

**TOWN OF BARNES
BAYFIELD COUNTY, WISCONSIN**

FINANCIAL STATEMENTS

**As of
December 31, 2020**

**and
INDEPENDENT AUDITOR'S REPORT**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Town Board
Town of Barnes
Bayfield County, Wisconsin

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Barnes (“Town”) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the accompanying 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 described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 express an 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 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Barnes as of December 31, 2020 and the respective changes in modified cash basis financial position thereof for the year then ended, in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. These 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 that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information (Budgetary Comparison Schedule as shown in the table of contents) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding 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 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 a 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. Our opinion on the basic financial statements is not affected by this missing information.

Bauman Associates, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS

Eau Claire, Wisconsin
March 31, 2021

TOWN OF BARNES
STATEMENT OF ACTIVITIES AND NET POSITION - MODIFIED CASH BASIS
Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 221,986	\$ 1,141	\$ -	\$ (220,845)
Public safety	384,293	25,253	7,828	(351,212)
Public works	836,806	73,947	392,114	(370,745)
Health and human services	2,345	800	-	(1,545)
Culture, recreation and education	70,779	-	14,556	(56,223)
Total governmental activities	\$ <u>1,516,209</u>	\$ <u>101,141</u>	\$ <u>414,498</u>	\$ <u>(1,000,570)</u>
General receipts:				
Property taxes levied for general purposes				843,412
Intergovernmental revenue not restricted to specific purpose				198,984
Unrestricted investment earnings				1,994
Proceeds from long-term debt				100,000
Miscellaneous unallocated revenues				15,100
Total general receipts				<u>1,159,490</u>
Change in net assets				158,920
Net position - beginning of year				<u>744,150</u>
Net position - end of year				\$ <u>903,070</u>
Assets:				
Cash				<u>1,133,991</u>
Total Assets				\$ <u>1,133,991</u>
Liabilities:				
Deferred tax levy collections - Town portion				<u>230,921</u>
Total Liabilities				\$ <u>230,921</u>

The accompanying notes are an integral part of these statements.

TOWN OF BARNES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
CASH BALANCE - ALL GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Year Ended December 31, 2020

	General Fund	Total Governmental Funds
	<u> </u>	<u> </u>
Receipts:		
Taxes	\$ 843,412	\$ 843,412
Intergovernmental	613,482	613,482
Regulation and compliance	1,030	1,030
Public charges for services	94,111	94,111
Intergovernmental charges for services	6,000	6,000
Commercial	17,094	17,094
Proceeds from long-term debt	100,000	100,000
Total receipts	<u>1,675,129</u>	<u>1,675,129</u>
Disbursements:		
General government	215,032	215,032
Public safety	213,447	213,447
Public works	405,371	405,371
Health and human Services	2,345	2,345
Culture, recreation and development	70,779	70,779
Capital outlay	609,235	609,235
Total disbursements	<u>1,516,209</u>	<u>1,516,209</u>
Excess (deficiency) of receipts over disbursements	158,920	158,920
Fund balances:		
Unrestricted - assigned	805,614	805,614
Unrestricted - unassigned	97,456	97,456
Total fund balance	<u>\$ 903,070</u>	<u>\$ 903,070</u>

The accompanying notes are an integral part of these statements.

TOWN OF BARNES
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN MODIFIED CASH BASIS NET POSITION
FIDUCIARY FUNDS
Year Ended December 31, 2020

	<u>Tax Collection Fund</u>
Cash Receipts	\$ 1,836,006
Cash Disbursements	<u>1,864,946</u>
Change in Net Assets	<u>(28,940)</u>
Net Position - beginning of year	<u>736,259</u>
Net Position - end of year	\$ <u><u>707,319</u></u>
Assets	
Cash	<u>707,319</u>
Total Assets	\$ <u><u>707,319</u></u>
Net Position	
Reserved Net Position	<u>707,319</u>
Total Net Position	\$ <u><u>707,319</u></u>

The accompanying notes are an integral part of these statements.

TOWN OF BARNES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The financial statements of the Town of Barnes (the “Town”) have been prepared using the modified cash basis of accounting, which is a comprehensive basis of accounting (OCBOA) other than accounting principles generally accepted in the United States of America (GAAP). 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.

