

**TOWN OF WASCOTT
DOUGLAS COUNTY, WISCONSIN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

Town Board
Town of Wascott
Somerset, Wisconsin

We have audited the accompanying financial statements of Town of Wascott, Wisconsin, as of and for the year ended December 31, 2012, 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 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 error or fraud.

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 from material misstatements.

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 financial position – modified cash basis of governmental activities and each major fund information of the Town of Wascott, Wisconsin, as of December 31, 2012, and the respective changes in financial position – modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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 that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Wascott, Wisconsin’s basic financial statements. The budgetary comparison information on page 11, which is the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Carlson Highland & Co., LLP

Amery, Wisconsin
May 31, 2013

TOWN OF WASCOTT
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS

For the Year Ended December 31, 2012

<u>Functions/Programs</u>	<u>Cash</u> <u>Disbursements</u>	<u>Program Receipts and Sources</u>		<u>Net Cash</u> <u>Sources</u> <u>(Uses) and</u> <u>Changes in</u> <u>Net Cash</u> <u>Assets</u>
		<u>Fees, Fines</u> <u>and Charges</u> <u>for Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
Governmental Activities:				
General government	\$ 217,951	\$ 4,741	\$ -	\$ (213,210)
Public safety	108,050	-	-	(108,050)
Transportation	527,925	-	484,012	(43,913)
Sanitation	43,290	3,593	-	(39,697)
Health and human services	5,153	1,500	-	(3,653)
Culture, recreation, and education	12,382	-	-	(12,382)
Conservation and development	13,749	-	27,909	14,160
Miscellaneous	50,532	-	-	(50,532)
Principal payment on debt	52,416	-	-	(52,416)
Interest on long-term debt	15,341	-	-	(15,341)
Capital outlay	199,985	-	-	(199,985)
	<u>\$ 1,246,774</u>	<u>\$ 9,834</u>	<u>\$ 511,921</u>	<u>(725,019)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				505,978
Intergovernmental, not restricted to specific programs				104,867
Interest income				1,298
Other sources				120,799
Total General Revenues				<u>732,942</u>
Change in net assets				7,923
Cash Balance- January 1				<u>687,207</u>
Cash Balance-December 31				<u>\$ 695,130</u>
Cash Basis Assets, Beginning of Year				
Cash and Investments - Total				\$ 1,072,263
Less Advanced Property Taxes and Payroll Taxes Due				<u>(377,133)</u>
Total Assets				<u>\$ 695,130</u>
Cash Basis Net Assets, End of Year				
Unrestricted				<u>\$ 695,130</u>

(The accompanying notes are an integral part of these financial statements.)

TOWN OF WASCOTT
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
REVENUES RECEIVED, EXPENDITURES PAID AND CHANGES IN
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2012

	General Fund
REVENUES	
Property taxes	\$ 505,978
Intergovernmental	616,788
Licenses and permits	4,741
Public charges for services	5,093
Other general	122,097
Total Revenues	1,254,697
EXPENDITURES	
Current	
General government	217,951
Public safety	108,050
Transportation	527,925
Sanitation	43,290
Health and human services	5,153
Culture, recreation and education	12,382
Conservation and development	13,749
Miscellaneous	50,532
Debt service	
Principal	52,416
Interest	15,341
Capital outlay	199,985
Total Expenditures	1,246,774
Excess (deficiency) of revenues over expenditures	7,923
CASH FUND BALANCES - BEGINNING	687,207
CASH FUND BALANCES - ENDING	\$ 695,130
CASH BASIS ASSETS- BEGINNING OF YEAR	
Checking Account	\$ 415,114
Money Market	42,468
Government Investment	614,681
Less Advanced Property Taxes and Payroll Taxes Due	(377,133)
	\$ 695,130
CASH BASIS ASSETS- END OF YEAR	
Unassigned	\$ 695,130

(The accompanying notes are an integral part of these financial statements.)

TOWN OF WASCOTT
DOUGLAS COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

(1) **NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF ORGANIZATION – The Town of Wascott (the “Town”) operates under a Town board form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services. The town has defined the reporting entity for this financial statement as its general fund.

REPORTING ENTITY – The Town of Wascott is a separate local governmental entity as defined in Chapter 60 of the Wisconsin Statutes. A board chairperson and four supervisors govern the Town. The financial statements of the Town include all funds under the custody of the Town clerk and Town treasurer.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – The Town’s basic financial statements include both government-wide financial statements (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds) as described below:

Government-Wide Financial Statements - The combined statement of net assets and statement of activities present financial information about the Town’s governmental type activities. (The Town had no business-type activities for the reporting year.) This statement includes the financial activities of the overall government in its entirety, except those that are fiduciary. The statement of activities presents a comparison between disbursements and program receipts for each function of the Town’s governmental activities. Program receipts include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts that are not classified as program revenues, including all taxes, are presented as general receipts.

Fund Financial Statements - The fund financial statements provide information about the Town’s funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds; each displayed in a separate column.

FUND ACCOUNTING – The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The cash, cash fund balance, receipts and disbursements of each fund are accounted for with a separate set of self-balancing accounts. The fund types used by the Town are described below.

General Fund – The general fund is the general operating fund of the Town and by definition is a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

TOWN OF WASCOTT
DOUGLAS COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

(1) **NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

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

BASIS OF ACCOUNTING – The financial statements of the Town have been prepared on the modified basis of accounting, which is another comprehensive basis of accounting (OCBOA) other than accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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. 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 – An operating budget is adopted each fiscal year for the general fund on the same cash basis used to reflect actual cash receipts and disbursements. Budgeted amounts are as originally adopted or as amended by the Town Board.

Budgeted expenditure appropriations lapse at year end. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at budgetary line item levels.

