

**TOWN OF BARNES, WISCONSIN**  
**FINANCIAL STATEMENTS – MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

**EAGLE AUDIT & ACCOUNTING, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**PARK FALLS, WISCONSIN**

Town of Barnes, WI

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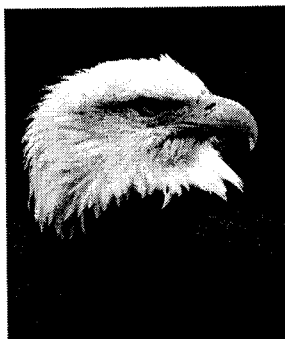
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# **EAGLE AUDIT & ACCOUNTING, LLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S REPORT**

Town Board  
Town of Barnes  
Barnes, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the Town of Barnes, WI ("Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; 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.

### **Auditor's Responsibility**

Our responsibility is to an express opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the modified cash basis 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Town as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### **Change in Basis of Accounting and Accounting Principle**

As discussed in Note 8 to the financial statements, in 2019 the Town adopted new accounting guidance, GASB Statement No. 84 Fiduciary Activities. In accordance with the need to adopt this guidance the Town changed the basis of accounting from cash basis to modified cash basis to incorporate the recording of deferred tax levy for the Town portion of advance tax collections.

### **Emphasis of Matter**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Eagle Audit & Accounting, LLC*

Eagle Audit & Accounting, LLC  
Certified Public Accountants

April 30, 2020  
Park Falls, Wisconsin

**Town of Barnes**

**Statement of Activities and Net Assets - Modified Cash Basis**

As of and for the Year Ended December 31, 2019

| Functions/Programs   | Cash<br>Disbursements | Program Cash Receipts<br>Charges for<br>Services | Operating<br>Grants and<br>Contributions | Net (Disbursements)<br>Receipts and<br>Changes in<br>Net Assets |
|--|-----------------------|--|--|---|
| Governmental activities:   |                       |  |  |   |
| General Government   | 232,166               | 5,426  | -  | (226,740)   |
| Public Safety  | 562,978               | 17,480   | 7,585                                    | (537,913)   |
| Public Works   | 1,128,898             | 54,569   | 356,819                                  | (717,510)   |
| Health & human services  | 2,996                 | 1,200  | -  | (1,796)   |
| Culture, recreation, and development                               | 106,922               | -  | 51,102                                   | (55,820)  |
| Net governmental activity (disbursements) receipts                 | 2,033,960             | 78,675   | 415,506                                  | (1,539,779)   |
| General receipts:  |                       |  |  |   |
| Property taxes levied for general purposes                         |                       |  |  | 836,543   |
| Intergovernmental revenues not restricted to a<br>specific program |                       |  |  | 235,024   |
| Unrestricted investment earnings                                   |                       |  |  | 9,764   |
| Miscellaneous unallocated revenues                                 |                       |  |  | 152,270   |
| Total general receipts   |                       |  |  | 1,233,601   |
| Change in net assets   |                       |  |  | (306,178)   |
| Net assets - beginning of the year                                 |                       |  |  | 1,050,328   |
| Net assets - end of year   |                       |  |  | \$ 744,150  |
| <b>Assets</b>  |                       |  |  |   |
| Cash   |                       |  |  | 970,192   |
| Total Assets   |                       |  |  | \$ 970,192  |
| <b>Liabilities and Net Assets</b>                                  |                       |  |  |   |
| Liabilities  |                       |  |  |   |
| Deferred tax levy collections - Town portion                       |                       |  |  | 226,042   |
| Total Liabilities  |                       |  |  | 226,042   |
| Net Assets   |                       |  |  |   |
| Unrestricted - designated  |                       |  |  | 581,337   |
| Unrestricted - undesignated  |                       |  |  | 162,813   |
| Total Net Assets   |                       |  |  | \$ 744,150  |

## Town of Barnes

### Statement of Cash Receipts, Disbursements, and Changes in Cash Balance All Governmental Funds - Modified Cash Basis

Year Ending December 31, 2019

|  | <u>General<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|---|
| Receipts:  |                         |   |
| Taxes  | \$ 836,543              | \$ 836,543                              |
| Intergovernmental                                  | 650,530                 | 650,530                                 |
| Regulation and compliance                          | 4,999                   | 4,999                                   |
| Public charges for services                        | 69,676                  | 69,676                                  |
| Intergovernmental charges for services             | 4,000                   | 4,000                                   |
| Commercial   | 162,034                 | 162,034                                 |
| Total receipts                                     | <u>1,727,782</u>        | <u>1,727,782</u>                        |
| Disbursements:                                     |                         |   |
| General government                                 | 229,483                 | 229,483                                 |
| Public safety                                      | 126,022                 | 126,022                                 |
| Public works                                       | 425,743                 | 425,743                                 |
| Health and human services                          | 2,996                   | 2,996                                   |
| Culture, recreation and development                | 78,086                  | 78,086                                  |
| Capital outlay                                     | 1,171,630               | 1,171,630                               |
| Total disbursements                                | <u>2,033,960</u>        | <u>2,033,960</u>                        |
| Excess (deficiency) of receipts over disbursements | (306,178)               | (306,178)                               |
| Net assets - beginning of year                     | 1,050,328               | 1,050,328                               |
| Net assets - end of year                           | <u>\$ 744,150</u>       | <u>\$ 744,150</u>                       |

