



# Reporting and insights from 2021 audit: Town of La Pointe

December 31, 2021

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# Executive summary

June 30, 2022

Town Board  
Town of La Pointe  
240 Big Bay Road  
La Pointe, WI 54850

We have completed our audit of the financial statements of Town of La Pointe (the Town) for the year ended December 31, 2021, and have issued our report thereon dated June 30, 2022. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Town's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas the Town of La Pointe should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Kimberly M. Shult, Partner: [kimberly.shult@bakertilly.com](mailto:kimberly.shult@bakertilly.com) or +1 (612) 876-4912
- Vanessa Kane, Manager: [vanessa.kane@bakertilly.com](mailto:vanessa.kane@bakertilly.com) or +1 (612) 876-4791

Sincerely,

Baker Tilly US, LLP

Kimberly M. Shult, CPA

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# Responsibilities

## Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Town's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Our audit does not relieve management or those charged with governance of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Internal control matters
- Qualitative aspects of the Town's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report and key audit matters
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

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# Audit status

## Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

# Audit approach and results

## Planned scope and timing

### Audit focus

Based on our understanding of the Town and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Change in governmental fund reporting from modified cash to modified accrual basis of accounting

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Town's current year results.

## Key areas of focus and significant findings

### Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

### Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis	Testing approach	
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension related balances	Long-term debt
Capital assets including infrastructure	Net position calculations and fund balance calculations	Financial reporting and required disclosures

## Internal control matters

We considered the Town's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Town'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.

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 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 identified the following deficiencies as material weaknesses:

– **Financial statement close process**

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Financial reports are independently reviewed for completeness and accuracy.
- Conversion from cash basis of accounting to modified accrual basis of accounting should be completed prior to the audit.
- Adjusting journal entries and supporting documentation should be reviewed and approved by an appropriate person who is not the original preparer.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles. In addition, we assisted the Town with preparing entries to convert the governmental funds from modified cash to modified accrual basis of accounting.

## Other comments and recommendations

### **Capitalization Policy**

The Town's fiscal policy requires capitalization of all capital outlay over \$1,500. The capitalization level of \$1,500 applies to general capital assets and infrastructure assets. The capitalization threshold of \$1,500 places an increased administrative burden on the Town's staff, additionally we routinely see capitalization policies that establish different capitalization thresholds for different classes of assets, such as higher capitalization thresholds for infrastructure assets.

We recommend that the Town consider whether increasing the capitalization threshold from \$1,500 to a higher level (such as \$5,000 for general capital assets and \$10,000 for infrastructure) would reduce recordkeeping requirements.

## Required communications

### Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town are described in Note 1 to the financial statements. During 2021, the Town changed the basis of accounting for the governmental funds from modified cash basis to modified accrual basis of accounting. See Note 3 to the financial statements for further information. We noted no transactions entered into by the Town during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value 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, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Net pension asset and related deferrals	Evaluation of information provided by the Wisconsin Retirement System	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

### Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Town or that otherwise appear to be unusual due to their timing, size or nature.

### Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

### Disagreements with management

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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.



## **Audit report**

There have been no departures from the auditors' standard report.

## **Audit consultations outside the engagement team**

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

## **Uncorrected misstatements and corrected misstatements**

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial, and to communicate accumulated misstatements to management. The management representation letter describes the uncorrected misstatements, other than those that are clearly trivial, that we presented to management. In our judgment, neither the uncorrected misstatements nor the misstatements that management corrected, either individually or in the aggregate, indicate matters that could have had a significant effect on the Town's financial reporting process.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

## **Other audit findings or issues**

We encountered no other audit findings or issues that require communication at this time.

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.

## **Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

## **Written communications between management and Baker Tilly**

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

## **Compliance with laws and regulations**

We did not identify any non-compliance with laws and regulations during our audit, except for those disclosed in Note 2 of the financial statements.

## **Fraud**

We did not identify any known or suspected fraud during our audit.

## Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Town's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

## Independence

We are not aware of any relationships between Baker Tilly and the Town that, in our professional judgment, may reasonably be thought to bear on our independence.

## Related parties

We did not have any significant findings or issues arise during the audit in connection with the Town's related parties.

## Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the 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.

## Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation, including entries to convert the fund financial statements from modified cash to modified accrual basis of accounting.
- Adjusting journal entries
- Compiled regulatory reports

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements.

None of these nonattest services constitute an audit under generally accepted auditing standards.

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## Governing body resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.

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# Management representation letter

June 30, 2022

Baker Tilly US, LLP  
3410 Oakwood Mall Drive, Suite 200  
Eau Claire, WI 54701

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the Town of La Pointe as of December 31, 2021 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of La Pointe and the respective changes in financial position in conformity with accounting policies generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting policies generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
- 2) The financial statements referred to above are fairly presented in conformity with accounting policies generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government required by accounting policies generally accepted in the United States of America to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable.
- 6) All events subsequent to the date of the financial statements and for which accounting policies generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 8) We believe the effects of the uncorrected financial statement misstatements listed here are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. An uncorrected financial statement misstatement in the General Fund relates to an overstatement of expenses in 2021 for \$24,902 of payroll expenses not accrued in 2020. No misstatement of fund balance occurred due to this uncorrected misstatement. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
- 9) We are not aware of any known actual, possible, pending, or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with accounting policies generally accepted in the United States of America, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 10) Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

#### Information Provided

- 11) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Town Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 15) We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

**Other**

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
- 19) We have a process to track the status of audit findings and recommendations.
- 20) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 22) The Town has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.
- 23) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 24) There are no:
  - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

- b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting policies generally accepted in the United States of America.
  - c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
  - d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
- 25) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
- a) Financial statement preparation, including GASB No. 34 conversion entries and entries to convert the fund financial statement from modified cash to modified accrual basis of accounting.
  - b) Adjusting journal entries
  - c) Compiled regulatory reports

None of these nonattest services constitute an audit under generally accepted auditing standards.

- 26) The Town of La Pointe has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 27) The Town of La Pointe has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 28) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.
- 29) The financial statements include all fiduciary activities required by GASB No. 84.
- 30) The financial statements properly classify all funds and activities.
- 31) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- 32) The Town of La Pointe has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
- 33) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 35) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.



- 36) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 37) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 39) We have appropriately disclosed the Town of La Pointe's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
- 40) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 41) With respect to the supplementary information, (SI):
  - a) We acknowledge our responsibility for presenting the SI in accordance with accounting policies generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting policies generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 42) We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.
- 43) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
- 44) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.
- 45) We agree with the restatement presented in the financial statements to change the governmental fund presentation to the modified accrual basis of accounting.

Sincerely,

Town of La Pointe

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# Accounting changes relevant to the Town of La Pointe

## Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	12/31/22*
91	Conduit Debt	✓	12/31/22*
92	Omnibus 2020	✓	12/31/22*
93	Replacement of Interfund Bank Offered Rates	✓	12/31/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	12/31/23
96	Subscription-Based Information Technology Arrangements	✓	12/31/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	12/31/22
99	Omnibus 2022	✓	12/31/23, 12/31/24
100	Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62	✓	12/31/24

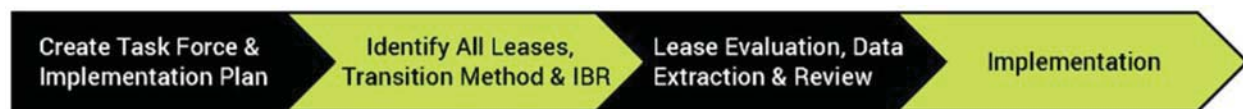
\*The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming [GASB pronouncements](#).

### Ready or not – the new lease standard is here!

GASB's new single model for lease accounting is effective for next year's audit (fiscal years ending June 30, 2022 and later). This standard requires governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources. The standard specifies that leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation.

The implementation process can be broken down into a four-step methodology:



Now is the time to evaluate where your government is in this process and the timeline to complete implementation. The third step for lease evaluation, data extraction and review is typically the most time-consuming step; organizations should begin this process well before year end to ensure adequate lead time. A key decision that will need to be made is whether a lease administration software package is necessary. Depending on the volume and complexity of your lease activity, spreadsheets may not be sufficient to track and calculate all the required information.

