

DRAFT

**MANAGEMENT COMMUNICATIONS**

**TOWN OF STEPHENSON  
MARINETTE COUNTY, WISCONSIN**

**DECEMBER 31, 2015**

**TOWN OF STEPHENSON, WISCONSIN**  
December 31, 2015

TABLE OF CONTENTS

	<u>Page No.</u>
COMMUNICATION TO THE TOWN BOARD	1 - 3
SUMMARY FINANCIAL INFORMATION Town General Fund	4
APPENDIX Management Representation Letter	

To the Town Board  
Town of Stephenson  
Marinette County, Wisconsin

We have audited the financial statements of the governmental activities and the major fund of the Town of Stephenson, Wisconsin (the "Town") for the year ended December 31, 2015. The Town's financial statements, including our report thereon dated April 8, 2016, 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 the major fund of the Town as of and for the year ended December 31, 2015, 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 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'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 18 – 19 of the annual report.

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 20 - 22 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.

### *Compliance and Other Matters*

As part of our audit, we review the Town's compliance with applicable laws and regulations and noted the following item:

#### Finding 2015-001 Private Interest in Public Contract

This finding is described in the schedule of findings and responses on page 22 of the annual report. Wisconsin State Statute 946.13 prohibits payments by the Town to any individual or company in which a public officer or employee is privately interested when such payments exceed \$15,000 in any year. While there may be limited vendors, it is important that the Town limit payments to under \$15,000 annually to comply with this statute.

## *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. 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 2015. 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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. The following material misstatements detected as a result of audit procedures were corrected by management:

Recorded the current year tax roll resulting in an increase of \$2,312,796 of liabilities, \$264,522 of deferred inflows, and \$827,191 of revenues

Recorded the closing of the previous year tax roll resulting in a decrease of \$2,541,999 of liabilities, \$291,292 of deferred inflows, and \$817,186 of revenue

## *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 8, 2016. 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 the supplementary information, which accompanies the financial statements but is not required. 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 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 8, 2016

## SUMMARY FINANCIAL INFORMATION

**Town General Fund**

Presented below is a summary of the Town's general fund balance on December 31, 2015, including a comparison to the prior year. This information is provided for assisting management in assessing financial results for 2015 and for indicating financial resources available at the start of the 2016 budget year.

	12/31/15	12/31/14
General Fund		
Assigned for:		
Subsequent year's budget	\$ 251,680	\$ 113,636
Subsequent years' expenditures	498,349	361,399
Unassigned	374,927	209,699
Total General Fund	\$ 1,124,956	\$ 684,734

The Town's unassigned general fund balance increased from \$209,699 at December 31, 2014 to \$374,927 at December 31, 2015. The increase was mostly due to the Town having expenditures less than the budget in 2015. The 2015 unassigned general fund balance represents approximately 22% of the total 2015 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 2016. 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.

**APPENDIX**