## Town of Barnes

### Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Net Assets

#### Fiduciary Funds

As of and for the Year Ended  
December 31, 2019

| <u>Advance Tax Collections Fund</u> |                          |
|-------------------------------------|--------------------------|
| Cash Receipts                       | 736,259                  |
| Cash Disbursements                  | 606,260                  |
| Change in Net Assets                | <u>129,999</u>           |
| Net Assets - beginning of year      | 606,260                  |
| Net Assets - end of year            | <u><u>\$ 736,259</u></u> |
|                                     |                          |
| Assets                              |                          |
| Cash                                | 736,259                  |
| Total Assets                        | <u><u>\$ 736,259</u></u> |
|                                     |                          |
| Net Assets                          |                          |
| Reserved Net Assets                 | 736,259                  |
| Total Net Assets                    | <u><u>\$ 736,259</u></u> |

## Town of Barnes

### General Fund Statement of Receipts, Disbursements and Changes in Cash Balance- Budget and Actual- Modified Cash Basis

Year Ended December 31, 2019

|  | Original<br>Budget | Final<br>Budget | Actual     | Variance<br>Favorable<br>(Unfavorable) |
|--|--------------------|-----------------|------------|--|
| Receipts:  |                    |                 |            |  |
| Taxes  | \$ 812,592         | \$ 823,323      | 836,543    | \$ 13,220                              |
| Intergovernmental  | 543,089            | 654,725         | 650,530    | (4,195)                                |
| Regulation and compliance  | 4,325              | 4,999           | 4,999      | -                                      |
| Public charges for services  | 61,480             | 69,676          | 69,676     | -                                      |
| Intergovernmental charges for services   | 4,000              | 4,000           | 4,000      | -                                      |
| Commercial   | 413,000            | 147,722         | 162,034    | 14,312                                 |
| Total receipts   | 1,838,486          | 1,704,445       | 1,727,782  | 23,337                                 |
| Disbursements:   |                    |                 |            |  |
| General government   | 219,396            | 229,483         | 229,483    | -                                      |
| Public safety  | 199,644            | 126,022         | 126,022    | -                                      |
| Public works   | 402,775            | 425,743         | 425,743    | -                                      |
| Health and human services  | 3,718              | 2,996           | 2,996      | -                                      |
| Culture, recreation and development  | 95,777             | 78,087          | 78,086     | 1                                      |
| Capital outlay   | 1,032,176          | 1,171,630       | 1,171,630  | -                                      |
| Total disbursements  | 1,953,486          | 2,033,961       | 2,033,960  | 1                                      |
| Excess (deficiency) of receipts over disbursement                                      | (115,000)          | (329,516)       | (306,178)  | 23,338                                 |
| Other Financing Sources (Uses)   |                    |                 |            |  |
| Other sources  | 115,000            | 329,516         | -          | (329,516)                              |
| Total other financing sources (uses)   | 115,000            | 329,516         | -          | (329,516)                              |
| Excess (deficiency) of receipts and other sources<br>over disbursements and other uses | -                  | -               | (306,178)  | (306,178)                              |
| Net assets - beginning of year   | 1,050,328          | 1,050,328       | 1,050,328  | -                                      |
| Net assets - end of year   | \$ 1,050,328       | \$ 1,050,328    | \$ 744,150 | \$ (306,178)                           |

See accompanying notes to financial statements.



# Town of Barnes

## Notes to Financial Statements – Modified Cash Basis

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Barnes, WI (the "Town") have been prepared on the modified cash basis of accounting, which is a special purpose framework other than generally accepted accounting principles. The significant accounting principles and policies utilized by the Town are described below.

#### **Reporting Entity**

The Town of Barnes, WI (herein "the Town") is located in Bayfield County, Wisconsin and is incorporated under the provisions of the State of Wisconsin. The Town operates under an elected Board form of government and provides the following services as authorized by its charter: Public safety, roads, and general administrative services.

The Town has no component units and is not included as a component unit in any other government's financial statements.