We are available to discuss this further and help you develop an action plan. Baker Tilly also has complimentary resources available online including:

- [GASB 87 lease identification questionnaire](#)
- [GASB 87 lease assistance tool](#)
- Variety of GASB 87 podcasts and articles

Access tools and learn more about [GASB 87](#).

### Preparing for the new conduit debt reporting

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The Town should identify any existing debt arrangements involving third-party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

### Determining if GASB 94 applies for your organization

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

A PPP is an arrangement in which an entity contracts with an operator to provide public services by conveying control of the right to operate or use infrastructure or other capital asset. A common example of PPP is a service concession arrangement.

An APA is an arrangement in which an entity compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an asset.

The Town should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective. Initial steps include reviewing contracts that didn't meet the definition of a lease under GASB 87 and identifying any other agreements where the organization contracts with or partners with another entity to provide services.

## **Future accounting for subscription-based IT arrangements**

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. The Town will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

The Town should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.

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## Uncorrected misstatements

See the management representation letter for a description of the financial statement effect of the uncorrected misstatement.

## Material corrected misstatements

The misstatements that were identified during the audit and corrected by management were not material individually or in the aggregate to the financial statements taken as a whole.

## Conversion entries - modified cash to modified accrual basis of accounting

As disclosed in the financial statements, the Town changed from the modified cash basis of accounting for governmental funds to a modified accrual basis of accounting in 2021. The following entries were proposed to assist the Town with this conversion.

Number	Date	Name	Account No	Debit	Credit
A01	12/31/2021	BT Created-Accounts Payable	100-21000 100		-56,086.00
A01	12/31/2021	Legal	100-51300 100	1,323.00	
A01	12/31/2021	Other General Government	100-51980 100	147.00	
A01	12/31/2021	Highway and Street Administration	100-53100 100	79.00	
A01	12/31/2021	Rds Buildings and Grounds Operations	100-53270 100	43.00	
A01	12/31/2021	Rds Buildings and Grounds Operations	100-53270 100	1,592.00	
A01	12/31/2021	Street Lighting	100-53420 100	268.00	
A01	12/31/2021	Cemetery Capital Outlay	100-57500 100	5,976.00	
A01	12/31/2021	Rec Center Cap Outlay	100-57630 100	148.00	
A01	12/31/2021	Administrator - Expenses	100-51410-04 100	31.00	
A01	12/31/2021	Clerk Office Expenses	100-51420-03 100	36.00	
A01	12/31/2021	Town Hall Utilities	100-51610-10 100	118.00	
A01	12/31/2021	Law Enforcement Bldg/Phone	100-52100-05 100	251.00	
A01	12/31/2021	Law Enforcement Legal	100-52100-16 100	1,120.00	
A01	12/31/2021	Law Enforcement Uniforms	100-52100-18 100	98.00	
A01	12/31/2021	Fire Dept. Truck Maint	100-52210-06 100	1,242.00	
A01	12/31/2021	Fire Dept Utilities	100-52210-10 100	102.00	
A01	12/31/2021	Fire Dept Turn Out Gear	100-52210-12 100	12,461.00	
A01	12/31/2021	Ambulance Durable Equipment	100-52310-07 100	2.00	
A01	12/31/2021	Ambulance Blding Utiliti	100-52310-10 100	51.00	
A01	12/31/2021	Ambulance Outside billing Expens	100-52310-14 100	227.00	
A01	12/31/2021	Ambulance Length of Service Award Expense	100-52310-16 100	5,363.00	
A01	12/31/2021	Windsled Operation Property Expense	100-53210-03 100	102.00	
A01	12/31/2021	Shop Materials	100-53230-02 100	1,012.00	
A01	12/31/2021	SRE Bldg Rds Share 2/3	100-53230-04 100	163.00	
A01	12/31/2021	Roads Bldg Utilities	100-53311-10 100	125.00	
A01	12/31/2021	Equipment Maint - Fuels, Oils	100-53311-23 100	4,481.00	
A01	12/31/2021	Equipment Maint - Parts	100-53311-24 100	16.00	
A01	12/31/2021	Winter Transportation Committee	100-53500-33 100	12,635.00	
A01	12/31/2021	Airport Utilities	100-53510-10 100	125.00	
A01	12/31/2021	SRE Bldg Airport 1/3	100-53510-14 100	82.00	
A01	12/31/2021	Solid Wst Dspsl Expenses	100-53631-02 100	1,745.00	
A01	12/31/2021	Solid Wst Dspsl Utilitie	100-53631-10 100	63.00	
A01	12/31/2021	HazMat Expenses	100-53631-11 100	605.00	
A01	12/31/2021	Internal Hauling Expenses - General	100-53631-50 100	108.00	
A01	12/31/2021	Recycling Utilities	100-53635-10 100	63.00	
A01	12/31/2021	Health center Bldg	100-54100-04 100	102.00	
A01	12/31/2021	Library Bldg. Maintance	100-55110-03 100	102.00	
A01	12/31/2021	Library Books & Equipment Purch.	100-55110-06 100	110.00	
A01	12/31/2021	Library Operations	100-55111-06 100	246.00	
A01	12/31/2021	Library- General Donations	100-55111-66 100	203.00	
A01	12/31/2021	Parks Utilities	100-55210-10 100	204.00	
A01	12/31/2021	Parks-Reservation System Fees	100-55210-14 100	241.00	
A01	12/31/2021	BBTP - Utilities	100-55250-04 100	375.00	
A01	12/31/2021	Affordable Housing Committee	100-56300-05 100	2,500.00	

