

**TOWN OF WINDSOR  
DEFOREST, WISCONSIN**

**REQUIRED AUDIT COMMUNICATIONS  
TO THE TOWN BOARD**

**Year Ended December 31, 2013**

**Johnson Block & Company, Inc.  
Certified Public Accountants  
406 Science Drive, Suite 100  
Madison, Wisconsin 53711  
(608) 274-2002**

**TOWN OF WINDSOR  
DEFOREST, WISCONSIN**

**Year Ended December 31, 2013**

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**AUDIT MATTERS REQUIRING COMMUNICATION  
TO THE GOVERNING BODY**

August 29, 2014

To the Town Board  
Town of Windsor  
DeForest, Wisconsin

We have audited the financial statements of The Town of Windsor for the year ended December 31, 2013, and have issued our report thereon dated August 29, 2014. 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 November 8, 2013. Professional standards 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 Windsor 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 2013. We noted no transactions entered into by the Town during the year 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.

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. The most sensitive estimate affecting the financial statements was:

Management's estimates of the depreciable lives of property and equipment are based on the expected use of the respective assets and management's experience with similar assets used by the Town. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures were corrected by management: See the appendix for the list of entries.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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 audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 29, 2014.

### 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 auditor's opinion that may be expressed on these 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 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.



Other Matters

With respect to the supplementary information accompanying the financial statements, 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.

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

Sincerely,

*Johnson Block & Company, Inc.*

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Certified Public Accountants  
Madison, Wisconsin



Certified Public Accountants

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August 29, 2014

To the Town Board  
Town of Windsor  
DeForest, Wisconsin

In planning and performing our audit of the financial statements of the general fund of the Town of Windsor as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Windsor's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Windsor's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Windsor'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

#### Financial Reporting

As a consequence of the size, combined with the specific expertise of your accounting and financial reporting department, is that management has elected to rely on the knowledge of its auditors to prepare its annual financial statements and related disclosures. You Town, like many others, has made the determination that because of the ever changing and numerous reporting requirements associated with preparing financial statements that are in conformity with accounting principles generally accepted in the United States of America, it is more cost advantageous to rely on the expertise of its outside auditors to assist in the preparation of its financial statements.

However, since the financial statements are the responsibility of the Town's management, the control over the financial statements being prepared in conformity with accounting principles generally accepted in the United States of America, lies with management. Currently, the Town has elected not to dedicate its resources to providing for sufficient internal control over the preparation of its financial statements in conformity with accounting principles generally accepted in the United States of America, resulting in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.



In addition, we noted other matters involving the internal control and its operation that we have reported to management of the Town of Windsor in a separate letter dated August 29, 2014.

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

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August 29, 2014

To the Town Board  
Town of Windsor  
DeForest, Wisconsin

In planning and performing our audit of the financial statements of the Town of Windsor for the year ended December 31, 2013, we considered the Town's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of other matters that are opportunities for strengthening internal controls and operating efficiency. The following pages that accompany this letter summarize our comments and suggestions regarding those matters. This letter does not affect our report dated August 29, 2014, on the financial statements of the Town of Windsor.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Town's personnel during the course of our work. In particular, we would like to note the considerable assistance and cooperation provided to us by Tina Butteris and her staff.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

*Johnson Block & Company, Inc.*

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Certified Public Accountants  
Madison, Wisconsin

**TOWN OF WINDSOR  
DEFOREST, WISCONSIN  
Year Ended December 31, 2013**

**ADJUSTING JOURNAL ENTRIES**

We are frequently requested by our clients to discuss the overall condition of their accounting records and what our role is as your audit firm. We believe that these matters should be discussed at each audit. The following section describes your accounting process in general terms and the ways in which we work with your staff.

The Town processes accounting transactions based on the type of transaction involved. Money coming in is processed using a cash receipt system. The payment of bills is done through an accounts payable system. Employees' salaries are paid using a payroll system. These three systems are responsible for recording and summarizing the vast majority of your financial transactions.

Beyond the three systems described in the preceding paragraph, another system is used to make corrections and to record non-cash transactions. This system involves preparing general journal entries. Journal entries provide the ability to make changes to the financial data entered in the other systems. As your auditor, our role is to substantiate year-end financial balances and information presented by your accounting personnel, and compare it to supporting information and outside confirmations. When information in your records does not agree with audit evidence, an adjusting entry is necessary to correct your records. Sometimes these entries are identified by your staff as they get ready for the audit. Other adjustments are prepared by us as we discover that your general ledger balances need to be changed to reflect the correct balances. Please see the attached journal entries in the appendix.

The proposed entries were accepted by the Town's management. All of these changes are reflected properly in your audited financial statements. A copy of the adjusting entries has been provided to your staff and they have been posted to your 2013 general ledger.

Because we are providing assistance to your staff by proposing changes to correct your financial information, you should be aware of these processes. Many of our clients rely on us to make year-end adjustments as we have described. In many cases, we have the experience or expertise to compute, and identify, corrections to your records. We work with many clients on similar issues, so it may be more efficient for you to have us do some of the one-time adjustments, rather than your staff spending hours researching the proper adjustment.

Due to the technical nature of financial reporting and complying with financial reporting standards, most clients have their CPA firm prepare the year-end financial statements and note disclosures. We have provided these services to your Town.

