

KerberRose SC
487 Riverwood Lane
Green Bay, WI 54313

This representation letter is provided in connection with your audit of the financial statements of the Town of Lac du Flambeau, Wisconsin (Town), which comprise the respective financial position of governmental activities, the major fund, and the aggregate remaining fund information as of December 31, 2021, and the respective changes in financial position and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in conformity with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of _____, 2023 the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 15, 2021, including our responsibility for the preparation and fair presentation of the statements in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles and the preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by the modified cash basis of accounting to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts. A list of the adjusting journal entries are attached to this letter.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with the modified cash basis of accounting.
10. Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of meetings of Town Board or summaries of actions of recent meetings for which minutes have not yet have been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the Town involving -
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
18. We have disclosed to you the identity of the Town's related parties and all the related party relationships and transactions of which we are aware.

Government – Specific

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have a process to track the status of audit findings and recommendations.

21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
23. The Town has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows of resources, and fund balance or net position.
24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. We have identified and disclosed to all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
28. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
29. As part of your audit, you assisted with the preparation of the financial report form CT, financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possess suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed approved and accepted responsibility for those financial statements and related notes.
30. The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities.
34. All funds that meet the quantitative criteria for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

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TOWN OF LAC DU FLAMBEAU, WISCONSIN

Annual Financial Report

December 31, 2021

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TOWN OF LAC DU FLAMBEAU, WISCONSIN

Table of Contents

December 31, 2021

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	3
Statements of Activities – Modified Cash Basis	4
Balance Sheet – Modified Cash Basis – General Fund	5
Statement of Revenues, Expenditures and Change in Fund Balance – Modified Cash Basis – General Fund	6
Statement of Net Position – Modified Cash Basis – Fiduciary Fund	7
Statement of Change in Net Position – Modified Cash Basis – Fiduciary Fund	8
Notes to Financial Statements	9 – 15
OTHER INFORMATION	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund	16
Budgetary Comparison – Detailed Schedule of Revenues – Modified Cash Basis – General Fund	17
Budgetary Comparison – Detailed Schedule of Expenditures – Modified Cash Basis – General Fund	18

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INDEPENDENT AUDITORS' REPORT

To the Members of the Town Board
Town of Lac du Flambeau, Wisconsin
Lac du Flambeau, Wisconsin

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Town of Lac du Flambeau, Wisconsin (Town), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, the major fund, and the aggregate remaining fund information of the Town of Lac du Flambeau, Wisconsin, as of December 31, 2021, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw your attention to Note 1 of the financial statements that 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 opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements, in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the presentation 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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To the Town Board
Town of Lac du Flambeau, Wisconsin

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison schedule – modified cash basis – general fund, budgetary comparison – detailed schedule of revenues – modified cash basis – general fund and budgetary comparison – detailed schedule of expenditures – modified cash basis – general fund but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KerberRose SC

KerberRose S.C.
Certified Public Accountants
Green Bay, Wisconsin
_____, 2023

TOWN OF LAC DU FLAMBEAU, WISCONSIN
Statement of Net Position - Modified Cash Basis
As of December 31, 2021

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	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,663,036
LIABILITIES	
Payroll Liabilities	3,924
Unearned Revenue - American Rescue Plan Act - 2021	<u>183,536</u>
Total Liabilities	<u>187,460</u>
DEFERRED INFLOWS OF RESOURCES	
Taxes Levied for Subsequent Year	<u>172,743</u>
NET POSITION	
Unrestricted	<u>\$ 1,302,833</u>

See Accompanying Notes

TOWN OF LAC DU FLAMBEAU, WISCONSIN
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2021

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	Expenses	Program Revenues		Net (Expense) Revenues and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
General Government	\$ 279,685	\$ 38,668	\$ -	\$ (241,017)
Public Safety	314,806	153,384	20,088	(141,334)
Public Works	685,610	80,910	454,597	(150,103)
Health and Human Services	14,724	-	-	(14,724)
Culture, Recreation and Education	28,700	-	-	(28,700)
Conservation and Development	68,037	-	-	(68,037)
Total Governmental Activities	<u>\$ 1,391,562</u>	<u>\$ 272,962</u>	<u>\$ 474,685</u>	<u>(643,915)</u>
GENERAL REVENUES				
Taxes:				768,805
Property Taxes, Levied for General Purposes				14,748
Other Taxes				36,845
State and Federal Aids not Restricted to Specific Functions				6,155
Miscellaneous				<u>827,001</u>
Total General Revenues				183,086
CHANGE IN NET POSITION				1,119,747
NET POSITION - BEGINNING OF YEAR				<u>\$ 1,302,833</u>
NET POSITION - END OF YEAR				<u>\$ 1,302,833</u>