Reporting Entity

The Town of Barnes is organized as a local government in Bayfield County, Wisconsin. The Town is governed by a board chairman and four supervisors.

Fund Accounting

The accounts of the Town are not organized on the basis of funds as would be required to conform with governmental accounting and financial reporting principles. All accounts are maintained and included in these financial statements in the Town’s sole major fund, the general fund. The Town also reports the tax collections for the first half of property tax collections as a fiduciary fund, as it is responsible for the collection of these taxes through January 31st each year.

Basis of Presentation

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

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The general fund of the Town, its only fund, is reported on the modified cash basis of accounting. Therefore, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred.

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.

TOWN OF BARNES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

The Board has the authority to amend the budget, including authorizing additional appropriations. All appropriations lapse at year-end. A reconciliation from the budget basis to the modified cash basis presented in the financial statements is included on the budgetary comparison schedule.

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.

Capital Assets

Capital assets are recorded as expenditures in the period in which they are purchased.

Taxes and Assessments

Personal property and real estate 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 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's Clerk-Treasurer collects taxes for all purposes on properties within the Town through January. Settlement with other taxing entities is made on or about February 15. Bayfield County, within which the Town is located, collects the remaining real estate taxes outstanding. In August the County pays the Town in full for its remaining levy, less the lottery credit, which is paid to the Town in April. The Town retains the responsibility for collection of personal property taxes, subject to chargeback rules promulgated by the WI Department of Revenue for certain unpaid amounts in the following year.

Date of Management Review

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through March 31, 2021, the date the financial statements were available to be issued.

TOWN OF BARNES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 2 CASH

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2020, \$805,791 of the Town's bank balance of \$1,705,991 was exposed to custodial credit risk.

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing and non-interest bearing accounts. Bank accounts and the local government invest pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per depository. However, due to the relatively small size of the Guarantee Fund in the relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual organizations. This coverage has been considered in computing custodial credit risk relative to deposits.

Fluctuating cash flows during the year due to tax collections and receipt of state aids may have resulted in temporary balances exceeding insured amounts by substantially higher amounts than reported at the balance sheet date. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Note 3 LONG-TERM DEBT

The Wisconsin State Statutes Chapter 67.03 provides that the amount of indebtedness of the Town of Barnes not exceed 5% of the equalized valuation of the taxable property in the Town of Barnes.

Long-term debt activity for the year ended December 31, 2020 was as follows:

	<u>Balance</u> <u>1/1/20</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/20</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
Governmental activities:					
Bonds and notes payable:					
General obligation debt					
from direct borrowings					
and direct placements	\$ -	\$ 100,000	\$ -	\$ 100,000	\$ -
Total long-term liabilities	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ -</u>

TOWN OF BARNES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 3 LONG-TERM DEBT (Continued)

General Obligation Debt

All general obligation bonds and notes payable are backed by the full faith and credit of the Town. Bonds and notes payable will be retired by future property tax levies or tax increments.

The purpose of the governmental activities general obligation debt is to finance road improvements.

General obligation debt at December 31, 2020 is comprised of the following:

<u>Type</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates (%)</u>	<u>Original Indebtedness</u>	<u>Balance Outstanding 12/31/20</u>
State of WI BCPL Trust Fund Loan	10/6/2020	3/15/2025	2.50	\$ 100,000	\$ 100,000
Total general obligation debt					100,000
Less - Current portion					-
Total governmental activities long-term liabilities					<u>\$ 100,000</u>

Maturities on governmental activities' long-term debt are as follows:

<u>Year</u>	<u>Notes from Direct Borrowings and Direct</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ -	\$ -	\$ -
2022	23,271	3,596	26,867
2023	24,949	1,918	26,867
2024	25,569	1,298	26,867
2025	26,212	655	26,867
Totals	<u>\$ 100,000</u>	<u>\$ 7,467</u>	<u>\$ 107,467</u>

In accordance with Wisconsin Statutes, the total general obligation debt of the Town may not exceed five percent of the equalized value of taxable property within the Town's jurisdiction. The legal debt limit and margin of indebtedness as of December 31, 2020 is in accordance with Wisconsin Statutes as follows:

Equalized valuation	\$ <u>328,754,800</u>
Debt limit 5%/Legal debt margin	\$ <u>16,437,740</u>

TOWN OF BARNES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 4 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. 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 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Town did not have any material violations of legal or contractual provisions for the fiscal year ended December 31, 2020.

