

**TOWN OF MIDDLETON
DANE COUNTY, 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 MIDDLETON
DANE COUNTY, WISCONSIN**

Year Ended December 31, 2013

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

April 3, 2014

To the Town Board
Town of Middleton
Dane County, Wisconsin

We have audited the financial statements of the governmental activities and each major fund of the Town of Middleton for the year ended December 31, 2013, and issued our report thereon dated April 3, 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 18, 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 Middleton 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 estimates affecting the financial statement were:

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. Management's estimate of the value of the accrued liability for compensated absences (sick leave component) is based on an estimated probability that an employee will stay employed at the Town through retirement. The probability is based on age and length of employment with 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. 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 a whole.

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 April 3, 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 Middleton and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accounts
Madison, Wisconsin

April 3, 2014

To the Town Board
Town of Middleton
Dane County, Wisconsin

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Town of Middleton 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 the Town of Middleton'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 Middleton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Middleton'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 significant deficiency.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Town of Middleton's internal control to be significant deficiency.

2013-1 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. Again, your 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.

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.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
Certified Public Accountants
Madison, Wisconsin

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 Middleton and any comments are intended to draw to your attention issues which may need to be addressed by the Town to meet its goals and responsibilities.

Any 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: **Town of Middleton**
Engagement: **Middleton Audit 2013**
Period Ending: **12/31/2013**
Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 14				
CLIENT AJE: to adjust deferred tax revenue and current taxes receivable to actual.				
12100-00-10	Current Tax Receivable		317,020.22	
26210-00-10	Deferred Revenue Taxes			317,020.22
Total			<u>317,020.22</u>	<u>317,020.22</u>
Adjusting Journal Entries JE # 15				
To clear 2012 overpayment by Spruce Hollow against interest owed to Town.				
13000-00-20	Accounts Receivable Parks Fund		500.00	
48110-30-20	Interest - Parks Fund			500.00
Total			<u>500.00</u>	<u>500.00</u>
Adjusting Journal Entries JE # 16				
CLIENT ENTRY: to charge sanitary district for labor.				
24500-00-10	Due to Sanitary Dist #5		684.02	
53311-00-10	Crew - Sal/FICA/Ben			684.02
Total			<u>684.02</u>	<u>684.02</u>
Adjusting Journal Entries JE # 19				
CLIENT AJE: to record 4th qtr TDS franchise fees.				
13000-00-10	Accounts Receivable Gen Fund		1,921.73	
44100-00-10	Cable Franchise Fee			1,921.73
Total			<u>1,921.73</u>	<u>1,921.73</u>
Adjusting Journal Entries JE # 20				
To transfer debt service fund balance to general fund.				
11030-00-10	Capital Bank General CD		1,151.77	
58900-00-30	Transfer Out		1,151.77	
11030-00-30	Capitol Bank-Debt- CD			1,151.77
49900-00-10	Transfer In			1,151.77
Total			<u>2,303.54</u>	<u>2,303.54</u>
Adjusting Journal Entries JE # 23				
CLIENT AJE: to move road aid to capital projects fund.				
11000-00-50	CAPITAL PROJECTS CASH		13,292.94	
43531-00-10	State Road Aids		13,292.94	
11001-00-10	Capital projects Cash			13,292.94
43531-00-50	State Road Aids			13,292.94
Total			<u>26,585.88</u>	<u>26,585.88</u>