31, 2017:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Dreyfus GNMA Mutual Fund	\$ 7,061	\$ -	\$ -

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

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Custodial Credit Risk

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

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

As of December 31, 2017, \$2,803,161 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit 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	\$ 7,061	\$ -	\$ -	\$ -	\$ 7,061

Concentration of Credit Risk

At December 31, 2017, 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. 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	\$ 7,061	\$ 39	\$ 276	\$ 470	\$ 6,277

Town of Gibraltar

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NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,832,711	\$ -	\$ -	\$ 3,832,711
Construction in progress	1,049,131	173,415	1,158,340	64,206
Total capital assets, not being depreciated	<u>4,881,842</u>	<u>173,415</u>	<u>1,158,340</u>	<u>3,896,917</u>
Capital assets, being depreciated:				
Land improvements	771,281	-	-	771,281
Buildings and improvements	4,465,555	1,158,340	-	5,623,895
Machinery and equipment	663,883	42,961	-	706,844
Vehicles	1,314,422	-	3,500	1,310,922
Infrastructure	5,780,823	-	-	5,780,823
Subtotals	<u>12,995,964</u>	<u>1,201,301</u>	<u>3,500</u>	<u>14,193,765</u>
Less accumulated depreciation for:				
Land improvements	439,882	32,032	-	471,914
Buildings and improvements	1,190,908	105,578	-	1,296,486
Machinery and equipment	332,612	45,787	-	378,399
Vehicles	598,585	92,580	3,292	687,873
Infrastructure	3,962,953	114,650	-	4,077,603
Subtotals	<u>6,524,940</u>	<u>390,627</u>	<u>3,292</u>	<u>6,912,275</u>
Total capital assets, being depreciated, net	<u>6,471,024</u>	<u>810,674</u>	<u>208</u>	<u>7,281,490</u>
Governmental activities capital assets, net	<u>\$ 11,352,866</u>	<u>\$ 984,089</u>	<u>\$ 1,158,548</u>	<u>11,178,407</u>
Less: Capital related debt				<u>5,121,761</u>
Net investment in capital assets				<u>\$ 6,056,646</u>

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

Governmental activities	
General government	\$ 42,341
Public safety	136,277
Public works	173,746
Health and human services	100
Culture and recreation	38,163
Total depreciation expense	<u>\$ 390,627</u>

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

C. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the Town, as reported in the fund financial statements, as of December 31, 2017 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary cash advances to finance operations		
Governmental Funds		
General Fund	\$ 10,897	\$ -
Airport	-	10,897
Totals	<u>\$ 10,897</u>	<u>\$ 10,897</u>

Interfund transfers for the year ended December 31, 2017 were as follows:

Fund	Transfer In	Transfer Out
General fund	\$ -	\$ 102,468
Capital projects fund	102,468	-
Totals	<u>\$ 102,468</u>	<u>\$ 102,468</u>

Interfund transfers were for the following purposes:

Reimburse capital projects for the purchase of town hall furnace	\$ 4,100
Board approved action to transfer unassigned funds to capital projects	98,368
	<u>\$ 102,468</u>

D. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Debt					
Notes	<u>\$ 5,449,739</u>	<u>\$ 206,413</u>	<u>\$ 534,391</u>	<u>\$ 5,121,761</u>	<u>\$ 457,217</u>

Total interest paid during the year on long-term debt totaled \$147,730.

