

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable of proprietary funds is recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Advance Tax Collections

The Town collects property taxes for itself along with other taxing entities, as described in Note C.2. Under the cash basis of accounting, collections received during December are reported by the Town as a liability instead of a reduction of taxes receivable under the modified accrual basis of accounting and distributed in January to the Town and other taxing entities. The Town's portion of advance tax collections, which was not estimated by the Town, would represent a deferred inflow of resources to be recognized as revenue in 2013.

d. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the business-type activities column in the government-wide financial statements. Capital assets of governmental activities are not reported in the government-wide financial statements because of the cash basis of accounting used by the Town. The Town does not have a formal capitalization policy. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the water and sewer utility are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Business-type Activities
	Years
Improvements other than buildings	25 - 100
Machinery and equipment	3 - 10
Infrastructure	18 - 135

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Deferred Outflows/Inflows of Resources

The Town implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. In addition to assets, the statement of net position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently does not have any items that qualify for reporting in this category.

g. Long-term Obligations

In the business-type activity in the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Because the Town uses the cash basis of accounting for its governmental activities, principal payments are reported as expenses in the statement of activities and no liability is reported on the statement of net position. Debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses in the government-wide and proprietary fund financial statements.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Town Board. These constraints can only be removed or changed by the Town Board using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of Town management. The Town board has not assigned an employee to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

The Town has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. When a policy does not specify the spend-down policy, GASB Statement No. 54 indicates that restricted funds would be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Net investment in capital assets - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position - Amount of net position that is subject to restrictions that are imposed 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 net position - Net position that is neither classified as restricted nor as net investment in capital assets.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During November, the Town Clerk-Administrator submits a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by Town Board action.
- b. Budgets are adopted on a basis of cash receipts and cash disbursements for the general fund. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund. Management control for the tax incremental districts is achieved by the project plans.
- d. Expenditures may not exceed appropriations at the function level for the Town. Amendments to the budget during the year are authorized by the Town Board.
- e. Encumbrance accounting is not formally used by the Town.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2012.

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The Town maintains various cash and investment accounts. Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the Town's cash and investments totaled \$2,064,382 on December 31, 2012 and consisted entirely of deposits with financial institutions.

Reconciliation to the basic financial statements:

Government-wide Statement of Net Position

Cash and investments	\$ 2,038,153
Restricted cash and investments	<u>26,229</u>
	<u>\$ 2,064,382</u>

Deposits and investments of the Town are subject to various risks. The following is a discussion of the specific risks and the Town's policy related to the risk.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

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 counterparty (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. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The Town does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for interest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for all time accounts, savings accounts and interest-bearing demand deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. In addition, the Town's non-interest bearing transaction accounts are fully insured through December 31, 2012. As of January 1, 2013 the Town's non-interest bearing transaction accounts are combined with its interest-bearing demand deposits for FDIC insurance coverage. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2012, \$685,705 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits.

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year 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 on or before January 31 in full. 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 purchased 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 the Gibraltar School District, Door County, Northeast Wisconsin Technical College and the State of Wisconsin. The Town contracts with Door County to collect taxes.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Restricted Assets

Restricted assets on December 31, 2012 totaled \$26,299 and consisted of cash and investments collected from water utility impact fees.

4. Capital Assets

Capital asset activity for the business-type activities for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Capital assets, being depreciated:				
Improvements other buildings	157,883	-	-	157,883
Machinery and equipment	791	-	-	791
Infrastructure	2,637,550	340	-	2,637,890
Subtotals	2,796,224	340	-	2,796,564
Less accumulated depreciation	(1,043,613)	(45,937)	-	(1,089,550)
Total capital assets, being depreciated, net	1,752,611	(45,597)	-	1,707,014
Business-type activities capital assets, net	\$ 1,760,611	\$ (45,597)	\$ -	1,715,014
Less related long-term debt outstanding				-
Net investment in capital assets				\$ 1,715,014

Depreciation expense was charged to the Town's water and sewer utility.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the Town for the year ended December 31, 2012:

	Outstanding 1/1/12	Issued	Retired	Outstanding 12/31/12	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 1,445,000	\$ -	\$ 185,000	\$ 1,260,000	\$ 190,000
Notes	1,440,000	-	175,000	1,265,000	185,000
Bay Lake Bank Loan	389,357	-	175,445	213,912	182,735
Total Long-term Obligations	\$ 3,274,357	\$ -	\$ 535,445	\$ 2,738,912	\$ 557,735

