

DRAFT

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2015

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
 December 31, 2015

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position - Cash Basis	4
Statement of Activities - Cash Basis	5
Fund Financial Statements	
Statement of Assets, Liabilities, Deferred Inflows of Resources and Fund Balance - General Fund	6
Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance - General Fund	7
Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance - Budget and Actual - General Fund	8
Notes to Basic Financial Statements	9 - 14
SUPPLEMENTARY INFORMATION	
Detailed Schedule of General Fund Revenues Collected	15 - 16
Detailed Schedule of General Fund Expenditures Paid	17
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18 - 19
Schedule of Findings and Responses	20 - 22

INDEPENDENT AUDITORS' REPORT

To the Town Board
Town of Stephenson
Marinette County, Wisconsin

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities and the major fund of the Town of Stephenson, Wisconsin ("the Town") as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents, all prepared on the cash basis of accounting.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the major fund of the Town as of December 31, 2015, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the cash basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Financial Information

We have previously audited the Town of Stephenson's 2014 financial statements, and our report dated April 9, 2015, expressed unmodified opinions on those respective financial statements of the governmental activities and the major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Certified Public Accountants
Green Bay, Wisconsin
April 8, 2016

BASIC FINANCIAL STATEMENTS

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
 Statement of Net Position - Cash Basis
 December 31, 2015

With Summarized Financial Information as of December 31, 2014

	Governmental Activities	
	2015	2014
ASSETS		
Cash and investments	<u>\$ 3,702,274</u>	<u>\$ 3,518,025</u>
LIABILITIES		
Due to other governments	<u>2,312,796</u>	<u>2,541,999</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes	<u>264,522</u>	<u>291,292</u>
NET POSITION		
Unrestricted	<u>\$ 1,124,956</u>	<u>\$ 684,734</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**

Statement of Activities - Cash Basis
For the Year Ended December 31, 2015

With Summarized Financial Information for the Year Ended December 31, 2014

Cash Disbursements	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
				2015	2014

Governmental Activities

General government	\$ 195,058	\$ 19,498	\$ -	\$ -	\$ (175,560)	\$ (200,768)
Public safety	113,395	12,420	15,524	-	(85,451)	(169,374)
Public works	858,190	90,286	467,088	-	(300,816)	(673,920)
Culture, recreation and education	6,281	-	-	-	(6,281)	(8,845)
Conservation and development	410	430	-	-	20	153
Total Governmental Activities	\$ 1,173,334	\$ 122,634	\$ 482,612	\$ -	(568,088)	(1,052,754)

General receipts

Property taxes, levied for general purposes	827,191	817,186
Other taxes	32,935	33,932
State and federal aids not restricted to specific functions	144,253	138,410
Interest and investment earnings	2,744	4,147
Miscellaneous	1,187	822
Total general receipts	1,008,310	994,497
 Change in net position	 440,222	 (58,257)
 Net position - January 1	 684,734	 742,991
 Net position - December 31	 \$ 1,124,956	 \$ 684,734

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**

Statement of Assets, Liabilities, Deferred Inflows of Resources and Fund Balance -
General Fund
December 31, 2015

With Summarized Financial Information as of December 31, 2014

	2015	2014
ASSETS		
Cash and investments	<u>\$ 3,702,274</u>	<u>\$ 3,518,025</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Due to other governments	<u>\$ 2,312,796</u>	<u>\$ 2,541,999</u>
Deferred Inflows of Resources		
Property taxes	<u>264,522</u>	<u>291,292</u>
Fund Balance		
Assigned for:		
Subsequent year's budget	251,680	113,636
Subsequent years' expenditures	498,349	361,399
Unassigned	<u>374,927</u>	<u>209,699</u>
Total Fund Balance	<u>1,124,956</u>	<u>684,734</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 3,702,274</u></u>	<u><u>\$ 3,518,025</u></u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**

Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance -
General Fund
For the Year Ended December 31, 2015
With Summarized Financial Information for the Year Ended December 31, 2014

	2015	2014
Revenues Collected		
Taxes	\$ 860,126	\$ 851,118
Intergovernmental	626,865	637,259
Licenses and permits	14,936	15,703
Fines, forfeits and penalties	-	739
Charges for services	93,938	83,435
Miscellaneous	17,691	21,538
Total Revenues	<u>1,613,556</u>	<u>1,609,792</u>
Expenditures Paid		
General government	211,369	220,031
Public safety	113,395	203,144
Public works	841,576	1,235,082
Culture, recreation and education	6,281	8,845
Conservation and development	713	947
Total Expenditures	<u>1,173,334</u>	<u>1,668,049</u>
Net Change in Fund Balance	440,222	(58,257)
Fund Balance - January 1	<u>684,734</u>	<u>742,991</u>
Fund Balance - December 31	<u>\$ 1,124,956</u>	<u>\$ 684,734</u>