Conversion entry - modified cash to modified accrual  
To record Accounts Payable

Number	Date	Name	Account No	Debit	Credit
A02	12/31/2021	Unearned Revenue	210-26000 210		-13,659.00
A02	12/31/2021	GOVT GRANTS	210-43580 210	13,659.00	
		Conversion entry - modified cash to modified accrual To move unspent ARPA funds into unearned revenue.			
A03	12/31/2021	Madeline Island Ferry - Note Receivable	100-13400 100		-50,000.00
A03	12/31/2021	Unavailable Revenue- Mad Island Ferry Contribution	100-29300 100	50,000.00	
		Conversion entry - modified cash to modified accrual To record Madeline Island Ferry notes receivable			
A04	12/31/2021	Current Property Taxes Receivable	100-12100 100	1,022,430.00	
A04	12/31/2021	Current Property Taxes Receivable	100-12100 100	99,791.00	
A04	12/31/2021	Due to County Levy	100-24310 100	770,715.00	
A04	12/31/2021	Due to Special Purpose District LEVY	100-24500 100	65.00	
A04	12/31/2021	Ensuing year levy tax roll revenues	100-26210 100		-1,022,429.00
A04	12/31/2021	Ensuing year levy tax roll revenues	100-26210 100		-770,780.00
A04	12/31/2021	Interest and Penalties on Taxes	100-41800 100		-1.00
A04	12/31/2021	Lottery Credit	100-12100-01 100		-28,275.00
A04	12/31/2021	First Dollar Credit	100-12100-02 100		-71,516.00
		Conversion entry - modified cash to modified accrual To adjust General Fund taxes receivable/unearned revenue			
A05	12/31/2021	BT created - Prepaid Expenses	100-16200 100	7,240.00	
A05	12/31/2021	General Administration	100-51400 100	39.00	
A05	12/31/2021	Other General Government	100-51980 100	396.00	
A05	12/31/2021	Highway and Street Administration	100-53100 100		-94.00
A05	12/31/2021	BT created prepaids	202-16200 202		-7,290.00
A05	12/31/2021	SUPPLIES/EXPENSE	202-55250 202	7,290.00	
A05	12/31/2021	Town Admin Insurances	100-51410-02 100		-1,755.00
A05	12/31/2021	Town Admin. Work Comp Expenses	100-51410-05 100		-59.00
A05	12/31/2021	Clerk Ins. Expense	100-51420-02 100	2.00	
A05	12/31/2021	Clerk Office Expenses	100-51420-03 100		-327.00
A05	12/31/2021	Computer Exp. & ETC.	100-51420-05 100		-1,543.00
A05	12/31/2021	Personnel Insurances	100-51430-02 100	4.00	
A05	12/31/2021	Election Expenses	100-51440-02 100		-1.00
A05	12/31/2021	Treasurer's Insurance	100-51520-04 100	1.00	
A05	12/31/2021	Non-Departmental Work Comp	100-51930-01 100	11,327.00	
A05	12/31/2021	Law Enforcement Employee Insur	100-52100-03 100	1,434.00	
A05	12/31/2021	Law Enforcement Training	100-52100-04 100		-321.00
A05	12/31/2021	Law Enforcement Bldg/Phone	100-52100-05 100	700.00	
A05	12/31/2021	Law Enforcement Supplies	100-52100-06 100		-170.00
A05	12/31/2021	Law Enforcement Vehicle	100-52100-07 100		-400.00
A05	12/31/2021	Law Enforcement W.C. Expense	100-52100-10 100		-3,307.00
A05	12/31/2021	Fire Dept. WC Liability Expense	100-52210-11 100		-245.00
A05	12/31/2021	Ambulance Workers Comp.	100-52310-11 100		-246.00
A05	12/31/2021	Ambulance Outside billing Expens	100-52310-14 100	300.00	
A05	12/31/2021	Roadman Employee Health Insuranc	100-53311-06 100		-705.00
A05	12/31/2021	Roadman Workmans Comp	100-53311-08 100		-5,649.00
A05	12/31/2021	Airport FICA	100-53510-04 100		-211.00
A05	12/31/2021	Airport Liability Insurance	100-53510-09 100		-152.00
A05	12/31/2021	Solid Waste Expense	100-53631-05 100		-250.00