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/17
General obligation notes	11/24/14	12/31/24	2.30%	\$ 2,494,100	\$ 1,802,054
General obligation notes	12/3/14	12/31/24	2.53%	565,000	409,854
General obligation notes	10/14/15	12/31/25	2.19%	608,710	492,827
General obligation notes	12/6/16	12/31/21	2.31%	925,357	1,074,471
General obligation notes	12/21/16	12/31/36	3.01%	1,400,000	1,342,555
Total Outstanding General Obligation Debt					<u>\$ 5,121,761</u>

Town of Gibraltar Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Annual principal and interest maturities of the outstanding general obligation debt of \$5,121,761 on December 31, 2017 are detailed below:

Year Ended December 31,	Governmental Activities	
	Principal	Interest
2018	\$ 457,217	\$ 126,453
2019	468,457	114,372
2020	479,692	102,290
2021	1,344,721	86,535
2022	445,160	60,463
2023-2027	1,194,203	162,606
2028-2032	382,374	83,885
2033-2036	349,937	22,184
	<u>\$ 5,121,761</u>	<u>\$ 758,788</u>

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

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2017 was \$31,384,119 as follows:

Equalized valuation of the Village	\$ 730,117,600
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	36,505,880
Net outstanding general obligation debt applicable to debt limitation	5,121,761
Legal margin for new debt	<u>\$ 31,384,119</u>

E. 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.

Town of Gibraltar Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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

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

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

The WRS also provides death and disability benefits for employees.

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:

Year	Core Fund Adjustment	Variable Fund Adjustment
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)

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, and 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 remained of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$18,322 in contributions from the Town.

Town of Gibraltar Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

Contribution rates as of December 31, 2017 are:

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

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

At December 31, 2017, the Town reported a liability of \$13,402 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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, 2016, the Town's proportion was 0.00162598%, which was an increase of 0.000158597% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Town recognized pension expense of \$33,062.

At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow s of Resources	Deferred Inflow s of Resources
Differences between expected and actual experience	\$ 5,110	\$ 42,148
Net differences between projected and actual earnings on pension plan investments	66,710	-
Changes in assumptions	14,012	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,238
Employer contributions subsequent to the measurement date	19,956	-
Total	<u>\$ 105,788</u>	<u>\$ 46,386</u>

Town of Gibraltar

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NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

\$19,956 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, 2018. 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,	Net Deferred Outflow of Resources
2017	\$ 16,349
2018	16,349
2019	11,143
2020	(4,401)
2021	6
Total	<u>\$ 39,446</u>

5. Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

Town of Gibraltar Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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 %	Destination Target Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>				
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5%	37%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20%	4.3%	1.5%
Real Estate	8%	7%	6.5%	3.6%
Private Equity/Debt	8%	7%	9.4%	6.5%
Multi-asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

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

Single Discount Rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Town's proportionate share of the net pension liability (asset)	\$ 176,311	\$ 13,402	\$ (112,046)

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, 2017, the Town reported a payable of \$4,356 for the outstanding amount of contributions to the pension plan for the year ended December 31, 2017.

F. FUND EQUITY

Nonspendable Fund Balance

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

General Fund	
Nonspendable	
Dock fuel inventory	\$ 18,809
Airport fund	
Nonspendable	
Fuel inventory	3,443
Total Nonspendable Fund Balance	\$ 22,252

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, 2017, restricted fund balance was as follows:

General Fund	
Restricted for	
Parks	\$ 2,129
Cemetery	42,925
Total General Fund Restricted Fund Balance	\$ 45,054

Town of Gibraltar

Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2017

Committed Fund Balance

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

General Fund	
Committed for	
Debt service	\$ 4,019
Coastal byways	1,407
Total General Fund Committed Fund Balance	<u>5,426</u>
Capital projects fund	
Committed for	
Capital projects	<u>966,322</u>
Airport fund	
Committed for	
Subsequent years' expenditures	<u>13,283</u>
Total Committed Fund Balance	<u><u>\$ 985,031</u></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, 2017, fund balance was assigned as follows:

General Fund	
Assigned for subsequent years budget	<u><u>\$ 74,755</u></u>

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:

2018 General fund budgeted operating expenditures	\$ 2,215,813
Minimum Fund Balance %	(x) 16%
Minimum Fund Balance Amount	<u><u>\$ 354,530</u></u>

The Town's unassigned general fund balance of \$434,795 is in excess of the minimum fund balance amount.