Total interest paid during the year on long-term obligations totaled \$136,522.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Bonds

\$2,615,000 of refunding bonds issued in 2004; \$190,000 to \$230,000
due annually through 2018; interest 3.4% to 3.9% \$ 1,260,000

Notes

\$2,570,000 of promissory notes issued in 2008; \$185,000 to \$240,000
due annually through 2018; interest at 5% 1,265,000

Bank Loan

\$530,337 loan issued in 2011; \$31,178 to \$182,735 due annually
through 2014; interest at 4% 213,912

Total Outstanding General Obligation Debt

\$ 2,738,912

Annual principal and interest maturities of the outstanding general obligation debt of \$2,738,912 on December 31, 2012 are detailed below:

Year Ended December 31	Principal	Interest	Total
2013	\$ 557,735	\$ 115,094	\$ 672,829
2014	426,177	94,151	520,328
2015	410,000	77,340	487,340
2016	430,000	59,505	489,505
2017	445,000	40,800	485,800
2018	470,000	20,970	490,970
	<u>\$ 2,738,912</u>	<u>\$ 407,860</u>	<u>\$ 3,146,772</u>

Legal Margin for New Debt

The Town's legal margin for creation of additional general obligation debt on December 31, 2012 was \$49,098,878 as follows:

Equalized valuation of the Town	\$ 1,036,755,800
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	51,837,790
Outstanding general obligation debt applicable to debt limitation	<u>2,738,912</u>
Legal Margin for New Debt	<u><u>\$ 49,098,878</u></u>

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2012

NOTE D - OTHER INFORMATION

1. Retirement Commitments

The Town has a deferred compensation plan for its employees established by Section 457(B) of the IRS code. The Town contributes 5% of salary for each full-time employee. Employees are eligible to increase the total contributions up to the IRS limits. In 2012, the maximum contributions for each employee were \$22,500 or \$34,000 for those employees age 50 or older.

2. 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; and natural disasters for which the government carries commercial insurance. The Town completes an annual review of its insurance coverage to ensure adequate coverage.

3. Contingencies

From time to time, the Town is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the Town Attorney 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.

4. Property Tax Levy Limit

Wisconsin state statutes provide for a limit on the property tax levies for all Wisconsin cities, villages, towns and counties. For the 2012 and 2013 budget years, the increase in the maximum allowable tax levy is limited to the percentage change in the Town's January 1 equalized value as a result of net new construction. The actual limit for the Town for the 2013 budget was 1.02%. The actual limit for the Town for the 2012 budget was 0.70%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, Wisconsin statutes allow the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Detailed Schedule of General Fund Revenues Collected
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)
Taxes			
Property taxes	\$ 1,595,271	\$ 1,595,488	\$ 217
Forest crop	-	6	6
Managed forest lands	400	1,171	771
Room	50,000	75,385	25,385
Other	21,000	-	(21,000)
Total Taxes	1,666,671	1,672,050	5,379
Intergovernmental			
State aid			
Shared taxes	20,000	20,436	436
Fire insurance	20,500	23,300	2,800
Exempt computer aid	250	260	10
Transportation aid	214,367	214,367	-
Recycling grant	11,000	6,217	(4,783)
Aids in lieu of taxes	3,500	6,645	3,145
Managed forest land/yield	-	536	536
Forest croplands	-	285	285
Municipal services	-	1,033	1,033
Total Intergovernmental	269,617	273,079	3,462
Licenses and Permits			
Liquor and other licenses	8,400	9,770	1,370
Dog licenses	600	71	(529)
Building permits	25,000	25,130	130
Sanitary inspections	-	430	430
Franchise fee - cable TV	9,500	11,561	2,061
Fire protection	-	400	400
Total Licenses and Permits	43,500	47,362	3,862
Public Charges for Services			
General government	3,100	4,985	1,885
Highway	3,200	6,588	3,388
Docks	24,000	21,988	(2,012)
Cemetery	14,000	19,775	5,775
Miscellaneous	5,200	-	(5,200)
Total Charges for Services	49,500	53,336	3,836
Intergovernmental Charges for Services			
Public Works	18,855	-	(18,855)
Cemetery	7,000	7,874	874
Total Intergovernmental Charges for Services	25,855	7,874	(17,981)
Miscellaneous			
Interest	2,500	1,155	(1,345)
Rent	9,650	11,215	1,565
Donations	-	1,000	1,000
Insurance recoveries	1,000	-	(1,000)
Refunds	1,000	3,938	2,938
Miscellaneous	5,400	4,883	(517)
Total Miscellaneous	19,550	22,191	2,641
Total Revenues	\$ 2,074,693	\$ 2,075,892	\$ 1,199

TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN
Detailed Schedule of General Fund Expenditures Paid
For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance Final Budget - Positive (Negative)
General Government			
Board	\$ 52,000	\$ 49,827	\$ 2,173
Legal	25,000	7,348	17,652
Clerk	87,240	81,466	5,774
Treasurer	12,252	11,029	1,223
Office wages and expenses	65,079	66,561	(1,482)
Elections	5,500	6,589	(1,089)
Assessment of property	48,962	44,669	4,293
Hall	14,673	13,086	1,587
Insurance	26,924	17,912	9,012
Other general government	12,000	8,846	3,154
Tax refunds	-	21,335	(21,335)
Total General Government	349,630	328,668	20,962
Public Safety			
Fire protection	224,799	228,007	(3,208)
Building inspection	23,000	18,988	4,012
Animal control	580	835	(255)
Total Public Safety	248,379	247,830	549
Public Works			
Highway maintenance	350,440	384,824	(34,384)
Streets and highway outlay - roads	312,000	192,305	119,695
Street lightning	15,400	-	15,400
Recycling	24,000	24,770	(770)
Total Public Works	701,840	601,899	99,941
Culture, Recreation and Education			
Library	25,752	25,752	-
Parks	55,324	80,974	(25,650)
Total Culture, Recreation and Education	81,076	106,726	(25,650)
Health and Human Services			
Cemeteries	16,222	11,968	4,254
Conservation and Development			
Land use planning	5,400	3,727	1,673
Economic development	-	37,565	(37,565)
Total Conservation and Development	5,400	41,292	(35,892)
Debt Service			
Principal	535,445	535,445	-
Interest and fiscal charges	136,961	136,522	439
Total Debt service	672,406	671,967	439
Total Expenditures	<u>\$ 2,074,953</u>	<u>\$ 2,010,350</u>	<u>\$ 64,603</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

To the Town Board
Town of Liberty Grove
Door County, Wisconsin

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Liberty Grove, Wisconsin, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town of Liberty Grove, Wisconsin's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated May 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Liberty Grove, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Liberty Grove, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Liberty Grove, Wisconsin's internal control.

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 Town of Liberty Grove, Wisconsin's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2012-01 and 2012-02 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Liberty Grove, Wisconsin'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 under *Government Auditing Standards*.

Town of Liberty Grove, Wisconsin's Responses to Findings

Town of Liberty Grove, Wisconsin's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Town of Liberty Grove, Wisconsin's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Liberty Grove, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Liberty Grove, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
May 7, 2013

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Schedule of Findings and Responses
For the Year Ended December 31, 2012

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
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2012-01 Preparation of Annual Financial Report

Condition: Current Town staff maintains accounting records which reflect the Town's financial transactions; however, preparing the Town's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The Town contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.

Criteria: The preparation and review of the annual financial report by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential omission or misstatement in the financial statements or notes.

Cause: Town management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

Effect: Without our involvement, the Town may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend the Town continue reviewing the annual financial report prepared by Schenck. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the Town is necessary to obtain a complete and adequate understanding of the Town's annual financial report.

Management Response: Management believes the cost for additional staff time and training to prepare year end reports outweigh the benefits to be received. Management will continue to review and approve the annual financial report prior to issuance.

**TOWN OF LIBERTY GROVE
DOOR COUNTY, WISCONSIN**
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2012

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2012-02	Adjustments to the Town's Financial Records
Condition:	As part of our 2012 audit, we proposed adjusting journal entries that were material to the Town's financial statement.
Criteria:	Material adjusting journal entries proposed by the auditors are considered to be an internal control deficiency.
Cause:	While Town staff maintains financial records which accurately report revenues and expenditures throughout the year, they do not maintain a complete record of financial accounts, including cash and investment balances and fund equity accounts.
Effect:	Year-end financial records prepared by the Town may be incomplete or contain misstatements.
Recommendation:	We recommend the Town designate an individual to obtain additional training in order to prepare the adjusting and closing entries. We are available to assist the individual in obtaining the understanding to prepare these entries.
Management Response:	Management believes the cost for additional staff time and training to prepare year end closing entries outweigh the benefits to be received. Management will continue to review and approve the journal entries.

Section II - Compliance and Other Matters

There are no findings related to compliance and other matters that are required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended December 31, 2012.