Number	Date	Name	Account No	Debit	Credit
A05	12/31/2021	Solid Wst Dspsl Hlth Ins	100-53631-06 100	1,761.00	
A05	12/31/2021	Solid Wst Dspsl Wrk Comp	100-53631-08 100		-2,664.00
A05	12/31/2021	Recycling Expenses	100-53635-05 100		-250.00
A05	12/31/2021	Cemetery Sexton Expense	100-54910-03 100		-121.00
A05	12/31/2021	Library Bldg. Maintance	100-55110-03 100		-202.00
A05	12/31/2021	Library Books & Equipment Purch.	100-55110-06 100		-24.00
A05	12/31/2021	Library W.C. Expense	100-55110-08 100		-828.00
A05	12/31/2021	Library - Emp Insurances	100-55110-09 100	3.00	
A05	12/31/2021	Library Operations	100-55111-06 100		-1,000.00
A05	12/31/2021	Parks Expenses	100-55210-02 100	30.00	
A05	12/31/2021	Parks workmans Comp	100-55210-08 100		-2,000.00
A05	12/31/2021	BBTP - General Supplies	100-55250-02 100	30.00	
A05	12/31/2021	ZaP W.C. Expense	100-56400-08 100		-743.00

Conversion entry - modified cash to modified accrual  
To record prepaid expenses and adjust for current year activity.

A07	12/31/2021	Accounts Receivable	100-13100 100	20,344.00	
A07	12/31/2021	Other Law and Ordinance Violations	100-45190 100		-585.00
A07	12/31/2021	Ambulance Fees	100-46230 100		-1,012.00
A07	12/31/2021	Other Transportation	100-46399 100		-2,570.00
A07	12/31/2021	Solid Waste Disposal	100-46431 100		-2,586.00
A07	12/31/2021	Other Public Charges for Services	100-46900 100		-547.00
A07	12/31/2021	Transportation (hyw.&str	100-47331 100		-7,746.00
A07	12/31/2021	Ashland Cty Zoning Intermunicipa	100-47335 100		-750.00
A07	12/31/2021	DNR Grand Big Bay Town Park	100-43570-03 100		-4,548.00

Conversion entry - modified cash to modified accrual  
To record Accounts Receivable for 12/31/2021

A09	12/31/2021	Sales Tax Due State	100-24213 100	62.00	
A09	12/31/2021	Unearned Reveue	100-26140 100		-2,974.00
A09	12/31/2021	Unearned Reveue	100-26140 100	3,646.00	
A09	12/31/2021	Liquor and Malt Beverage License	100-44110 100		
A09	12/31/2021	RAT# Other Business and Occupational Licens	100-44120 100		-10.00
A09	12/31/2021	Zoning Permits and Fees	100-44400 100		-125.00
A09	12/31/2021	Clerk's Fees	100-46110 100		
A09	12/31/2021	Fairs, Exhibits and Celebrations	100-46741 100	1,650.00	
A09	12/31/2021	Community Center	100-46743 100	125.00	
A09	12/31/2021	Parks Shelter Rental BBTP/Joni's	100-46720-04 100		-500.00
A09	12/31/2021	Parks Shelter Rental Joni's	100-46720-05 100	875.00	
A09	12/31/2021	Rent - Tower	100-48200-01 100		-2,761.00
A09	12/31/2021	Rent - Health Center	100-48200-03 100	12.00	