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**

Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues Collected				
Taxes	\$ 872,698	\$ 872,698	\$ 860,126	\$ (12,572)
Intergovernmental	624,205	624,205	626,865	2,660
Licenses and permits	12,625	12,625	14,936	2,311
Fines, forfeits and penalties	250	250	-	(250)
Charges for services	72,500	72,500	93,938	21,438
Miscellaneous	22,500	22,500	17,691	(4,809)
Total Revenues	1,604,778	1,604,778	1,613,556	8,778
Expenditures Paid				
General government	405,843	405,843	211,369	194,474
Public safety	154,332	154,332	113,395	40,937
Public works	1,151,239	1,150,489	841,576	308,913
Culture, recreation and education	6,000	6,750	6,281	469
Conservation and development	1,000	1,000	713	287
Total Expenditures	1,718,414	1,718,414	1,173,334	545,080
Net Change in Fund Balance	(113,636)	(113,636)	440,222	553,858
Fund Balance - January 1	684,734	684,734	684,734	-
Fund Balance - December 31	\$ 571,098	\$ 571,098	\$ 1,124,956	\$ 553,858

The notes to the basic financial statements are an integral part of this statement.

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
 Notes to Basic Financial Statements
 December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The governmental activities and general fund financial statements of the Town of Stephenson, Marinette County, Wisconsin ("the Town"), have been prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Under this basis of accounting assets, liabilities, deferred outflows/inflows of resources, net position/fund equity, revenues, and expenditures/expenses are recognized when they result from cash transactions. A provision for depreciation is not included in the government-wide statements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Town are described below:

1. Reporting Entity

The Town of Stephenson is a municipal corporation governed by an elected five member board. In accordance with GAAP, the basic financial statements are required to include the Town (the primary government) and any separate component units that have a significant operational or financial relationship with the Town. The Town has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. *Governmental activities* are primarily supported by taxes and intergovernmental revenues. The Town reports no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Governmental funds include the general fund. The major individual governmental fund is reported as a separate column in the fund financial statements.

The Town reports the following major governmental fund:

GENERAL FUND

This is the Town's main operating fund. It accounts for all financial resources of the general government.

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. The government-wide and fund financial statements of the Town are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, liabilities, and deferred outflows/inflows of resources generally are included in the financial statements. Operating statements of these funds present increases (i.e., revenues collected) and decreases (i.e., expenditures paid) in cash.

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
 Notes to Basic Financial Statements
 December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cash basis of accounting is used in the fund financial statements for governmental funds and governmental activities recorded in the government-wide financial statements. This basis recognizes assets, liabilities, deferred outflows/inflows of resources, net position/fund balance, revenues, and expenditures when they result from cash transactions with no provision for depreciation in the government-wide financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under generally accepted accounting principles, the Town would have used the modified accrual basis of accounting for preparing its governmental fund financial statements and the accrual basis of accounting for its government-wide financial statements.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable 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. The Town does recognize cash payments made for future periods as prepaid items.

Amounts reported as *program cash receipts* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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.

b. Deferred Outflows/Inflows of Resources

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 has one type of item that qualifies for reporting in this category, property taxes. This amount will be recognized as an inflow of resources in the subsequent year for which it was levied.

c. 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:

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
 Notes to Basic Financial Statements
 December 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 Board. These constraints can only be removed or changed by the 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 authorized an employee to assign fund balance.
- Unassigned fund balance - Amounts that are available for any purpose.

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 STATEMENTS

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

- 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 not restricted.

5. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

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 Board and officials prepare 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.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity of the Town. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Town Board.
- e. Encumbrance accounting is not used by the Town to record commitments related to unperformed contracts for goods or services.

The Town did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2015.

2. Excess of Expenditures Over Budget Appropriations

The Town did not have expenditures in excess of budget appropriations for the year ended December 31, 2015.

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
Notes to Basic Financial Statements
December 31, 2015

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 \$3,702,274 on December 31, 2015 and consisted entirely of deposits with financial institutions.