Net Position

The Town reports restricted net position at December 31, 2017 as follow:

Governmental Activities	
Restricted for	
Parks	\$ 2,129
Cemetery	42,925
Total Governmental Activities Restricted Net Position	<u><u>\$ 45,054</u></u>

Town of Gibraltar Door County, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2017

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.

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.

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-Employee 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)
12/31/15	0.00143499%	\$ (35,247)	\$ 211,162	16.69%	102.74%
12/31/16	0.00147500%	23,968	206,591	11.60%	98.20%
12/31/17	0.00162598%	13,402	269,342	4.98%	99.12%

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-Employee Payroll (Fiscal Year)	Contributions as a Percentage of Covered-Employee 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	19,956	19,956	-	270,038	7.39%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the prior fiscal year. 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.

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SUPPLEMENTARY INFORMATION



Town of Gibraltar

Door County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Budget			Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final	Actual		
Taxes					
General property	\$ 1,838,685	\$ 1,838,685	\$ 1,838,685	\$ -	\$ 1,784,605
Managed forest land	3,000	3,000	3,675	675	3,606
Room tax	194,200	194,200	210,609	16,409	192,502
Total taxes	2,035,885	2,035,885	2,052,969	17,084	1,980,713
Intergovernmental					
State					
State shared taxes	12,928	12,928	12,928	-	12,928
Exempt computer aid	308	308	316	8	510
Forest crop severance/yield withdrawal	-	-	3,994	3,994	10,954
Fire insurance tax	20,000	20,000	23,441	3,441	21,833
Transportation	111,906	111,906	111,906	-	111,906
Municipal service aid	1,500	1,500	2,024	524	3,648
DNR in lieu of taxes	3,000	3,000	4,674	1,674	4,644
Police training	320	320	-	(320)	320
Recycling grant	2,000	2,000	1,888	(112)	2,357
Other grants	-	-	5,056	5,056	4,790
Total intergovernmental	151,962	151,962	166,227	14,265	173,890
Licenses and permits					
Licenses					
Liquor and malt beverage	8,800	8,800	9,203	403	9,238
Cable TV franchise fee	9,000	9,000	13,225	4,225	13,053
Other licenses, and permits	1,168	1,168	1,710	542	1,366
Inspection fees	19,800	19,800	35,870	16,070	28,681
Total licenses and permits	38,768	38,768	60,008	21,240	52,338
Fines and forfeits					
Court fines and penalties	-	-	2,299	2,299	2,232

Town of Gibraltar

Door County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Budget			Variance Final Budget - Positive (Negative)	2016 Actual
	Original	Final	Actual		
Public charges for services					
Dock	373,297	373,297	340,265	(33,032)	351,668
Roads	-	-	1,314	1,314	4,029
Cemetery	4,000	4,000	15,603	11,603	9,725
General government	1,000	1,000	4,662	3,662	3,684
Miscellaneous	-	-	186	186	228
Total public charges for services	<u>378,297</u>	<u>378,297</u>	<u>362,030</u>	<u>(16,267)</u>	<u>369,334</u>
Intergovernmental charges for services					
Fire and EMS services	-	-	2,570	2,570	1,839
Miscellaneous					
Interest on investments	2,000	2,000	7,115	5,115	4,640
Rent of Town property	40,461	40,461	45,695	5,234	42,704
Insurance claims and refunds	-	-	-	-	2,617
Donations	1,000	1,000	700	(300)	18,007
Blossomberg trust income	-	-	59	59	73
Other	-	-	183	183	-
Total miscellaneous	<u>43,461</u>	<u>43,461</u>	<u>53,752</u>	<u>10,291</u>	<u>68,041</u>
Total Revenues	<u>\$ 2,648,373</u>	<u>\$ 2,648,373</u>	<u>\$ 2,699,855</u>	<u>\$ 51,482</u>	<u>\$ 2,648,387</u>

