# MANAGEMENT COMMUNICATIONS

## VILLAGE OF HOWARD, WISCONSIN

## DECEMBER 31, 2011

**VILLAGE OF HOWARD, WISCONSIN**
December 31, 2011

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Schenck SC

CPAs AND SO MUCH MORE.

To the Village Board
Village of Howard, Wisconsin

We have completed our audit of the basic financial statements of Village of Howard, Wisconsin (the "Village") for the year ended December 31, 2011. The Village's financial statements, including our report thereon dated February 20, 2012, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, noncompliance with the provisions of laws, regulations, contracts and grants or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Village's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

Significant Audit Findings

*Consideration of Internal Control*

In planning and performing our audit of the financial statements of the Village as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 86 - 87 of the annual report.



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Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Our audit did not note any material weaknesses in the Village's internal control.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no significant transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 included in the financial statements were:

> Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of accumulated sick leave is based upon analysis of the employees sick leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

*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. The financial statements reflect all accounting adjustments proposed during our audit. Copies of the audit adjustments are available from management.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 20, 2012. The management representation letter follows this communication.

*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 Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to completing the services as your auditor.

In addition, during our audit, we noted certain other matters that are presented for your consideration. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these matters in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This communication, which does not affect our report dated February 20, 2012 on the financial statements of the Village, is intended solely for the information and use of the Village Board, management, and others within the Village, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
February 20, 2012

HOWARD WISCONSIN
www.villageofhoward.com

2456 Glendale Avenue • P.O. Box 12207 • Green Bay, Wisconsin 54313

February 20, 2012

Schenck SC
2200 Riverside Drive
P.O. Box 23819
Green Bay, WI 54305-3819

We are providing this letter in connection with your audit of the financial statements of the Village of Howard, Wisconsin as of December 31, 2011 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, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Howard, Wisconsin, and the respective changes in the financial position and where applicable, cash flows thereof, in conformity with accounting principles 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 principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective 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 if they involve an omission or misstatement of accounting information that, in 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, as of February 20, 2012, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government as required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

2. We have made available to you all-

   a. Financial records and related data

   b. Minutes of the meetings of the Village Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

   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.

7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

8. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

9. The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

10. The following, if any, have been properly recorded or disclosed in the financial statements:

    a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which the Village is contingently liable.

    c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.

    d. Joint ventures, jointly governed organizations, and other related organizations.

    e. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.

    f. Participation in a public entity risk pool.

11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all 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.

12. There are no—

    a. Violations or possible violations of budget ordinances, laws and 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.

b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.

13. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

14. The Village 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.

15. The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

16. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

17. 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.

18. The financial statements properly classify all funds and activities.

19. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

20. Components of net assets (invested in capital assets, net of related debt, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.

21. Provisions for uncollectible receivables have been properly identified and recorded.

22. 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.

23. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

24. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

25. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.

26. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

27. The Village meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.

28. 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.

29. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, supporting schedules, and statistical data (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information 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.

30. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

31. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.

32. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.

33. Expenditures of federal awards were below the $500,000 threshold in the year ended December 31, 2011, and we were not required to have an audit in accordance with *OMB Circular A-133.*

34. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: Christopher A. Haltom
Christoper A. Haltom
Executive Director of Administrative Services

Signed: P. F. Evert
Paul F. Evert
Village Administrator

## SUMMARY FINANCIAL INFORMATION

### 1. Governmental Fund Balances

Presented below is a summary of the various Village fund balances on December 31, 2011. This information is provided for assessing financial results for 2011 and for indicating financial resources available at the start of the 2012 budget year.

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| General Fund | | |
| Unassigned | $ 3,011,064 | $ 2,724,907 |
| Special Revenue Funds | | |
| Restricted | | |
| Tax Incremental District No. 2 | 490,375 | 224,412 |
| Community development | 228,186 | 394,514 |
| Total Special Revenue Funds | 718,561 | 618,926 |
| Debt Service Fund | | |
| Restricted | | |
| Retirement of long-term debt | 3,425 | 10,472 |
| Capital Projects Funds | | |
| Restricted | | |
| Tax Incremental District No. 4 | 1,410,713 | 1,349,299 |
| Park development | 332,912 | 313,444 |
| Assigned | | |
| Capital improvements | 2,430,505 | 2,129,950 |
| Unassigned | | |
| Tax Incremental District No. 3 | (137,189) | (333,791) |
| Tax Incremental District No. 5 | (53,916) | (43,525) |
| Tax Incremental District No. 6 | (124,943) | (11,345) |
| Total Capital Projects Funds | 3,858,082 | 3,404,032 |
| Total Governmental Funds | $ 7,591,132 | $ 6,758,337 |

Significant results of the above are as follows:

**General Fund**
The general fund increased $286,157 over the prior year. This increase was due to favorable revenue and expenditure results in comparison to the Village's budget.

The Village is in excellent financial position as it enters the 2012 budget year.

**Tax Incremental District No. 2**
The Village created a tax incremental district to finance project plan improvements in prior years. As of December 31, 2011, the District's tax increments and other revenues generated are used to retire outstanding obligations of the District. In 2011, the District transferred $827,770 to the debt service fund for debt retirement.