The Town did not have any expenditures in excess of the budget during the year.

Note 7 COVID-19

On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Town may be both direct and indirect and will vary based on the duration of the outbreak and other factors. An estimate of the financial effect on the Town's financial statements as of December 31, 2020 cannot be determined at this time.

Note 8 COMMITMENTS AND CONTINGENCIES

On April 1, 2020, the Town was notified by Bayfield County that a non-metallic mine was not within compliance of state law. The Town was advised that a Notice of Intent will need to be completed for each pit as well as general permits. On February 2, 2021, the Board approved a motion to close the non-metallic mine pit and start the reclamation plan. As of March 31, 2021, there have been no estimates of the cost to start the reclamation plan.

On December 29, 2020, the Town made a \$100,000 down payment towards a road work project to begin in 2021. The \$100,000 down payment was funded by a BCPL State Trust Fund Loan Program. See Note 3 for details on the loan.

TOWN OF BARNES
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

Note 9 ASSIGNED FUND BALANCE

The following is a list of assigned assets reported the general fund at December 31, 2020:

	Assigned <u>Assets</u>	Assigned <u>Net Position</u>
Money market savings	\$ 169,670	\$ 169,670
Highway sinking fund	140,182	140,182
Emergency services sinking fund	134,809	134,809
Parks & recreation sinking fund	37,092	37,092
Tomahawk lake park fund	2,989	2,989
Well water donations fund	4,365	4,365
WI EMS FAP fund - equipment	6,028	6,028
Bridges maintenance fund	12,041	12,041
Waterways maintenance fund	10,034	10,034
AMB billing escrow	1,000	1,000
A.I.S. sinking fund	11,255	11,255
Land acquisition fund	88,910	88,910
Area development fund	19,687	19,687
S. shore bridge sinking fund	160,000	160,000
Election equipment sinking fund	6,000	6,000
Vatten paddlar event checking	<u>1,552</u>	<u>1,552</u>
Totals	<u>\$ 805,614</u>	<u>\$ 805,614</u>

Money market savings – used to report resources set aside to fund miscellaneous outlay expenditures in future years.

Sinking funds – used to report resources set aside to fund renewals or replacements for future projects.

Donations fund – used to report resources set aside to fund upgrades or replacements for the Town’s well.

Vatten Paddlar – used to report resources set aside to fund the Vatten Paddlar event.

Billing escrow – used to report resources set aside to fund costs of the ambulance service.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF BARNES
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - MODIFIED CASH BASIS
Year Ended December 31, 2020

	2020			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Receipts:				
Taxes	\$ 816,921	\$ 816,921	\$ 843,412	\$ 26,491
Intergovernmental	566,216	566,216	613,482	47,266
Regulation and compliance	4,375	4,375	1,030	(3,345)
Public charges for services	63,780	63,780	94,111	30,331
Intergovernmental charges for services	6,000	6,000	6,000	-
Commercial	15,650	15,650	17,094	1,444
Other Financing Sources	181,866	181,866	100,000	(81,866)
Total receipts	1,654,808	1,654,808	1,675,129	20,321
Disbursements:				
General government	235,841	217,841	215,032	2,809
Public safety	197,314	215,314	213,447	1,867
Public works	453,118	453,118	405,371	47,747
Health and human services	3,772	3,772	2,345	1,427
Culture, recreation and development	91,181	91,181	70,779	20,402
Capital outlay	673,582	673,582	609,235	64,347
Total disbursements	1,654,808	1,654,808	1,516,209	138,599
Excess receipts (disbursements)	-	-	158,920	158,920
Cash basis fund balance - January 1	744,150	744,150	744,150	-
Cash basis fund balance - December 31	\$ 744,150	\$ 744,150	\$ 903,070	\$ 158,920

NOTE TO BUDGETARY COMPARISON SCHEDULE

The budgetary comparison schedule is prepared on the modified cash basis except for receipts which are recorded in the year in which they relate since that is the basis used for budgeting.