See Accompanying Notes

TOWN OF LAC DU FLAMBEAU, WISCONSIN
Balance Sheet
Modified Cash Basis - General Fund
As of December 31, 2021

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ASSETS	
Cash	\$ 1,663,036
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Payroll Liabilities	\$ 3,924
Unearned Revenue - American Rescue Plan Act - 2021	183,536
Total Liabilities	<u>187,460</u>
DEFERRED INFLOWS OF RESOURCES	
Taxes Levied for Subsequent Year	<u>172,743</u>
FUND BALANCE	
Assigned:	
Subsequent Years Expenditures	143,881
Unassigned	1,158,952
Total Fund Balance	<u>1,302,833</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,663,036</u>

See Accompanying Notes

TOWN OF LAC DU FLAMBEAU, WISCONSIN
 Statement of Revenues, Expenditures and Change
 in Fund Balance - Modified Cash Basis - General Fund
 For the Year Ended December 31, 2021

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REVENUES	
Taxes	\$ 783,553
Intergovernmental	517,294
Licenses and Permits	27,465
Public Charges for Services	234,107
Intergovernmental Charges for Services	187
Miscellaneous	12,042
Total Revenues	1,574,648
EXPENDITURES	
General Government	279,685
Public Safety	314,806
Public Works	485,233
Health and Human Services	14,724
Culture, Recreation and Education	28,700
Conservation and Development	68,037
Capital Outlay	200,377
Total Expenditures	1,391,562
NET CHANGE IN FUND BALANCE	183,086
FUND BALANCE - BEGINNING	1,119,747
FUND BALANCE - ENDING	\$ 1,302,833

See Accompanying Notes

TOWN OF LAC DU FLAMBEAU, WISCONSIN
Statement of Net Position - Modified Cash Basis - Fiduciary Fund
As of December 31, 2021

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	Custodial Tax Collection Fund
ASSETS	
Cash	<u>\$ 2,479,625</u>
LIABILITIES	
Due to Other Taxing Units	<u>2,479,625</u>
NET POSITION	<u>\$ -</u>

See Accompanying Notes

TOWN OF LAC DU FLAMBEAU, WISCONSIN
Statement of Change in Net Position - Modified Cash Basis - Fiduciary Fund
For the Year Ended December 31, 2021

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	Custodial Tax Collection Fund
ADDITIONS	
Taxes Collected on Behalf of Other Taxing Entities	<u>\$ 7,265,467</u>
DEDUCTIONS	
Taxes Remitted to Other Taxing Entities	<u>7,265,467</u>
CHANGE IN NET POSITION	-
NET POSITION - BEGINNING	<u>-</u>
NET POSITION - ENDING	<u><u>\$ -</u></u>

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Town of Lac du Flambeau, Wisconsin (Town) is presented to assist in understanding the Town's financial statements. The financial statements and notes are representations of the Town's management who is responsible for the integrity and objectivity of the financial statements. These financial statements are presented 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 (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. These accounting policies have been consistently applied in the preparation of the financial statements.

Reporting Entity

This report includes all of the funds of the Town of Lac du Flambeau, Wisconsin. The reporting entity for the Town consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The Town has no component units.

Government-Wide Financial Statements

The statements of activities and net position report information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of net position and statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town does not allocate indirect expenses to functions in the statement of activities. 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) operating grants and contributions. Taxes and other items not properly included as program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into individual funds which are considered to be separate accounting entities. The funds are accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures.

Governmental Fund

The Town reports the following major governmental fund:

General Fund

The general fund is the primary operating fund of the Town and is always classified as a major fund.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Fiduciary Fund

The Town follows presentation requirements of accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board Statement No. 84, *Fiduciary Activities*. This statement revised the criteria on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Four types of fiduciary funds that should be reported, if applicable, include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds.