Deposits and investments of the Town are subject to various risks. Presented below is a discussion of the Town's deposits and investments and the related risks.

Deposits with Financial Institutions

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have an additional custodial credit risk policy.

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 the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-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 the combined amount of all deposit accounts per official custodian per depository institution. 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.

On December 31, 2015, \$1,931,836 of the Town's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized. The uninsured deposits are the result of advance tax collections that will be remitted to other local governmental units in January of 2016.

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 Crivitz School District, Marinette County, Northeast Wisconsin Technical College and the State of Wisconsin.

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**
Notes to Basic Financial Statements
December 31, 2015

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Legal Margin for New Debt

The Town's legal margin for creation of general obligation debt on December 31, 2015 was \$26,143,245 as follows:

Equalized valuation of the Town	\$ 522,864,900
Statutory limitation percentage	(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	26,143,245
Outstanding general obligation Town debt applicable to debt limitation	-
Legal Margin for New Debt	\$ 26,143,245

4. Fund Equity

In the fund financial statements, portions of the general fund balance have been assigned to represent tentative management plans that are subject to change. At December 31, 2015, fund balance assigned was as follows:

Subsequent year's budget	\$ 251,680
Subsequent years' expenditures	
Town highway depreciation	\$ 63,920
Parkway road depreciation	76,900
Revaluation	38,128
Land use	8,255
Fire department depreciation	85,000
Airport depreciation	474
Invasive species	10,801
Building improvements	214,871
Total	\$ 498,349

NOTE D - OTHER INFORMATION

1. Risk Management

The Town has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or distribution of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures in the general fund of the Town.

2. 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 2014 and 2015 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's for the 2014 budget was 0.96%. The actual limit for the Town for the 2015 budget was 0.89%. 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.

3. Contingent Liabilities

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

SUPPLEMENTARY INFORMATION

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
Detailed Schedule of General Fund Revenues Collected
For the Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	2015	2014
Taxes		
Property taxes	\$ 827,191	\$ 817,186
Mobile home fees	18,041	20,322
Forest crop and managed forest land taxes	14,894	13,610
Total Taxes	860,126	851,118
Intergovernmental		
State aid		
Shared taxes	59,370	59,499
Fire insurance	15,524	17,107
Exempt computer aid	42	49
Water patrol	-	4,286
Transportation aid	467,088	449,058
Other highway aid	-	23,233
Aids in lieu of taxes	49,079	47,405
Severance/yield/withdrawal taxes	2,484	4,810
Forest croplands	6,959	6,937
Other	459	501
County aid		
Bridge aid	-	5,165
Timber sales	25,860	19,209
Total Intergovernmental	626,865	637,259
Licenses and Permits		
Liquor and other licenses	10,564	10,551
Dog licenses	232	287
Zoning and permit fees	430	1,100
Other permits	3,710	3,765
Total Licenses and Permits	14,936	15,703
Fines, Forfeits and Penalties		
Law and ordinance violations	-	739
Charges for Services		
General government	6,364	6,172
Fire	12,240	11,638
Highway	9,254	9,358
Garbage	13,115	12,882
Recycling	52,965	43,385
Total Charges for Services	93,938	83,435

(Continued)

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
 Detailed Schedule of General Fund Revenues Collected (Continued)
 For the Year Ended December 31, 2015
 With Comparative Totals for the Year Ended December 31, 2014

	2015	2014
Miscellaneous		
Interest	2,744	4,147
Rent	13,937	16,106
Sale of property	305	900
Insurance recoveries	-	245
Miscellaneous	705	140
Total Miscellaneous	<u>17,691</u>	<u>21,538</u>
 Total Revenues	 <u>\$ 1,613,556</u>	 <u>\$ 1,609,792</u>

TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN
Detailed Schedule of General Fund Expenditures Paid
For the Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	2015	2014
General Government		
Board	\$ 47,063	\$ 48,297
Judicial	3,619	2,587
Legal	5,893	11,238
Clerk	36,488	36,878
Elections	6,644	7,140
Treasurer	11,817	12,786
Assessment	33,617	30,425
Accounting and auditing	4,200	3,800
Town hall	18,428	25,738
Insurance	29,667	31,535
Other general government	4,583	4,966
General government outlay	9,350	4,641
Total General Government	<u>211,369</u>	<u>220,031</u>
Public Safety		
Law enforcement	4,172	7,372
Fire protection	79,030	80,879
Fire protection outlay	-	85,129
Rescue squad	28,977	28,805
Inspection	72	77
Animal control	1,144	882
Total Public Safety	<u>113,395</u>	<u>203,144</u>
Public Works		
Highway maintenance	561,166	556,563
Streets and highway outlay - roads	105,511	581,956
Highway building outlay	13,578	-
Highway equipment outlay	47,209	-
Airport	4,892	4,370
Garbage	46,510	44,417
Recycling	62,710	47,776
Total Public Works	<u>841,576</u>	<u>1,235,082</u>
Culture, Recreation and Education		
Library	1,000	1,000
Park	5,281	7,845
Total Culture, Recreation and Education	<u>6,281</u>	<u>8,845</u>
Conservation and development		
Land use planning	410	947
Zoning	303	-
Total Conservation and development	<u>713</u>	<u>947</u>
Total Expenditures	<u>\$ 1,173,334</u>	<u>\$ 1,668,049</u>

DRAFT

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' 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**

To the Town Board
Town of Stephenson
Marinette 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 and the major fund of the Town of Stephenson, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town of Stephenson, Wisconsin's basic financial statements, and have issued our report thereon dated April 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Stephenson, 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 Stephenson, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stephenson, Wisconsin's internal control.

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 described in the accompanying schedule of findings and responses, 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 deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

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 deficiencies described in the accompanying schedule of findings and responses as items 2014-002 and 2014-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Stephenson, Wisconsin's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

Town of Stephenson, Wisconsin's Response to Findings

Town of Stephenson, Wisconsin's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Stephenson, Wisconsin's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Town of Stephenson, 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 Stephenson, Wisconsin's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants
Green Bay, Wisconsin
April 8, 2016

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**
Schedule of Findings and Responses
For the Year Ended December 31, 2015

Section I - Internal Control Over Financial Reporting

Finding No.	Control Deficiencies
-------------	----------------------

2014-001 Cash Disbursements

Condition: The Town Clerk has possession of two signature stamps. One has the Chairman signature and one has the Treasurer and Clerk signatures. The Clerk prepares all cash disbursements, stamps all signatures on the checks and records all cash disbursements in the general ledger.

Criteria: Separation of individuals preparing cash disbursements and signing checks is an internal control intended to prevent or decrease the occurrence of errors or intentional fraud. This ensures that no single employee has control over all phases of a transaction.

Cause: The Town believes it is more efficient to have the Clerk stamp all signatures to save time in the signing of checks.

Effect: The Town is at a higher risk for occurrences of errors or intentional fraud.

Recommendation: We recommend the Town obtain a stamp for each individual signing checks to improve internal controls over the cash disbursing function.

Management Response: Management feels the costs would outweigh the benefits to correct.

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2015

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
-------------	----------------------

2014-002 Preparation of Annual Financial Report

Condition: Current Town staff maintain 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 assist in the preparation of the annual financial report in an efficient manner. For the same reasons, the Town contracts with us to compile the Wisconsin Municipal Financial Report CT.

Criteria: The preparation and review of the annual financial report and municipal 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, or other required State Financial reports.

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. 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 and municipal financial report.

Management Response: The Town Clerk has reviewed and approved the financial reports.

**TOWN OF STEPHENSON
MARINETTE COUNTY, WISCONSIN**
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2015

Section I - Internal Control Over Financial Reporting (Continued)

Finding No.	Control Deficiencies
2014-003	Adjustments to the Town's Financial Records
Condition:	As part of our 2015 audit, we proposed adjusting journal entries that were material to the Town's financial statements.
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, preparing year end adjusting and closing entries requires additional expertise that would entail additional training and staff time to develop.
Effect:	Year-end financial records prepared by the Town may contain material 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:	The Town Clerk is receiving the training necessary to prepare the material journal entries.

Section II - Compliance and Other Matters

Finding No.	Instance of Non-Compliance With Laws and Regulations
2015-001	Private Interest in Public Contract
Condition:	The Town Clerk of Courts owns a business, Kempka Excavating, which contracted over \$15,000 with the Town of Stephenson in 2015.
Criteria:	Per Wisconsin State Statute 946.13, contracts in which any single public officer or employee is privately interested, aggregating more than \$15,000 in any year are prohibited.
Cause:	The Town has limited choice of vendors.
Recommendation:	We recommend the Town Board monitor annual contracted amounts with vendors in which a public officer or employee is privately interested, so they do not exceed \$15,000.
Management Response:	Management concurs with the above recommendation.