



**TOWN OF BARNES, WISCONSIN
FINANCIAL STATEMENTS – CASH BASIS
DECEMBER 31, 2011**

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

Town of Barnes, WI

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EAGLE AUDIT & ACCOUNTING, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of Certified Public Accountants
Wisconsin Institute of Certified Public Accountants
Government Audit Quality Center

Independent Auditor's Report

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Town Board
Town of Barnes
Barnes, Wisconsin

We have audited the accompanying cash basis financial statements of the Town of Barnes, WI as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 cash basis financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Town of Barnes, WI prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Wisconsin, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective cash basis financial position of the Town of Barnes, WI as of December 31, 2011, and its respective changes in cash basis financial position thereof for the year then ended, on the basis of accounting described in Note 1.

Eagle Audit & Accounting, LLC

Eagle Audit & Accounting, LLC
Certified Public Accountants

April 27, 2012
Park Falls, Wisconsin

Town of Barnes

Statement of Activities and Net Assets - Cash Basis

As of and for the Year Ended December 31, 2011

Functions/Programs	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General Government	203,397	8,392	\$ -	\$ (195,005)
Public Safety	121,815	34,351	9,709	(77,755)
Public Works	482,525	7,658	320,512	(154,355)
Health & human services	5,819	960	-	(4,859)
Culture, recreation, and development	74,638	140	36,935	(37,563)
Debt service	25,162	-	-	(25,162)
Net governmental activity (disbursements) receipts	<u>913,356</u>	<u>51,501</u>	<u>367,156</u>	<u>(494,699)</u>
General receipts:				
Property taxes levied for general purposes				511,925
Intergovernmental revenues not restricted to a specific program				122,154
Unrestricted investment earnings				8,698
Miscellaneous unallocated revenues				50,451
Proceeds from LT debt				40,000
Total general receipts				<u>733,228</u>
Change in net assets				238,529
Net assets - beginning of the year				672,366
Net assets - end of year				<u>\$ 910,895</u>
Assets				
Cash				\$ 910,895
Total Assets				<u>\$ 910,895</u>
Net Assets				
Unrestricted				\$ 910,895
Total Net Assets				<u>\$ 910,895</u>

Town of Barnes

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

Year Ending December 31, 2011

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Receipts:		
Taxes	\$ 511,925	\$ 511,925
Intergovernmental	489,310	489,310
Regulation and compliance	8,392	8,392
Public charges for services	38,453	38,453
Intergovernmental charges for services	4,656	4,656
Commercial	59,149	59,149
Total receipts	<u>1,111,885</u>	<u>1,111,885</u>
Disbursements:		
General government	202,036	202,036
Public safety	100,706	100,706
Public works	305,446	305,446
Health and human services	5,819	5,819
Culture, recreation and development	69,131	69,131
Capital outlay	205,056	205,056
Debt service	25,162	25,162
Total disbursements	<u>913,356</u>	<u>913,356</u>
Excess (deficiency) of receipts over disbursements	198,529	198,529
Other Financing Sources (Uses)		
Proceeds from debt	<u>40,000</u>	<u>40,000</u>
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>
Excess (deficiency) of receipts and other sources over disbursements and other uses	238,529	238,529
Cash balance - beginning of year	<u>672,366</u>	<u>672,366</u>
Cash balance - end of year	<u><u>\$ 910,895</u></u>	<u><u>\$ 910,895</u></u>

Town of Barnes

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

Fiduciary Funds

As of and for the Year Ended
December 31, 2011

Advance Tax Collections Fund

Cash Receipts	765,261
Cash Disbursements	592,040
Change in Net Assets	<u>173,221</u>
Net Assets - beginning of year	<u>592,040</u>
Net Assets - end of year	<u><u>\$ 765,261</u></u>

