

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2015

TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN
December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Sevastopol, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Town of Sevastopol, Wisconsin ("the Town") as of and for the year ended December 31, 2015, 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 and the major fund information of the Town as of December 31, 2015, 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

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 2014 financial statements, and our report dated March 5, 2015, expressed unmodified opinions on those respective financial statements of the governmental activities and the major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
March 25, 2016

BASIC FINANCIAL STATEMENTS

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**

Statement of Net Position

December 31, 2015

(With Summarized Financial Information as of December 31, 2014)

	Governmental Activities	
	2015	2014
ASSETS		
Cash and investments	\$ 3,029,708	\$ 2,871,532
Receivables		
Taxes	6,342,223	6,091,404
Accounts	6,328	6,556
Capital assets, net of accumulated depreciation		
Land	388,820	388,820
Land improvements	1,088,428	1,088,428
Buildings and improvements	1,042,552	1,042,552
Machinery and equipment	170,396	178,941
Furnishings	23,364	23,364
Infrastructure	5,797,972	5,714,207
Less: Accumulated depreciation	(4,964,282)	(4,840,020)
TOTAL ASSETS	12,925,509	12,565,784
LIABILITIES		
Accounts payable	16,740	19,263
Occupancy bond deposits	12,060	7,200
Due to other taxing districts	8,240,508	7,952,466
Accrued interest payable	3,543	4,208
Long-term obligations		
Due within one year	95,000	95,000
Due in more than one year	305,000	400,000
TOTAL LIABILITIES	8,672,851	8,478,137
DEFERRED INFLOWS OF RESOURCES		
Property taxes	658,578	649,106
NET POSITION		
Net investment in capital assets	3,147,250	3,101,292
Restricted for Emergency Medical Responder donations	11,098	10,792
Unrestricted	435,732	326,457
TOTAL NET POSITION	\$ 3,594,080	\$ 3,438,541

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

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**

Statement of Activities

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2015	2014
Governmental Activities						
General government	\$ 212,406	\$ 7,297	\$ -	\$ 8,000	\$ (197,109)	\$ (208,597)
Public safety	410,538	49,953	18,850	-	(341,735)	(337,692)
Public works	285,223	444	187,236	-	(97,543)	(62,481)
Culture and recreation	35,377	9,794	-	-	(25,583)	(21,147)
Conservation and development	300	-	-	-	(300)	(223)
Interest on debt	10,963	-	-	-	(10,963)	(12,894)
Total Governmental Activities	\$ 954,807	\$ 67,488	\$ 206,086	\$ 8,000	(673,233)	(643,034)

General revenues

Property taxes, levied for general purposes	649,106	634,184
Other taxes and franchise fees	117,058	110,849
State and federal aids not restricted to specific functions	52,515	51,584
Interest earnings	1,725	1,497
Miscellaneous	8,368	11,729
Total general revenues	828,772	809,843
 Change in net position	 155,539	 166,809
 Net position - January 1	 3,438,541	 3,271,732
 Net position - December 31	 \$ 3,594,080	 \$ 3,438,541

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

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**

Balance Sheet
General Fund

December 31, 2015

(With Summarized Financial Information as of December 31, 2014)

	2015	2014
ASSETS		
Cash and investments	\$ 3,029,708	\$ 2,871,532
Receivables		
Taxes	6,342,223	6,091,404
Accounts	6,328	6,556
TOTAL ASSETS	\$ 9,378,259	\$ 8,969,492
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 16,740	\$ 19,263
Occupancy bond deposits	12,060	7,200
Due to other taxing districts	8,240,508	7,952,466
Total Liabilities	8,269,308	7,978,929
Deferred Inflows of Resources		
Property taxes	658,578	649,106
Fund Balance		
Restricted for Emergency Medical Responder donations	11,098	10,792
Committed		
Breakwall	10,000	10,000
Revaluation	84,800	77,300
Capital asset replacement	19,000	10,000
Holding tanks	12,040	12,040
Comprehensive planning	14,250	14,250
Unassigned	299,185	207,075
Total Fund Balance	450,373	341,457
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 9,378,259	\$ 8,969,492
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balance as shown above	\$ 450,373	\$ 341,457
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,547,250	3,596,292
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes payable	(400,000)	(495,000)
Accrued interest on long-term obligations	(3,543)	(4,208)
	(403,543)	(499,208)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 3)	\$ 3,594,080	\$ 3,438,541