We are communicating this information to you to give you a better understanding of what we do and how the year end process works. Our job as auditors is to bring in an outside perspective and provide a level of comfort that your financial reporting system is materially correct and accurately reflects the financial activity for the year. However, in many cases, our services go beyond auditing. Our experience and training can provide a very cost-effective means of providing the year end accounting assistance that you need.

We hope that by providing this information on what we do, you will have a better understanding of our role, and the various ways that we work with your staff.

**PASSED JOURNAL ENTRIES**

Passed journal entries may occur due to transaction timing, industry practices or lack of overall significance. There were no potential (passed) journal entries identified in our audit that were not posted to the general ledger.

## **ADDITIONAL COMMENTS**

### **Lack of Segregation of Duties**

Limited staff size results in a lack of segregation of duties. As a result, numerous accounting and administrative controls in the Town's office are weakened. This situation is not unusual for operations similar in size of the Town; however, it does present a lack of segregation and review of accounting functions. We emphasize that the Town's internal accounting control is at an adequate level for the size Town.

The main areas where a lack of adequate segregation of duties affects the internal accounting control are in the areas of cash disbursements and purchases, and accounts receivable and cash receipts and account reconciliations. We recognize the Town is not large enough to make the employment of additional personnel for the purpose of segregating duties practicable; however, our professional responsibilities require this matter be brought to your attention. Under these conditions, the most effective controls lie in the Board's knowledge and monitoring of the matters relating to the Town's operations.

### **Bank Deposits**

At the end of 2013 the Town had \$426,759 in uninsured and uncollateralized bank deposits. Federal insurance programs cover only the first \$250,000 of time and demand deposits at one bank. Deposits in excess of this amount are subject to some additional risk. This risk is primarily present in December of each year when the Town collects a large amount of tax payments. By the end of January of the following year, after tax settlements are paid, this risk is reduced. The Board should be aware of this risk and should consider whether any additional security is desired.

## **CONCLUDING REMARKS**

We would like to thank you for allowing us to serve you. We are committed to assisting you in the long-term financial success of the Town of Windsor and our comments are intended to draw to your attention issues which need to be addressed by the Town to meet its goals and responsibilities.

The comments and suggestions in this communication are not intended to reflect in any way on the integrity or ability of the personnel of the Town. They are made solely in the interest of establishing sound internal control practices required by changing professional standards. The Town's staff is deeply committed to maintaining the financial reporting system so that informed decisions can be made. They were receptive to our comments and suggestions.

We will review the status of these comments during each audit engagement.

If you have any questions or comments regarding this communication or the financial statements, do not hesitate to contact us.

Client: **WINDTOWN - Town of Windsor**  
Engagement: **Windsor 2013**  
Period Ending: **12/31/2013**  
Trial Balance: **TB**  
Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 17</b>				
To adjust accrued wages account for vacation carryover				
001-00-51400-100-000	GA-WAGES FULL TIME PERSONNEL		446.23	
001-00-53311-100-000	HS-WAGES FULL TIME PERSONNEL		636.41	
001-00-21000-000-952	ACCRUED WAGES PAYABLE			1,082.64
<b>Total</b>			<b><u>1,082.64</u></b>	<b><u>1,082.64</u></b>
<b>Adjusting Journal Entries JE # 18</b>				
To adjust fund balance to actual.				
001-00-34000-547-000	UNASSIGNED FUND BALANCE		300.00	
001-00-48900-000-000	OTHER MISCELLANEOUS REVENUES			300.00
<b>Total</b>			<b><u>300.00</u></b>	<b><u>300.00</u></b>
<b>Adjusting Journal Entries JE # 19</b>				
To reclass write off of delinquent PP tax - allowance was already set up.				
001-00-12000-000-484	ALLOWANCE- DELINQUENT PP TAX		12,848.18	
001-00-58900-000-000	BAD DEBT EXPENSE			12,848.18
<b>Total</b>			<b><u>12,848.18</u></b>	<b><u>12,848.18</u></b>
<b>Adjusting Journal Entries JE # 20</b>				
To clear MLF payment from interfund account.				
008-00-12000-000-794	PROPERTY TAX RECEIVABLE		11.37	
008-00-25000-000-555	DUE TO GENERAL FUND			11.37
<b>Total</b>			<b><u>11.37</u></b>	<b><u>11.37</u></b>
<b>Adjusting Journal Entries JE # 21</b>				
To adjust Peterson Crossing special assessment. Remove amount from tax agency fund for current portion.				
003-00-12000-000-794	PROPERTY TAX RECEIVABLE		48,173.47	
003-00-12000-479-780	Special Assessment Pederson Crossing		58,909.58	
008-00-24000-860-006	SPEC ASS PEDERSON XING ROAD		48,173.47	
003-00-26000-000-869	DEFERRED SPECIAL ASSE REVENUES			107,083.05
008-00-12000-000-794	PROPERTY TAX RECEIVABLE			48,173.47
<b>Total</b>			<b><u>155,256.52</u></b>	<b><u>155,256.52</u></b>
<b>Adjusting Journal Entries JE # 23</b>				
post client JE				
001-00-11000-000-987	SETTLERS BANK CHECKING		81.60	
008-00-12000-000-794	PROPERTY TAX RECEIVABLE		81.60	
001-00-12000-000-483	DEL PERS PROP TAX RECEIVABLE			81.60
008-00-11000-000-987	SETTLERS BANK CHECKING			81.60
<b>Total</b>			<b><u>163.20</u></b>	<b><u>163.20</u></b>