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In Memoriam
Gerald R. Anderson
1948-2007

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April 28, 2011

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, 2010, 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) 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 appropriate supporting official) on a regular basis. Printed copies of journal entries should be kept in a file, with appropriate supporting documentation and explanation for adjustment, and then initialed and dated by the designated responsible official. We noted that the Town began implementing this procedure during the year 2010 and that this was being done at the end of the year.
- 2) 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.
- 3) 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.
- 4) 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.

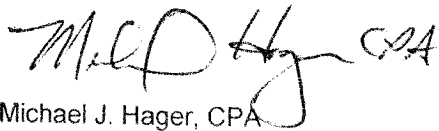
- 5) The Town Clerk/Treasurer should back up the general ledger software on a daily basis, or at least each time entries are entered in the program files. Once the records for the year have been finalized (and audited, if appropriate), a printed copy of the general ledger transactions should be made and retained by the Town as a permanent record. We are aware that the Town has implemented daily backup of the financial software during the year 2011.

We have made other minor recommendations to the Clerk-Treasurer 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 for her help during the performance of our examination.

Respectfully submitted,

ANDERSON, HAGER & MOE S.C.

A handwritten signature in black ink, appearing to read "M. J. Hager CPA". The signature is fluid and cursive, with the letters "M", "J", and "H" being particularly prominent.

Michael J. Hager, CPA

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