The Town reports the following custodial fund:

Tax Collection – Accounts for tax revenue held for other taxing jurisdictions.

Measurement Focus and Basis Accounting

The government-wide statements of activities and net position and fiduciary fund are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. All assets and deferred inflows of resources (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported.

In the fund financial statements, the general fund utilizes a current financial resources measurement focus, as applied to the modified cash basis of accounting. Only current financial assets, liabilities and deferred inflows of resources are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable financial resources at the end of the period.

The government-wide financial statements and the fund financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenses/expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable, capital assets and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the general fund would use the modified accrual basis of accounting. The government-wide and fiduciary financial statements would be presented on the accrual basis of accounting.

Cash

For purposes of financial reporting, cash includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Capital Assets

The accounting treatment over capital assets normally depends on whether the assets are reported in the government-wide or fund financial statements and used in governmental fund operations. However, the Town has elected not to capitalize assets and therefore the statements account for them as capital outlay expenses/expenditures upon acquisition.

Note 1 - Summary of Significant Accounting Policies (Continued)

Pension Plan

The town participates in the Wisconsin Retirement System (WRS), a cost sharing multiple-employer defined benefit pension plan. Contributions to the plan are recognized as an expense/expenditure when paid.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the balance sheet 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 and fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position and the balance sheet, will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position and fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, *taxes levied for subsequent year*, which arises from advanced tax collections for the subsequent period, that qualifies for reporting in this category. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Unearned Revenue

Revenue received that has not been earned, is recorded as a liability until a period of time or expenditures occur. Once the funds are considered earned, at that point they are recognized as revenue.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in two components.

- Restricted – Consists of net position with constraints places on the use either 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 – Is the net amount that does not meet the definition of “restricted.”

If 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.

Fund Financial Statements

Fund balance is classified as either 1) nonspendable, 2) restricted, 3) committed, 4) assigned, or 5) unassigned.

Nonspendable fund balance represents amounts that cannot be spent due to form or amounts that must be maintained intact legally or contractually (such as the principal of a permanent fund).

Restricted fund balance represents amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Note 1 - Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Fund Financial Statements (Continued)

Committed fund balance represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require action by the same group to remove or change the constraints placed on the resources. The action to constrain resources must occur prior to year-end; however, the amount can be determined in the subsequent period. The Town Board is the decision-making authority that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance.

Assigned fund balance in the general fund represents amounts constrained by the Board for a specific intended purpose. The Town of Lac du Flambeau, Wisconsin has not delegated that authority to others. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance.

Unassigned fund balance represents amounts not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in the unassigned fund balance.

The Town of Lac du Flambeau, Wisconsin, unless otherwise required by law or agreements, spends funds in the following order: restricted first, then committed, then assigned, and lastly unassigned.

The Town of Lac du Flambeau, Wisconsin has not adopted a minimum fund balance policy.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from these estimates and such differences may be material.

Note 2 - Cash

The Town is authorized to invest its funds in accordance with Wisconsin Statutes. Allowable investments are as follows:

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

Additional restrictions could arise from local charters, ordinances, resolutions, and grant regulations of the Town.

Note 2 - Cash (Continued)

Custodial Credit Risk

At December 31, 2021, the Town's bank balance of cash was \$4,143,994. The Town maintains its cash accounts at one financial institution. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a deposit policy for custodial credit risk.

Deposits in the bank are insured by the FDIC up to \$250,000 for the combined amounts of all time and savings accounts (including NOW accounts) and up to \$250,000 for the combined amount of all interest and noninterest bearing demand deposit accounts. One of the Town's institutions offers a program whereby it deposits amounts less than \$250,000 in other FDIC insured institutions to obtain full FDIC insurance.

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2021, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositories for losses until the appropriation is exhausted, at which time the fund will be abolished; therefore, the State Deposit Guarantee Fund is not considered in covered amounts noted below.

The following is a summary of cash deposits as of December 31, 2021:

Fully insured deposits	\$ 3,831,630
Uncollateralized and Uninsured	312,364
Total	<u>\$ 4,143,994</u>

The difference between carrying value and value is due to outstanding checks and/or deposits in transit.