Town of Gibraltar

Door County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Budget			Variance	
	Original	Final	Actual	Final Budget - Positive (Negative)	2016 Actual
General Government					
Legislative	\$ 53,671	\$ 53,671	\$ 52,159	\$ 1,512	\$ 57,019
Legal	21,000	21,000	16,663	4,337	57,718
General administration	193,534	188,714	175,016	13,698	190,911
Elections	5,091	5,091	2,595	2,496	7,045
Advertising	2,500	2,500	1,686	814	1,068
Accounting	11,500	11,500	15,412	(3,912)	9,207
Assessment of property	15,950	15,950	15,831	119	16,809
Community center	32,832	37,652	36,317	1,335	32,797
Property and liability insurance	81,370	81,370	44,410	36,960	76,244
Total general government	417,448	417,448	360,089	57,359	448,818
Public Safety					
Police department	146,523	146,523	149,450	(2,927)	105,551
Fire department	212,251	212,251	182,733	29,518	221,149
First responders	35,030	35,030	31,603	3,427	26,353
Building inspection	18,450	18,450	27,440	(8,990)	24,861
Total public safety	412,254	412,254	391,226	21,028	377,914
Public Works					
Salaries and benefits	196,108	196,108	190,685	5,423	206,094
Road maintenance - contracted	464,600	464,600	335,271	129,329	303,627
Town shop and equipment	49,258	49,258	89,920	(40,662)	30,661
Street lighting	-	-	14,247	(14,247)	2,893
Airport	-	-	3,715	(3,715)	13,190
Sanitation/Recycling	17,100	17,100	14,719	2,381	14,656
Total public works	727,066	727,066	648,557	78,509	571,121
Health and Human Services					
Cemetery	3,200	3,200	1,653	1,547	3,528
Watershed study	1,110	1,110	1,364	(254)	820
Flu shots	1,500	1,500	252	1,248	-
Animal control	3,415	3,415	3,298	117	1,722
Total health and human services	9,225	9,225	6,567	2,658	6,070

Town of Gibraltar

Door County, Wisconsin

GENERAL FUND

DETAILED COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2017

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

	Budget			Variance	
	Original	Final	Actual	Final Budget - Positive (Negative)	2016 Actual
Culture and Recreation					
Library	1,285	1,285	1,255	30	1,344
Park and pavilion	34,004	34,004	29,117	4,887	31,351
Museum	21,869	21,869	17,471	4,398	13,925
Town hall	26,339	26,339	29,426	(3,087)	18,496
Chambers Island	13,075	13,075	12,102	973	1,673
Docks	273,160	273,160	244,829	28,331	226,187
Total culture and recreation	369,732	369,732	334,200	35,532	292,976
Conservation and Development					
Planning commission	80,727	80,727	71,232	9,495	5,504
Fish Creek Civic Association	66,028	66,028	71,666	(5,638)	74,561
Door County Coastal Byway	300	300	300	-	300
Total conservation and development	147,055	147,055	143,198	3,857	80,365
Debt Service					
Principal retirement	397,728	500,089	534,391	(34,302)	573,939
Interest and fiscal charges	176,460	176,460	147,730	28,730	85,855
Total debt service	574,188	676,549	682,121	(5,572)	659,794
Capital Outlay					
Public Works					
Buildings	-	206,413	112,709	93,704	-
Other	-	-	35,325	(35,325)	-
Culture and recreation					
Beach expansion	-	-	25,381	(25,381)	-
Total capital outlay	-	206,413	173,415	32,998	-
Total Expenditures	\$ 2,656,968	\$ 2,965,742	\$ 2,739,373	\$ 226,369	\$ 2,437,058

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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 12, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-001 that we consider to be a significant deficiency.

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 FINDING

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



Certified Public Accountants

Green Bay, Wisconsin

April 12, 2018