Conversion entry - modified cash to modified accrual  
To record unearned revenue as of 12/31/2021

A11	12/31/2021	Unearned Reveue	100-26140 100		-23,229.00
A11	12/31/2021	Unearned Reveue	100-26140 100		
A11	12/31/2021	Parks	100-46720 100	23,229.00	

Conversion entry - modified cash to modified accrual  
To record unearned revenues for park reservations and other unearned amounts received during the current year.

Number	Date	Name	Account No	Debit	Credit
A12	12/31/2021	Gravel Inventory	100-16100 100	20,642.00	
A12	12/31/2021	Hwy & Street GRAVEL	100-57331 100		-20,642.00
		Conversion entry - modified cash to modified accrual To adjust 2021 gravel inventory			
A13	12/31/2021	Unearned Grant Revenue	201-26000 201		-3,899.00
A13	12/31/2021	GOVT GRANTS	201-43580 201	3,899.00	
		Conversion entry - modified cash to modified accrual To move unearned revenue to correct account.			
A14	12/31/2021	Madeline Island Ferry - Note Receivable	100-13400 100	130,114.00	
A14	12/31/2021	Gravel Inventory	100-16100 100	31,637.00	
A14	12/31/2021	BT created - Prepaid Expenses	100-16200 100	36,472.00	
A14	12/31/2021	Unearned Reveue	100-26140 100		-66,814.00
A14	12/31/2021	Unavailable Revenue- Mad Island Ferry Contribution	100-29300 100		-130,114.00
A14	12/31/2021	Unreserved and Undesignated Fund Balance	100-34300 100		-31,637.00
A14	12/31/2021	Unreserved and Undesignated Fund Balance	100-34300 100		-21,352.00
A14	12/31/2021	Unreserved and Undesignated Fund Balance	100-34300 100	66,814.00	
A14	12/31/2021	Unreserved and Undesignated Fund Balance	100-34300 100		-36,472.00
A14	12/31/2021	Unreserved and Undesignated Fund Balance	100-34300 100	604,373.00	
A14	12/31/2021	Public Accommodation Taxes	100-41210 100	7,228.00	
A14	12/31/2021	Other Law and Ordinance Violations	100-45190 100	350.00	
A14	12/31/2021	Ambulance Fees	100-46230 100	1,431.00	
A14	12/31/2021	Other Transportation	100-46399 100	417.00	
A14	12/31/2021	Solid Waste Disposal	100-46431 100	3,814.00	
A14	12/31/2021	Other Public Charges for Services	100-46900 100	242.00	
A14	12/31/2021	Transportation (hyw.&str	100-47331 100	6,037.00	
A14	12/31/2021	Sale of Recycle Material	100-48307 100	1,741.00	
A14	12/31/2021	Other Misc.Revenues	100-48900 100	92.00	
A14	12/31/2021	Legal	100-51300 100		-810.00
A14	12/31/2021	Other General Government	100-51980 100		-404.00
A14	12/31/2021	Fire Dept. & Fire Fighters	100-52210 100		-1,656.00
A14	12/31/2021	Highway and Street Administration	100-53100 100		-130.00
A14	12/31/2021	Ambulance	100-57230 100		-2,475.00
A14	12/31/2021	Emergency Services Bldg Fire Site Expenses	100-57790 100		-431,641.00
A14	12/31/2021	GOVT GRANTS	201-43580 201	4,806.00	
A14	12/31/2021	BT created prepaids	202-16200 202	7,290.00	
A14	12/31/2021	REFUNDS	202-48600 202	294.00	
A14	12/31/2021	Airport - TV145 Rental	100-46340-05 100		
A14	12/31/2021	Clerk Ins. Expense	100-51420-02 100		-54.00
A14	12/31/2021	Clerk Office Expenses	100-51420-03 100		-1.00
A14	12/31/2021	Treasurer Expenses	100-51520-02 100		-57.00
A14	12/31/2021	Town Hall Utilities	100-51610-10 100		-102.00
A14	12/31/2021	Non-Departmental Work Comp	100-51930-01 100		-887.00
A14	12/31/2021	Law Enforcement Bldg/Phone	100-52100-05 100		-140.00
A14	12/31/2021	Law Enforcement Supplies	100-52100-06 100		-100.00
A14	12/31/2021	Law Enforcement Vehicle	100-52100-07 100		-93.00
A14	12/31/2021	Law Enforcement Legal	100-52100-16 100		-220.00
A14	12/31/2021	Fire Dept. Truck Maint	100-52210-06 100		-27.00
A14	12/31/2021	Fire Dept. Equipment	100-52210-07 100		-145.00
A14	12/31/2021	Fire Department Equipm Repairs	100-52210-08 100		-725.00
A14	12/31/2021	Ambul Expendible Equip. & Suppl	100-52310-05 100		-431.00
A14	12/31/2021	Ambulance Durable Equipment	100-52310-07 100		-2.00
A14	12/31/2021	Ambulance - Unemployment	100-52310-12 100		-142.00