CASH AND CASH EQUIVALENTS – 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.

CAPITAL ASSETS – The Town records capital assets as disbursements at the time of their purchase. Fixed assets and infrastructure are not capitalized by the Town, since it uses the modified cash basis of accounting. Also, under the cash basis, no depreciation on these fixed assets is recorded.

PROPERTY TAXES – Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Real property taxes are payable in full on or before January 31 or, alternatively, if over \$100, can be paid in two equal installments with the first installment payable on or before January 31 and the second installment payable on or before July 31. Personal property taxes and special assessments, special charges and special taxes placed on the tax roll are payable in full on or before January 31. The Douglas County Treasurer collects taxes for all purposes on properties within the Township with the exception of personal property taxes. Settlement with other taxing entities is made on or about February 15. In August, the County pays the Township in full for all outstanding real estate taxes due. The Township retains the responsibility for collection of delinquent personal property taxes.

TOWN OF WASCOTT
DOUGLAS COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

(1) **NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

DATE OF MANAGEMENT'S REVIEW – Management has evaluated subsequent events through May 31, 2013, the date on which the financial statements were available to be issued.

(2) **CASH AND INVESTMENTS**

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter-party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Custodial Credit Risk - continued

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian for the interest bearing accounts and unlimited amounts for non-interest bearing accounts. In addition, the Wisconsin Statutes Sections 20.144(1)(a) and 34.08 has a State Guarantee Fund that provides a maximum of \$400,000 per entity 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 the losses may not be available.

As of December 31, 2012, the carrying amount of the Town's deposits was \$80,450 and the bank balances were \$491,232. Of the bank balance, \$292,468 was covered by FDIC insurance. Although not categorized as deposits, the Town has invested \$614,680 in the Wisconsin Local Government Investment Pool, which is insured against defaults in principal payments by Financial Security Assurance Incorporated.

Investments

Investment Rate Risk: 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 Town has no credit risk or investment policy that would further limit its investment choices.

TOWN OF WASCOTT
DOUGLAS COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

(2) **CASH AND INVESTMENTS - Continued**

Investments of the Town funds are restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities issued or guaranteed by the federal government.
3. Bonds or securities of any county, city, drainage district, village, town or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball part district, a local professional football stadium district, technical college district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
4. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
5. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
6. Bonds or securities issued under the authority of the municipality.
7. The local government investment pool.
8. Repurchase agreements with public depositories, with certain conditions.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

	<u>Insured</u>	<u>Guaranteed</u>	<u>Collateralized</u>	<u>Institutional Balance</u>	<u>Carrying Amount</u>
NBC	\$ 292,468	\$ -	\$ -	\$ 491,232	\$ 80,450
LGIP	614,680	-	-	614,680	614,680
Total	<u>\$ 907,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,105,912</u>	<u>\$ 695,130</u>

The above cash balance is accounted for at December 31, 2012, as follows:

General Fund:

Restricted funds - donations	\$ 134,173
Committed funds - capital outlay	55,000
Assigned funds - 2013 budget	54,544
Unreserved - Undesignated	<u>451,413</u>
Total	<u>\$ 695,130</u>

TOWN OF WASCOTT
DOUGLAS COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

(3) **LONG-TERM DEBT**

Legal Debt Limit

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

The following computation shows the total debt allowable for the Town of Wascott at December 31, 2012:

	Amount
Equalized value at December 31, 2012	\$ 299,517,400
Legal debt margin percentage	5%
	14,975,870
Indebtedness applicable to debt limit	251,892
Legal debt margin	\$ 14,723,978

(4) **ADVANCE TAX COLLECTIONS**

At December 31, 2012, the Clerk-Treasurer was holding deposits resulting from tax collections of \$375,685 related to the subsequent year tax levy. In February 2013, this will be paid to the county, public schools, vocational school, and state governments based on the levy apportionment. The Township's share will become part of the bank balance.

(5) **TAX REVENUES RECEIVED**

Tax revenues received are detailed as follows:

General property taxes	\$ 732,374
Advance tax collections - 2012	375,685
Advance tax collections - 2011	(627,423)
Delinquent and postponed personal property taxes	12,807
Private forest taxes	1,081
Town woodland taxes	9,824
Town managed forest land taxes	1,630
Total	\$ 505,978

TOWN OF WASCOTT
DOUGLAS COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

(6) **RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. All 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.

SUPPLEMENTARY INFORMATION

TOWN OF WASCOTT
BUDGETARY COMPARISON SCHEDULE - CASH BASIS
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	505,682	\$ 505,978	296
Intergovernmental	599,248	616,788	17,540
Licenses and permits	3,900	4,741	841
Public charges for services	3,600	5,093	1,493
Use of money and property	-	122,097	122,097
Donations	9,200	-	(9,200)
Other general	200	-	(200)
Total Revenues	1,121,830	1,254,697	132,867
EXPENDITURES			
Current			
General government	213,312	217,951	(4,639)
Public safety	106,200	108,050	(1,851)
Transportation	548,132	527,925	20,207
Sanitation	45,650	43,290	2,360
Health and human services	13,670	5,153	8,517
Culture, recreation and education	15,950	12,382	3,568
Conservation and development	6,500	13,749	(7,249)
Capital outlay	158,000	-	158,000
Other	595	50,532	(49,937)
Debt service			
Principal	45,416	52,416	(7,000)
Interest	15,341	15,341	-
Capital outlay	-	199,985	(199,985)
Total Expenditures	1,168,766	1,246,774	(78,009)
Excess (deficiency) of revenue over expenditures	-	7,923	7,923
CASH FUND BALANCES - BEGINNING	687,207	687,207	-
CASH FUND BALANCES - ENDING	\$ 687,207	\$ 695,130	\$ 7,923