Note 3 - Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December 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 in full on or before January 31. 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 assumed by the County as part of the February tax settlement. Delinquent personal property taxes remain the collection responsibility of the Town.

The Town bills and collects its own property taxes and also levies and collects taxes for Vilas County, Lakeland UHS School District, School District of Lac du Flambeau, and Nicolet Technical College.

Under 2011 Wisconsin Act 32, a municipality is allowed to increase its levy over the amount it levied in the prior year by the percentage increase in equalized value from net new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit.

Note 4 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Annual Comprehensive Financial Report (ACFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Note 4 - Defined Benefit Pension Plan (Continued)

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided. Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2011	(1.2)%	11%
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)
2020	1.7	21

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

Note 4 - Defined Benefit Pension Plan (Continued)

Contribution rates as of December 31, 2021 are:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.75%	6.75%

The payroll for Town of Lac du Flambeau, Wisconsin employees covered by the System for the year ended December 31, 2021, was \$324,052; the employer's total payroll was \$455,173. The total required contribution for the year ended December 31, 2021 was \$43,748, which consisted of \$21,874 or 6.75% of covered payroll from the employer, and \$21,874 or 6.75% of covered payroll from employees.

Note 5 - 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; injuries to employees; employee health claims; unemployment compensation claims; and environmental damage for which the Town purchases commercial insurance. Insurance settlements for claims resulting from the risks covered by commercial insurance have not exceeded the insurance coverage in the past three years.

Note 6 - Contingencies

From time to time, the Town is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted 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.

Funding for the operating budget of the Town comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the Town. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature through their budget processes. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the Town.

Note 7 - Budgetary Control

The Town follows these procedures in establishing the budgetary data reflected in the schedule of budgetary comparison.

- During the year, the Town board drafts a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted at the Town Hall to obtain taxpayers comments.
- Prior to December 1, the budget is legally enacted through passage of a resolution.
- The budget for the General Fund is adopted on a basis consistent with the modified cash basis of accounting
- Budgetary expenditure control is exercised at the function level.
- Budgeted amounts are as authorized in the original budget resolution and subsequent revisions authorized by the Town board.

The Town had the following individual functions with an excess of expenditures over the budget for the year ended December 31, 2021.

Public Safety	\$	148,106
Public Works		54,920
Capital Outlay		377

TOWN OF LAC DU FLAMBEAU, WISCONSIN
 Budgetary Comparison Schedule
 Modified Cash Basis - General Fund
 For the Year Ended December 31, 2021

DRAFT

	Original and Final Budget	Actual Amounts	Variance
REVENUES			
Taxes	\$ 770,310	\$ 783,553	\$ 13,243
Intergovernmental	439,938	517,294	77,356
Licenses and Permits	21,235	27,465	6,230
Public Charges for Services	38,100	234,107	196,007
Intergovernmental Charges for Services	-	187	187
Miscellaneous	12,000	12,042	42
Total Revenues	1,281,583	1,574,648	293,065
EXPENDITURES			
General Government	371,270	279,685	91,585
Public Safety	166,700	314,806	(148,106)
Public Works	430,313	485,233	(54,920)
Health and Human Services	15,500	14,724	776
Culture, Recreation and Education	29,700	28,700	1,000
Conservation and Development	68,100	68,037	63
Capital Outlay	200,000	200,377	(377)
Total Expenditures	1,281,583	1,391,562	(109,979)
NET CHANGE IN FUND BALANCE	-	183,086	183,086
FUND BALANCE - BEGINNING	1,119,747	1,119,747	-
FUND BALANCE - ENDING	\$ 1,119,747	\$ 1,302,833	\$ 183,086

TOWN OF LAC DU FLAMBEAU, WISCONSIN
 Budgetary Comparison
 Detailed Schedule of Revenues - Modified Cash Basis - General Fund
 For the Year Ended December 31, 2021

