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MANAGEMENT COMMUNICATIONS

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**

DECEMBER 31, 2014

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
December 31, 2014**

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To the Town Board
Town of Stephenson
Marinette County, Wisconsin

We have audited the financial statements of the governmental activities and major fund of the Town of Stephenson, Wisconsin (the "Town") for the year ended December 31, 2014. The Town's financial statements, including our report thereon dated April 9, 2015, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Town's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

Significant Audit Findings

Consideration of Internal Control

In planning and performing our audit of the financial statements of the governmental activities and major fund of the Town as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing auditing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 19 - 20 of the annual report.

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Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

Finding 2014-001 Cash Disbursements

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. We consider the following deficiencies in the Town's internal control to be significant deficiencies:

- Finding 2014-002 Preparation of Annual Financial Report
- Finding 2014-003 Adjustments to the Town's Financial Records

These findings are described in detail in the schedule of findings and responses on pages 21 - 23 of the annual report.

The Town's written response to the significant deficiencies and material weakness identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We are not aware of any particularly sensitive accounting estimates used by management in the preparation of the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The financial statements reflect all accounting adjustments proposed during our audit. The adjustments included various reclassification entries. These entries are considered routine in nature and normally do not vary significantly from year to year. Copies of the audit adjustments are available from management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 9, 2015. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

Other Matters

We were engaged to report on supplementary information, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Sincerely,

Certified Public Accountants
Green Bay, Wisconsin
April 9, 2015

SUMMARY FINANCIAL INFORMATION

Town General Fund

Presented below is a summary of the Town's general fund balance on December 31, 2014, including a comparison to the prior year. This information is provided for assisting management in assessing financial results for 2014 and for indicating financial resources available at the start of the 2015 budget year.

	12/31/14	12/31/13
General Fund		
Assigned for:		
Subsequent year's budget	\$ 113,636	\$ 122,773
Subsequent years' expenditures	361,399	384,753
Unassigned	209,699	235,465
Total General Fund	<u>\$ 684,734</u>	<u>\$ 742,991</u>

The Town's unassigned general fund balance decreased from \$235,465 at December 31, 2013 to \$209,699 at December 31, 2014. The decrease was mostly due to the Town applying fund balance for the budget in 2014. The 2014 unassigned general fund balance represents approximately 13% of the total 2014 budgeted general fund expenditures. In our opinion, municipalities generally should maintain an unassigned general fund balance of between 20% and 30% of its annual general fund operating expenditure budget.

We recommend the Board monitor their financial condition closely in 2015. An unassigned fund balance is needed to maintain current operations, finance unplanned contingencies, and provide additional cash flow due to the lag in receiving tax revenues and state aids due the Town.

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APPENDIX