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

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**

Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	2015	2014
Revenues		
Taxes	\$ 736,241	\$ 716,846
Intergovernmental	258,601	345,887
Licenses and permits	86,777	69,612
Public charges for services	10,238	41,798
Interest on investments	1,725	1,497
Miscellaneous	8,764	8,003
Total Revenues	<u>1,102,346</u>	<u>1,183,643</u>
Expenditures		
Current		
General government	182,826	183,050
Public safety	407,986	389,731
Public works	269,809	381,705
Culture and recreation	19,748	16,495
Conservation and development	328	300
Debt service		
Principal of debt	95,000	95,000
Interest and fiscal charges	11,628	13,433
Capital outlay	6,105	2,093
Total Expenditures	<u>993,430</u>	<u>1,081,807</u>
Net Change in Fund Balance	108,916	101,836
Fund Balance - January 1	<u>341,457</u>	<u>239,621</u>
Fund Balance - December 31	<u>\$ 450,373</u>	<u>\$ 341,457</u>

(Continued)

TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund (Continued)
For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	2015	2014
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balance as shown on the previous page	\$ 108,916	\$ 101,836
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 asset additions reported in governmental fund statements	179,685	186,092
Depreciation expense reported in the statement of activities	(219,890)	(212,358)
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.		
Net book value of assets disposed of	(8,837)	(4,300)
Principal payments on outstanding debt are reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long term debt principal payments in the current year is:		
	95,000	95,000
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues.		
	665	539
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (see page 4)	\$ 155,539	\$ 166,809

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

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Prior Year Amount
	Original	Final			
Revenues					
Taxes	\$ 724,406	\$ 724,406	\$ 736,241	\$ 11,835	\$ 716,846
Intergovernmental	257,467	257,467	258,601	1,134	345,887
Licenses and permits	64,025	64,025	86,777	22,752	69,612
Public charges for services	9,350	9,350	10,238	888	41,798
Interest on investments	1,300	1,300	1,725	425	1,497
Miscellaneous	8,750	8,750	8,764	14	8,003
Total Revenues	1,065,298	1,065,298	1,102,346	37,048	1,183,643
Expenditures					
Current					
General government	203,220	203,220	182,826	20,394	183,050
Public safety	392,050	392,050	407,986	(15,936)	389,731
Public works	328,400	328,400	269,809	58,591	381,705
Culture and recreation	18,700	18,700	19,748	(1,048)	16,495
Conservation and development	300	300	328	(28)	300
Debt service					
Principal of debt	95,000	95,000	95,000	-	95,000
Interest and fiscal charges	11,628	11,628	11,628	-	13,433
Capital outlay	16,000	17,416	6,105	11,311	2,093
Total Expenditures	1,065,298	1,066,714	993,430	73,284	1,081,807
Net Change in Fund Balance	-	(1,416)	108,916	110,332	101,836
Fund Balance - January 1	341,457	341,457	341,457	-	239,621
Fund Balance - December 31	\$ 341,457	\$ 340,041	\$ 450,373	\$ 110,332	\$ 341,457

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

TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Town of Sevastopol, Wisconsin ("the Town"), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Town are described below:

1. Reporting Entity

The Town of Sevastopol is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town. The Town has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. Jointly Governed Organization

The Town of Sevastopol is a participant with all other Door County municipalities in a jointly governed organization 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 distributes 66% of the room tax collected to the Door County Visitor Bureau, 30% to the member municipalities and retains 4% for its operations. During 2015, the Town of Sevastopol received \$85,577 of room tax from the Tourism Zone. Complete financial information for the Door County Tourism Zone Commission can be obtained from their office in Sister Bay.

3. 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 reports 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*.

Separate financial statements are provided for governmental funds. Governmental funds consist of the general fund. The Town has no proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental fund:

GENERAL FUND

This is the Town's main operating fund. It accounts for all financial resources of the Town.

TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

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.

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

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

b. Accounts Receivable

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

c. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of generally \$5,000 or higher and an estimated useful life in excess of 2 years. Certain assets with a cost of less than \$5,000 may also be capitalized based on the discretion of management. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Governmental Activities Years
Land improvements	15 - 25
Buildings	30 - 50
Improvements other than buildings	20
Machinery and equipment	10 - 20
Furnishings	15
Infrastructure	8 - 20

d. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied.

e. 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 the Town Board.
- Unassigned fund balance - Amounts that are available for any purpose.

TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

6. 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.

7. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

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

- a. 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.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

- c. During the year, formal budgetary integration is employed as a management control device for the general fund.
- d. 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.
- e. 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, 2015.

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Town maintains various cash and investment accounts. 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 \$3,029,708 on December 31, 2015 as summarized below:

Deposits with financial institutions	\$ 3,029,557
Investments	151
	\$ 3,029,708

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

Deposits With Financial Institutions

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have an additional custodial credit risk policy.

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.

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

As of December 31, 2015, \$2,131,639 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized. A majority of the uninsured deposits are due to advance tax collections that will be remitted to other local governments in January, 2016.

Investments

The Town has investments in the Wisconsin local government investment pool of \$151 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2015, the fair value of the Town's share of the LGIP's assets was substantially equal to the carrying value.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Town does not have an additional credit risk policy. The Town's investment in the Wisconsin local government investment pool is not rated.

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. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments held by the Wisconsin local government investment pool mature in 12 months or less.

2. Property Taxes

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

The Town is responsible to bill and collect its own property taxes and also levy and collect taxes for the Sevastopol School District, Sturgeon Bay 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.

TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 388,820	\$ -	\$ -	\$ 388,820
Capital assets, being depreciated:				
Land improvements	1,088,428	-	-	1,088,428
Buildings and improvements	1,042,552	-	-	1,042,552
Machinery and equipment	178,941	8,000	16,545	170,396
Furnishings	23,364	-	-	23,364
Infrastructure	5,714,207	171,685	87,920	5,797,972
Subtotals	8,047,492	179,685	104,465	8,122,712
Less accumulated depreciation for:				
Land improvements	1,034,232	5,872	-	1,040,104
Buildings and improvements	224,071	27,720	-	251,791
Machinery and equipment	141,093	6,586	16,500	131,179
Furnishings	9,346	1,558	-	10,904
Infrastructure	3,431,278	178,154	79,128	3,530,304
Subtotals	4,840,020	219,890	95,628	4,964,282
Total capital assets, being depreciated, net	3,207,472	(40,205)	8,837	3,158,430
Capital assets, net	\$ 3,596,292	\$ (40,205)	\$ 8,837	3,547,250
Less related long-term debt outstanding				400,000
Net investment in capital assets				\$ 3,147,250

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
General government	\$ 27,181
Public safety	2,552
Public works	178,307
Culture and recreation	11,850
Total depreciation expense - governmental activities	<u>\$ 219,890</u>

4. Long-term Obligations

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2015:

	Outstanding 1/1/2015	Issued	Retired	Outstanding 12/31/2015	Due Within One Year
General Obligation Debt Notes Payable	\$ 495,000	\$ -	\$ 95,000	\$ 400,000	\$ 95,000

The Town had total debt outstanding of \$400,000, consisting of General Obligation Refunding Notes. The notes are due in annual installments of \$95,000 to \$105,000 with interest of 2.35% to 2.95%. Presented below are the future annual principal and interest payments on the February 1, 2011 debt issue:

Due	Principal	Interest	Total
2016	\$ 95,000	\$ 9,514	\$ 104,514
2017	100,000	7,122	107,122
2018	100,000	4,473	104,473
2019	105,000	1,549	106,549
	<u>\$ 400,000</u>	<u>\$ 22,658</u>	<u>\$ 422,658</u>

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2015 was \$35,602,540 as calculated below:

Equalized valuation of the Town	\$ 720,050,800
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>36,002,540</u>
Net outstanding general obligation debt applicable to debt limitation	400,000
Legal Margin for New Debt	<u>\$ 35,602,540</u>

TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Minimum Fund Balance Policy

The Town Board has adopted a policy that unassigned fund balance in the amount of 15% of the actual current year general fund expenditures, not including debt service be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

General Fund Expenditures, Less Debt Service	\$ 886,802
Minimum Fund Balance %	(x) 15%
Minimum Fund Balance Amount	\$ 133,020

The Town's unassigned general fund balance of \$299,185 is in compliance with the minimum fund balance amount.

NOTE D - OTHER INFORMATION

1. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Town completes an annual review of its insurance coverage to ensure adequate coverage.

2. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2015 and 2016 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 2015 budget was 0.86%. The actual limit for the Town for the 2016 budget was 1.11%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

3. Contingencies

From time to time, the Town is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Town's financial position or results of operations.

4. Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also requires disclosures about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Town is currently evaluating the impact this standard will have on the financial statements when adopted.

SUPPLEMENTARY INFORMATION

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**

General Fund

Detail of Budgeted and Actual Revenues

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	Original and Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
Taxes				
General property	\$ 649,106	\$ 649,106	\$ -	\$ 634,184
Forest crop and other taxes	300	1,558	1,258	1,666
Public accommodation taxes	75,000	85,577	10,577	80,940
Other taxes	-	-	-	56
Total Taxes	724,406	736,241	11,835	716,846
Intergovernmental				
State shared taxes	44,693	46,111	1,418	45,156
State aids				
Forest crop severance/yield/withdrawal	-	301	301	298
Transportation	187,236	187,236	-	180,009
Local road improvement program	-	-	-	19,572
Forest roads	-	-	-	54,645
Fire insurance	20,000	18,850	(1,150)	20,000
Exempt computer aid	38	34	(4)	40
Municipal services	1,000	1,044	44	1,084
DNR in lieu of taxes	4,500	5,025	525	5,006
Other state aid	-	-	-	77
County aid for road construction	-	-	-	20,000
Total Intergovernmental	257,467	258,601	1,134	345,887
Licenses and Permits				
Liquor and beer licenses	6,000	6,820	820	6,767
Building permits	32,000	49,953	17,953	34,592
Cable franchise fee	26,000	29,923	3,923	28,187
Other licenses and permits	25	81	56	66
Total Licenses and Permits	64,025	86,777	22,752	69,612
Public Charges for Services				
Public works	1,200	444	(756)	24,651
Water testing	-	-	-	8,065
Park	8,150	9,794	1,644	9,082
Total Public Charges for Services	9,350	10,238	888	41,798
Interest on Investments				
	1,300	1,725	425	1,497
Miscellaneous				
Rental income	1,500	2,900	1,400	2,250
Donations	-	400	400	1,088
All other	7,250	5,464	(1,786)	4,665
Total Miscellaneous	8,750	8,764	14	8,003
Total Revenues	\$ 1,065,298	\$ 1,102,346	\$ 37,048	\$ 1,183,643

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**

General Fund

Detail of Budgeted and Actual Expenditures

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	Original Budget	Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
General Government					
Legislative	\$ 29,800	\$ 29,800	\$ 28,894	\$ 906	\$ 29,324
Legal	2,500	2,500	3,302	(802)	5,561
General administration	57,550	57,550	57,657	(107)	55,533
Social security and medicare	8,000	8,000	8,267	(267)	8,178
Election	12,500	12,500	5,144	7,356	6,866
Advertising, supplies, and postage	4,970	4,970	4,909	61	6,317
Accounting	7,000	7,000	6,860	140	6,770
Assessor	28,500	28,500	17,947	10,553	19,380
Insurance	15,600	15,600	14,884	716	12,721
Dues and fees	1,200	1,200	905	295	998
Telephone	1,600	1,600	1,528	72	1,531
Town hall	15,300	15,300	17,106	(1,806)	14,621
Cable/newsletter communication	18,600	18,600	15,138	3,462	14,977
Illegal taxes	-	-	-	-	273
Other general government	100	100	285	(185)	-
Total General Government	203,220	203,220	182,826	20,394	183,050
Public Safety					
Animal control/constable	3,000	3,000	2,907	93	2,940
Building inspection	27,000	27,000	45,484	(18,484)	32,337
Fire protection	348,050	348,050	348,144	(94)	347,040
First responders	14,000	14,000	11,451	2,549	7,414
Total Public Safety	392,050	392,050	407,986	(15,936)	389,731
Public Works					
Road maintenance and construction	196,500	196,500	193,041	3,459	218,864
Wages	18,000	18,000	14,689	3,311	17,247
Tree and brush control	4,000	4,000	6,087	(2,087)	1,999
Street lighting	8,700	8,700	10,005	(1,305)	8,900
Signs	-	-	-	-	706
Snow removal	100,000	100,000	44,918	55,082	101,666
Other - works	1,100	1,100	1,028	72	24,110
Miscellaneous	100	100	41	59	8,213
Total Public Works	328,400	328,400	269,809	58,591	381,705
Culture and Recreation					
Boat ramp	3,000	3,000	1,909	1,091	2,607
Clarks Lake beach and boat launch	500	500	2,434	(1,934)	654
Town park	13,300	13,300	12,815	485	11,518
Town park utilities	1,500	1,500	2,011	(511)	1,716
Recreation programs and events	400	400	579	(179)	-
Total Culture and Recreation	18,700	18,700	19,748	(1,048)	16,495