Assets

Cash	<u>765,261</u>
Total Assets	<u><u>\$ 765,261</u></u>

Net Assets

Reserved Net Assets	<u>765,261</u>
Total Net Assets	<u><u>\$ 765,261</u></u>

Town of Barnes

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

Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Receipts:				
Taxes	\$ 496,522	\$ 496,522	511,925	\$ 15,403
Intergovernmental	465,345	\$ 465,345	489,310	23,965
Regulation and compliance	9,075	9,075	8,392	(683)
Public charges for services	28,320	28,320	38,453	10,133
Intergovernmental charges for services	2,625	2,625	4,656	2,031
Commercial	41,550	41,550	59,149	17,599
Total receipts	<u>1,043,437</u>	<u>1,043,437</u>	<u>1,111,885</u>	<u>68,448</u>
Disbursements:				
General government	180,057	180,057	202,036	(21,979)
Public safety	112,291	112,291	100,706	11,585
Public works	226,641	226,641	305,446	(78,805)
Health and human services	4,464	4,464	5,819	(1,355)
Culture, recreation and development	84,389	84,389	69,131	15,258
Capital outlay	398,620	398,620	205,056	193,564
Debt service	25,162	25,162	25,162	-
Total disbursements	<u>1,031,624</u>	<u>1,031,624</u>	<u>913,356</u>	<u>118,268</u>
Excess (deficiency) of receipts over disbursement:	11,813	11,813	198,529	186,716
Other Financing Sources (Uses)				
Proceeds from debt	40,000	40,000	40,000	-
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Excess (deficiency) of receipts and other sources over disbursements and other uses	51,813	51,813	238,529	186,716
Cash balance - beginning of year	672,366	672,366	672,366	-
Cash balance - end of year	<u>\$ 724,179</u>	<u>\$ 724,179</u>	<u>\$ 910,895</u>	<u>\$ 186,716</u>

See accompanying notes to financial statements.

Town of Barnes

Notes to Financial Statements – 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 cash basis of accounting, which is an other comprehensive basis of accounting (OCBOA) other than generally accepted accounting principles. 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, 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 - Cash

The accounts of the Town are maintained, and the accompanying financial statements have been prepared, on the 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.

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, 2011, deposits are summarized as follows:

	Insured	Guaranteed	Uninsured and Uncollateralized	Bank Balance	Carrying Amount
Banks	\$ 1,676,156	\$ -0-	\$ -0-	\$ 1,223,365	\$ 1,676,156

The above cash balance is accounted for at December 31, 2011, as follows:

General Fund	
Unreserved – Undesignated	\$910,895
Fiduciary Fund –Advance tax collection	<u>\$765,261</u>
 Total	 <u>\$1,676,156</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 – Long-Term Debt (this is not a required disclosure under the cash basis of accounting, but is presented as additional information)

Long-term obligations of the Town are as follows:

Description	Beginning Balance	New Issuance	Principal Repaid	Ending Balance
State Trust Fund note matures March 15, 2015 3.5% interest rate	\$ 0	\$ 40,000	\$ 0	\$ 40,000
State Trust Fund note matures March 15, 2015 3.50% interest rate	40,000	0	0	40,000
State Trust Fund note matures March 15, 2012 3.25% interest rate	25,382	0	13,160	12,222
State Trust Fund note matures March 15, 2012 3.25% interest rate	20,285	0	10,517	9,768
Total	<u>\$ 85,667</u>	<u>\$ 40,000</u>	<u>\$ 23,677</u>	<u>\$ 101,990</u>

The 2011 equalized valuation of the Town as certified by the Wisconsin Department of Revenue was \$346,863,000. The legal limit and margin of indebtedness as of December 31, 2010, in accordance with Section 67.03 of the Wisconsin Statutes is as follows:

Debt Limit (5% of \$346,863,000)	\$17,343,150
Deduct Debt applicable to Debt Margin	<u>\$ 85,667</u>
Margin of Indebtedness	<u>\$17,257,483</u>

The following represents the cash needed to service debt in future years.

Year ended	Principal	Interest	Total
2012	40,322	4,395	44,717
2013	19,853	2,158	22,011
2014	20,548	1,464	22,011
2015	21,267	744	22,011
Total	<u>\$101,990</u>	<u>\$ 8,761</u>	<u>\$ 110,750</u>

NOTE 4 – Advance Tax Collections

At December 31, 2011, the Clerk-Treasurer was holding deposits resulting from tax collections of \$765,179 related to the subsequent year tax levy. In February of 2012, 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 will become part of the bank balance.

NOTE 5 – 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, 2011.

NOTE 6 – 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 7 - 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 8 – Subsequent Events

Subsequent events have been evaluated through April 27, 2012, which is the date the financial statements were available to be issued.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS**

Town Board
Town of Barnes
Barnes, Wisconsin

We have audited accompanying financial statements of the Town of Barnes, Wisconsin, ("the Town") as of and for the year ended December 31, 2011, and have issued our report thereon dated April 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described below as 2011-1 to be a material weakness.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below as 2011-2, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

2011-1 Lack of Segregation of Duties – no remedial action expected

2011-2 Preparation of Financial Statements – no remedial action expected

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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.

This report is intended solely for the information of the Town Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Eagle Audit & Accounting, LLC

Eagle Audit & Accounting, LLC
Certified Public Accountants

April 27, 2012
Park Falls, Wisconsin