DRAFT

	Original and Final Budget	Actual	Variance
TAXES			
General Property Taxes	\$ 764,810	\$ 768,805	\$ 3,995
Managed Forest Land Taxes	5,500	14,748	9,248
Total Taxes	<u>770,310</u>	<u>783,553</u>	<u>13,243</u>
INTERGOVERNMENTAL REVENUES			
State Shared Revenues	21,568	21,599	31
State Fire Insurance Dues	20,200	20,088	(112)
General Transportation	373,517	373,518	1
Local Road Improvement	-	25,288	25,288
Severance/Yield Program	-	5,764	5,764
State Ambulance Payment	21,653	21,653	-
Forest Cropland/Managed Forest	1,000	474	(526)
Payment in Lieu of Taxes	2,000	14,772	12,772
Recycling Aid	-	14,138	14,138
Tribal Fire Aid	-	20,000	20,000
Total Intergovernmental Revenues	<u>439,938</u>	<u>517,294</u>	<u>77,356</u>
LICENSES AND PERMITS			
Business Licenses	3,235	2,645	(590)
Zoning Permits	18,000	24,820	6,820
Total License and Permits	<u>21,235</u>	<u>27,465</u>	<u>6,230</u>
PUBLIC CHARGES FOR SERVICES			
General Government	100	39	(61)
Public Safety	-	153,197	153,197
Public Works	38,000	80,871	42,871
Total Public Charges for Services	<u>38,100</u>	<u>234,107</u>	<u>196,007</u>
INTERGOVERNMENTAL CHARGES FOR SERVICES			
Public Safety	-	187	187
MISCELLANEOUS REVENUES			
Interest Income	2,000	448	(1,552)
Rent	10,000	11,203	1,203
Insurance Recoveries	-	338	338
Miscellaneous	-	53	53
Total Miscellaneous Revenues	<u>12,000</u>	<u>12,042</u>	<u>42</u>
TOTAL REVENUES	<u>\$ 1,281,583</u>	<u>\$ 1,574,648</u>	<u>\$ 293,065</u>

TOWN OF LAC DU FLAMBEAU, WISCONSIN
 Budgetary Comparison
 Detailed Schedule of Expenditures - Modified Cash Basis - General Fund
 For the Year Ended December 31, 2021

DRAFT

	Original and Final Budget	Actual	Variance
GENERAL GOVERNMENT			
Town Board	\$ 28,000	\$ 37,990	\$ (9,990)
Legal	15,000	5,259	9,741
Clerk	89,550	102,993	(13,443)
Elections	6,000	3,901	2,099
Treasurer	15,500	25,893	(10,393)
Assessor	25,000	24,695	305
Insurance	170,320	58,596	111,724
Town Hall Expenses	20,900	17,958	2,942
Other General Government	1,000	2,400	(1,400)
Total General Government	<u>371,270</u>	<u>279,685</u>	<u>91,585</u>
PUBLIC SAFETY			
Fire Protection	72,500	71,193	1,307
Ambulance Service	94,200	243,613	(149,413)
Total Public Safety	<u>166,700</u>	<u>314,806</u>	<u>(148,106)</u>
PUBLIC WORKS			
Highway Maintenance	298,281	320,834	(22,553)
Street Lighting	17,000	17,649	(649)
Solid Waste Disposal	91,850	123,568	(31,718)
Airport	23,182	23,182	-
Total Public Works	<u>430,313</u>	<u>485,233</u>	<u>(54,920)</u>
HEALTH AND HUMAN SERVICES			
Animal Control	7,500	7,328	172
Cemetery	8,000	7,396	604
Total Health and Human Services	<u>15,500</u>	<u>14,724</u>	<u>776</u>
CULTURE, RECREATION AND EDUCATION			
Library	10,500	10,500	-
Recreational Programs	19,200	18,200	1,000
Total Culture, Recreation and Education	<u>29,700</u>	<u>28,700</u>	<u>1,000</u>
CONSERVATION AND DEVELOPMENT			
Economic Development	14,100	14,100	-
Other Conservation and Development	54,000	53,937	63
Total Conservation and Development	<u>68,100</u>	<u>68,037</u>	<u>63</u>
CAPITAL OUTLAY			
Road Construction	200,000	200,377	(377)
TOTAL EXPENDITURES	<u>\$ 1,281,583</u>	<u>\$ 1,391,562</u>	<u>\$ (109,979)</u>