(Continued)

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**

General Fund

Detail of Budgeted and Actual Expenditures (Continued)

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	Original Budget	Final Budget	Actual Amounts	Variance Final Budget - Positive (Negative)	Actual Prior Year Amount
Conservation and Development					
Door County coastal byway	300	300	300	-	300
Comprehensive plan	-	-	28	(28)	-
Total Conservation and Development	300	300	328	(28)	300
Debt Service					
Principal of debt	95,000	95,000	95,000	-	95,000
Interest and fiscal charges	11,628	11,628	11,628	-	13,433
Total Debt Service	106,628	106,628	106,628	-	108,433
Capital Outlay					
Town Hall	9,000	9,000	-	9,000	-
Cable equipment	3,000	3,000	2,326	674	509
Land survey	1,000	1,000	-	1,000	-
Town park improvements	3,000	4,416	3,779	637	1,584
Total Capital Outlay	16,000	17,416	6,105	11,311	2,093
Total Expenditures	\$ 1,065,298	\$ 1,066,714	\$ 993,430	\$ 73,284	\$ 1,081,807

**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 Sevastopol, 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 and the major fund of the Town of Sevastopol, Door County, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town of Sevastopol's basic financial statements, and have issued our report thereon dated March 25, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2014-001, 2014-002, and 2014-003 that we consider to be significant deficiencies.

Compliance and Other Matters

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

Town of Sevastopol, Wisconsin's Response to Findings

The Town of Sevastopol, Wisconsin's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Sevastopol, Wisconsin's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Certified Public Accountants
Green Bay, Wisconsin
March 25, 2016

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**
Schedule of Findings and Responses
For the Year Ended December 31, 2015

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
2014-001	Segregation of Duties - Clerk/Treasurer
Condition:	The Town has a combined clerk/treasurer position to essentially complete all financial and recordkeeping duties of the general Town's operations. Accordingly, this does not allow for a proper segregation of duties for internal control purposes.
Criteria:	Segregation of duties is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. Segregation of duties ensures that no single employee has control over all phases of a transaction.
Cause:	The lack of segregation of duties is due to the limited number of employees and the size of Town's operations.
Effect:	Errors or intentional fraud could occur and not be detected timely by other employees in the normal course of their responsibilities as a result of the lack of segregation of duties.
Recommendation:	We recommend the Town Board continue to monitor the transactions and the financial records of the Town.
Management Response:	Management believes that the cost of segregating cash receipts and cash disbursement duties from the related recording functions outweigh the benefits to be received.
2014-002	Preparation of Annual Financial Report
Condition:	Current Town staff maintains accounting records which reflect the Town's financial transactions; however, preparing the Town's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The Town contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the Town contracts with us to compile the Wisconsin Municipal Financial Report Form C.
Criteria:	The preparation and review of the annual financial report and municipal financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes or the required State Financial report.
Cause:	Town management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.
Effect:	Without our involvement, the Town may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.
Recommendation:	We recommend the Town continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Town is necessary to obtain a complete and adequate understanding of the Town's annual financial report and municipal financial report.
Management Response:	The Town will continue to review and approve the annual financial report prior to issuance.

**TOWN OF SEVASTOPOL
DOOR COUNTY, WISCONSIN**
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2015

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2014-003	Adjustments to the Town's Financial Records
Condition:	In connection with our audit, we proposed adjusting journal entries that were material to the Town's financial statements.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	While Town staff maintains financial records which accurately report revenues and expenditures throughout the year, preparing year end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Effect:	Year-end financial records prepared by the Town may contain material misstatements.
Recommendation:	We recommend the Town designate an individual to prepare the adjusting and closing entries. We are available to assist the individual in obtaining the understanding to prepare these entries.
Management Response:	The Town contracts with an individual to record adjusting entries. All proposed adjusting journal entries are reviewed and approved by the Town Clerk/Treasurer prior to being recorded.

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, 2015.