Number	Date	Name	Account No	Debit	Credit
A14	12/31/2021	Ambulance Outside billing Expens	100-52310-14 100		-46.00
A14	12/31/2021	Ambulance Med Supplies	100-52310-18 100		-2,184.00
A14	12/31/2021	Hwy Admin EmPLY Safety MATERIALS	100-53100-02 100		-10.00
A14	12/31/2021	Windsled Operation Property Expense	100-53210-03 100		-240.00
A14	12/31/2021	Shop Materials	100-53230-02 100		-223.00
A14	12/31/2021	SRE Bldg Rds Share 2/3	100-53230-04 100		-125.00
A14	12/31/2021	Roadman Unemployment Comp	100-53311-07 100		-1,835.00
A14	12/31/2021	Roads Bldg Utilities	100-53311-10 100		-235.00
A14	12/31/2021	Equipment Maint - Fuels, Oils	100-53311-23 100		-5.00
A14	12/31/2021	Equipment Maint - Parts	100-53311-24 100		-358.00
A14	12/31/2021	Airport Utilities	100-53510-10 100		-125.00
A14	12/31/2021	Airport - TractorTV145 Expense	100-53510-11 100		-1,216.00
A14	12/31/2021	Solid Wst Dpsl Expenses	100-53631-02 100		-2,007.00
A14	12/31/2021	Solid Wst Dpsl Utilitie	100-53631-10 100		-63.00
A14	12/31/2021	HazMat Expenses	100-53631-11 100		-180.00
A14	12/31/2021	Internal Hauling Expenses - General	100-53631-50 100		-153.00
A14	12/31/2021	Recycling Disposal	100-53635-02 100		-721.00
A14	12/31/2021	Recycling Expenses	100-53635-05 100	11.00	
A14	12/31/2021	Recycling Utilities	100-53635-10 100		-62.00
A14	12/31/2021	MRF Site, Grounds Expense	100-53640-01 100		-85.00
A14	12/31/2021	Health center Bldg	100-54100-04 100		-102.00
A14	12/31/2021	Cemetery chapel Expenses	100-54910-04 100		-475.00
A14	12/31/2021	Library Bldg. Maintance	100-55110-03 100		-137.00
A14	12/31/2021	Library - Equipment	100-55110-05 100		-32.00
A14	12/31/2021	Library Books & Equipment Purch.	100-55110-06 100		-125.00
A14	12/31/2021	Library Unemployment	100-55110-12 100		-216.00
A14	12/31/2021	Library Operations	100-55111-06 100		-35.00
A14	12/31/2021	Parks Expenses	100-55210-02 100		-2,395.00
A14	12/31/2021	Park expenses	100-55210-04 100		-375.00
A14	12/31/2021	Parks Unemploy. Comp.	100-55210-07 100		-993.00
A14	12/31/2021	Parks Utilities	100-55210-10 100		-204.00
A14	12/31/2021	Parks - Retirement	100-55210-13 100		-895.00
A14	12/31/2021	Parks-Reservation System Fees	100-55210-14 100		-310.00
A14	12/31/2021	Parks Vehicle Expense	100-55210-16 100		-260.00
A14	12/31/2021	Rec Center Bldg.	100-55400-03 100		-102.00
A14	12/31/2021	Zoning Expenses	100-56400-05 100		-1.00
A14	12/31/2021	Zoning Unemployment	100-56400-07 100		-13.00
A14	12/31/2021	Accommodations Tax to MICofC	100-56700-01 100		-712.00
A14	12/31/2021	Dock & Harbor - HAP	100-57354-01 100		-104,746.00
A14	12/31/2021	Emergency Services Bldg Arch/engineering	100-57790-10 100		-41,187.00
A14	12/31/2021	Emergency Services Bldg Admin/Legal/Town	100-57790-11 100		-1.00
A14	12/31/2021	Emergency Services Bldg Admin/Legal/Town	100-57790-11 100		-953.00
A14	12/31/2021	Library General Design Funds	201-34156-01 201		-4,806.00
A14	12/31/2021	Donations/EMT Train Design Fund	202-34154-04 202		-294.00
A14	12/31/2021	Ambulance Fund - 66.0608	202-34154-40 202		-7,290.00