#### **Fund Accounting**

The accounts of the Town are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of each fund's cash, fund equity, receipts, and disbursements, as appropriate. Governmental resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds in the financial statements in this report are as follows:

Governmental Fund Types:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund.

#### **Basis of Presentation**

The Town applies restricted resources first when a disbursement is made for a purpose for which both restricted and unrestricted net assets are available.

#### **Basis of Accounting – Modified Cash**

The accounts of the Town are maintained, and the accompanying financial statements have been prepared, on the modified cash basis of accounting. Accordingly, revenues and expenditures are recognized only as cash is received or disbursed, and receivables, inventories, prepaid expenses, accrued expenses and vouchers payable are not reflected in the financial statements. Purchases of property and equipment are recorded as disbursements when paid. The cash basis of accounting has been

modified to include deferred revenue for the Town portion of the advance tax collections.

## **Budgets**

The Town prepares annual budgets for its operations as required by its charter. Budget columns in the financial statements represent estimated revenue and authorized appropriations adopted by the Town Board in November of the preceding year. The Board has the authority to amend the budget, including authorizing additional appropriations. All appropriations lapse at year-end.

## **Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

State statutes permit the Town to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled-investment fund administered by the state investment board. The Town has no policy that further limits deposits and investments.

## **General Fixed Assets**

General fixed assets purchased are recorded as expenditures of the period in which purchased.

## **Taxes and Assessments**

Personal and real estate property taxes are levied in December by the Town Board in conjunction with the adoption of the annual budget for the ensuing fiscal year beginning January 1. Levies are based on assessed property values certified on January 1 of the prior year and become a lien on the property at the beginning of the fiscal year. Real estate taxes may be paid in two equal installments due the end of January and July 31. Personal property taxes must be paid in full by the end of January. The Town Clerk-Treasurer collects taxes for all purposes on properties within the Township through January. Settlement with other taxing entities is made on or about February 15. The County collects the remaining real estate taxes outstanding. In August the County pays the Township in full for all outstanding real estate taxes due. The Township retains the responsibility for collection of personal property taxes.

## **NOTE 2 - CASH BALANCE**

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time deposits and \$250,000 for demand deposits for each authorized government official. The Town of Barnes maintains 7 authorized government officials as signatories on their accounts. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per

institution above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

At December 31, 2019, deposits are summarized as follows:

|       | Insured      | Guaranteed | Uninsured and<br>Uncollateralized | Bank<br>Balance | Carrying<br>Amount |
|-------|--------------|------------|-----------------------------------|-----------------|--------------------|
| Banks | \$ 1,437,215 | \$ 400,000 | \$ -                              | \$ 1,437,215    | \$ 1,706,444       |

The above cash balance is accounted for at December 31, 2019, as follows:

|   |                         |
|---|-------------------------|
| General Fund                            |                         |
| Unreserved – Undesignated               | 162,806                 |
| Unreserved – Designated                 | 581,337                 |
| Reserved – Governmental Advance Taxes   | 226,042                 |
| Fiduciary Fund – Reserved Advance Taxes | <u>736,259</u>          |
| <br>Total                               | <br><u>\$ 1,706,444</u> |

Deposits of the Town are subject to various risks. Presented below is a discussion of the specific risks and the Town’s policy related to the risk.

#### Custodial Credit Risk

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

#### **NOTE 3 – Advance Tax Collections**

At December 31, 2019, the Clerk-Treasurer was holding deposits resulting from tax collections of \$962,301 related to the subsequent year tax levy. In February of 2020, this will be paid to the county, public school district, vocational school district, and state governments based on the levy apportionment. The Township’s share \$226,042, recorded as deferred revenue, will become Town Tax Levy Revenue.

#### **NOTE 4 – Stewardship and Accountability – Violations of Finance Related Legal/Contractual Provisions**

The Town did not have any violation of legal or contractual provisions for the fiscal year ended December 31, 2019.

The Town had no expenditures in excess of budget during the 2019 year.

#### **NOTE 5 – 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; workers compensation; and natural

disasters. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There has been no reduction in insurance coverage from that in prior years.

**NOTE 6 - Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates. The Town currently has no significant estimates included in the financial statements.

**NOTE 7 – Subsequent Events**

Subsequent events have been evaluated through April 30, 2020, which is the date the financial statements were available to be issued.

**NOTE 8 – Change in basis of accounting and Change in Accounting Principle**

The Town has implemented GASB Statement No. 84, Fiduciary Activities, for the year ending December 31, 2019. This new standard changes the presentation of Advance Tax Levy Collections. This change is preferable as it more accurately reflects the future distribution of taxes collected before the year end. In order to implement this standard the Town needed to change the basis of accounting from Cash to Modified Cash to include the Deferred Tax Levy category in the governmental financial statements. These changes had no effect on prior year amounts.