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In Memoriam  
Gerald R. Anderson  
1948-2007



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Rec'd 10-152010

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July 7, 2010

To the Town Board  
Town of Wascott  
Wascott, WI 54890

In planning and performing our audit of the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Town of Wascott, as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Wascott's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However we identified the following deficiencies in internal control that we consider to be significant deficiencies:

1. Limited Segregation of Duties-

An essential part of internal control is that procedures be properly segregated and the results of their performance be adequately reviewed. This is normally accomplished by assigning duties so that 1) no one person handles a transaction from beginning to end, and 2) incompatible duties between functions are not handled by the same person. In addition, a review of these completed duties should be performed by an individual independent of those functions. Since the Town has a combined Clerk/Treasurer position, a proper separation of duties is not possible and a lack of internal control exists. This is the reason the State mandates audits of municipalities when such a situation exists.

1. Limited Segregation of Duties (Continued)-

Under the combined Clerk-Treasurer position, the most effective controls lie in the Town Board's knowledge and monitoring of matters relating to the operations of the Town's financial transactions. We recommend that the Town Board continue to review all cash disbursements and review the monthly bank reconciliations to maintain reasonable assurance that monies are being properly handled/reported.

2. Oversight of the Financial Reporting Process-

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, and disclosures in the financial statements on a cash basis of accounting. The Town does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented as an other comprehensive basis of accounting. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in Town's of your size and is a result of management's cost benefit decision to rely on our accounting expertise than incurring this internal resource cost.

*OTHER ITEMS*

Upon completion of the audit of the Town's records for 2007 and 2008, we issued numerous suggestions to Town's management on items that we believe would improve the financial reporting process. In the year 2009 there was a change in the elected officials of the Town and numerous recommended changes have been made. Some of the items we list here are procedures that have been implemented, but may still need to be further improved or added to existing policies.

- 1) Checks/vouchers should be filed in numerical sequence by date order with appropriate supporting documentation. By filing in numerical sequence, you can determine if there are any missing checks. Voided checks should be kept and filed in sequence. The Town Board should review all checks and electronic transfers paid from Town funds, since the approval of the prior-months disbursements to the date of the current Town Board meeting, to insure that all disbursements are approved.
- 2) All journal entries made to the financial records by the Town Clerk need to be reviewed and approved by the Town Board (or a designated responsible official) on a regular basis. Printed copies of journal entries should be kept in a file, with the supporting documentation, which then can be initialed and dated when reviewed. As stated in item #1 in regards to voided checks, this file should include the entry on a voided check to adjust the appropriate disbursement(s) and cash balance to the correct amounts.
- 3) Pre-numbered receipts (in triplicate) should be used for all monies received by the Town. Monies received include cash, checks, and direct transfers into Town bank accounts. A file should be maintained on all remittance advices, statements, letters from payers to document type of receipt, where possible.
- 4) The Town should investigate all checks that have not cleared the bank within a six-month period and determine the status of such disbursement.
- 5) The Town reports revenue and expenditures on a cash basis for financial reporting. Care needs to be taken that the proper date is used, especially on checks issued. If budgeted expenditures cannot be paid by the end of the budget year, these amounts should be indicated in the Town Board minutes and can be rolled over into the next year's budget, if so approved by the Town Board. Checks should NOT be dated back to prior periods.

- 6) It is recommended that the Town have an up-to-date Employee Handbook that explains Town policies, practices, rules and benefits. This would document such policies as vacation pay, holiday, and sick leave, health insurance, and retirement benefits extended to employees and when they become effective.
- 7) Greater care in recording payroll and related payroll expenses should be exercised. Numerous accounts needed to be adjusted in order to agree with payroll records.
- 8) The Town needs to follow State Statutes in regard to "Public Contracts and Competitive bidding" on all construction, repair, or improvements of public property and furnishing of materials and supplies. If the contract is more than \$5,000, but not more than \$25,000, a class 1 notice is required and if the contract is over \$25,000, the Town needs to advertise for proposals to perform the contract. Wisconsin Statutes also prohibits any "private interest in a public contract" by Town Officials or employees if the amounts exceed \$15,000 in any calendar year.
- 9) The Town should maintain a list of fixed assets owned by the Town (land, land improvements, buildings, vehicles, and equipment), to adequately safeguard these assets from misuse and make sure they are adequately insured. Also, we recommend the Town establish a policy for a minimum amount (i.e. \$500-\$5,000) that would be used in recording the individual fixed asset items.
- 10) If the Town Board needs to designate a portion of accumulated fund balance for some specific need or use in future years, the amount should be indicated in the Board minutes. Unused appropriations at the end of the year will normally be included in undesignated fund balance unless some designation has been made and approved at a Town Board meeting.
- 11) Cash accounts should be monitored during the year to determine if additional security, such as pledged investments of the financial institutions, is necessary when cash balances exceed specified amounts. Municipalities are insured by the FDIC for \$250,000 for demand deposits and \$250,000 for time deposits. Also, the State Guarantee Fund insures up to an additional \$400,000. There are certain times of the year, especially during the time property taxes are collected, that the Town may have significant cash balances that exceed these limits.
- 12) Signature cards for all cash accounts should be reviewed and updated as needed.
- 13) The Town Clerk/Treasurer should back up the general ledger software on a daily basis, or at least each time entries are entered in the program files. Once the records for the year have been finalized (and audited, if appropriate), a printed copy of the general ledger transactions should be made and retained by the Town as a permanent record.

We have made other minor recommendations to the Clerk-Treasurer and the Town Chairperson as we were working on the audit and these items are not included in this letter as the changes have already been implemented.

We wish to thank the Town Clerk/Treasurer, the Town Chairperson and other Town representatives that helped us during the performance of our examination.

Respectfully submitted,

ANDERSON, HAGER & MOE S.C.

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dsf

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July 7, 2010

To the Town Board  
Town of Wascott  
Wascott, Wisconsin 54890

We have audited the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Wascott for the year ended December 31, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 12, 2010. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *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 of Wascott are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year 2009. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period on a cash basis of accounting.

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. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no significant accounting estimates that were used in the preparation of the financial statements.

##### *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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 7, 2010.

*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 governmental unit's financial statements or a determination of the type of auditor's 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 our responses were not a condition to our retention.

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

Very truly yours,

A handwritten signature in cursive script that reads "Andersen Hayes + Moe S.C." The signature is written in black ink and is positioned above the company name.