Conversion entry - modified cash to modified accrual

To record opening fund balance adjustment for recording funds at modified accrual basis.

Number	Date	Name	Account No	Debit	Credit
A15	12/31/2021	BT created - Accrued Payroll	100-21600 100		-21,637.00
A15	12/31/2021	Town Board Salaries	100-51110 100	2,250.00	
A15	12/31/2021	Clerk	100-51420 100	1,700.00	
A15	12/31/2021	Personnel	100-51430 100	2,405.00	
A15	12/31/2021	Treasurer	100-51520 100	825.00	
A15	12/31/2021	Highway and Street Administration	100-53100 100	290.00	
A15	12/31/2021	Town Administrator FICA	100-51410-01 100	1,072.00	
A15	12/31/2021	Town Hall Labor	100-51610-01 100	45.00	
A15	12/31/2021	Law Enforcement Wages	100-52100-01 100	2,698.00	
A15	12/31/2021	Law Enforcement Town Labor Expense	100-52100-14 100	53.00	
A15	12/31/2021	Fire Dept. Town Labor Expense	100-52210-14 100	58.00	
A15	12/31/2021	Ambulance FICA	100-52310-01 100	800.00	
A15	12/31/2021	Ambulance Outside billing Expens	100-52310-14 100	29.00	
A15	12/31/2021	County H Maintenance Labor	100-53200-02 100	246.00	
A15	12/31/2021	Hwy Shop Maint Labor	100-53230-01 100	309.00	
A15	12/31/2021	Roadmen Labor Expenses	100-53311-02 100	2,935.00	
A15	12/31/2021	Town Equipment Maint Labor	100-53311-22 100	254.00	
A15	12/31/2021	Airport - Town Crew	100-53510-01 100	854.00	
A15	12/31/2021	Airport Manager Salary	100-53510-05 100	600.00	
A15	12/31/2021	Docks & Harbor Labor	100-53540-02 100	20.00	
A15	12/31/2021	Solid Waste FICA	100-53631-01 100	740.00	
A15	12/31/2021	Solid Waste - Town Crew	100-53631-04 100	82.00	
A15	12/31/2021	Recycling Labor	100-53635-01 100	205.00	
A15	12/31/2021	Health Center Wages	100-54100-02 100	20.00	
A15	12/31/2021	Library Wages	100-55110-01 100	2,090.00	
A15	12/31/2021	Library - Town Crew	100-55110-07 100	20.00	
A15	12/31/2021	Parks Town Labor Expense	100-55210-15 100	100.00	
A15	12/31/2021	Rec Cntr Town Labor Expense	100-55400-15 100	209.00	
A15	12/31/2021	Zoning Wages Expense	100-56400-01 100	682.00	
A15	12/31/2021	Zoning POWTS/Ashlnd Cty	100-56400-21 100	46.00	

Conversion entry - modified cash to modified accrual  
 To record accrued payroll for 12/31/21

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## Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
  - Identify types of potential misstatements.
  - Consider factors that affect the risks of material misstatement.
  - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that the Town will receive an unmodified disclaimer of opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?

- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of December-January. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.