**Capital Improvements**
The Village has available $2,430,505 for capital improvements in 2012 and subsequent years. The balance in this fund typically fluctuates based on projects to be completed and their timeframe. The Village has also budgeted a $641,600 tax levy to finance 2012 capital improvements.

## 2. Water Utility Operating Results

The Village's water utility is regulated by the Public Service Commission of Wisconsin. Operating results of the water utility for the years ended December 31, 2011 and 2010 follows:

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| Operating Revenues | | |
| Sales of water | $ 4,418,797 | $ 4,177,496 |
| Other | 71,167 | 65,303 |
| Total Operating Revenues | 4,489,964 | 4,242,799 |
| Operating Expenses | | |
| Operation and maintenance | 3,780,308 | 3,054,460 |
| Depreciation | 479,705 | 461,075 |
| Total Operating Expenses | 4,260,013 | 3,515,535 |
| Operating Income | 229,951 | 727,264 |
| Nonoperating Revenues (Expenses) | | |
| Interest income | 22,305 | 23,147 |
| Interest and fiscal charges | (81,246) | (126,963) |
| Amortization of debt discount | (24,959) | (25,205) |
| Total Nonoperating Revenues (Expenses) | (83,900) | (129,021) |
| Net Income Before Contributions and Transfers | 146,051 | 598,243 |
| Capital contributions | 602,551 | 669,349 |
| Transfers out | (317,360) | (296,848) |
| Change in Net Assets | $ 431,242 | $ 970,744 |

Capital contributions represent state and developer contributions of utility infrastructure and increase net assets; however, they are not available for use in financing utility operations. The transfer out represents the Utility's property tax equivalent payment to the general fund.

The water utility has filed an application to increase water rates with the Public Service Commission of Wisconsin.

## 3. Sewer Utility Operating Results

The sewer utility is a non-regulated utility. Therefore, the Village determines rates charged customers. Operating results of the sewer utility for the years ended December 31, 2011 and 2010 follows:

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| Operating Revenues | | |
| Sewage services | $ 2,091,759 | $ 1,925,073 |
| Other | 14,257 | 14,922 |
| Total Operating Revenues | 2,106,016 | 1,939,995 |
| Operating Expenses | | |
| Operation and maintenance | 1,676,126 | 1,519,903 |
| Depreciation | 278,325 | 271,439 |
| Total Operating Expenses | 1,954,451 | 1,791,342 |
| Operating Income | 151,565 | 148,653 |
| Nonoperating Revenues (Expenses) | | |
| Interest income | 23,906 | 18,627 |
| Interest and fiscal charges | (13,693) | (20,215) |
| Amortization of debt discount | (12,673) | (15,286) |
| Total Nonoperating Revenues (Expenses) | (2,460) | (16,874) |
| Net Income Before Contributions | 149,105 | 131,779 |
| Capital contributions | 235,471 | 234,762 |
| Change in Net Assets | $ 384,576 | $ 366,541 |

Because the sewer utility relies on Green Bay Metropolitan Sewerage Commission for treatment services and mains and other infrastructure assets are contributed by developers and home-owners, a rate of return has not been calculated. It is important, when evaluating the sewer operations, to review the utility's cash position. At December 31, 2011, the utility reported cash and investments of $1,289,584. Cash generated from operations totaled $531,682 while debt service payments totaled $184,756 leaving $477,060 for capital asset additions.

The above analysis indicates that the sewer utility is generating positive cash flows from operations which were sufficient to finance debt retirement and capital asset acquisitions entering the 2012 fiscal year.

## 4. Golf Course Operating Results

Operating results of the golf course for the years ended December 31, 2011 and 2010 follows:

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| Operating Revenues | | |
| Fees and restaurant sales | $ 462,386 | $ 599,026 |
| Operating Expenses | | |
| Operation and maintenance | 355,263 | 539,577 |
| Depreciation | 45,344 | 42,764 |
| Total Operating Expenses | 400,607 | 582,341 |
| Operating Income | 61,779 | 16,685 |
| Nonoperating Revenues | | |
| Interest income | 990 | 873 |
| Net Income Before Transfers | 62,769 | 17,558 |
| Transfers | (100,000) | (100,000) |
| Change in Net Assets | $ (37,231) | $ (82,442) |

The golf course transferred $100,000 to the capital improvements fund in 2011 and 2010.

## 5. Storm Water Utility Operating Results

Operating results of the storm water utility for the years ended December 31, 2011 and 2010 follows:

| | 12/31/2011 | 12/31/2010 |
|---|---|---|
| Operating Revenues | | |
| Charges for services | $ 701,851 | $ 693,763 |
| Other | 6,097 | 5,342 |
| Total Operating Revenues | 707,948 | 699,105 |
| Operating Expenses | | |
| Operation and maintenance | 426,802 | 326,090 |
| Depreciation | 197,532 | 194,329 |
| Total Operating Expenses | 624,334 | 520,419 |
| Operating Income | 83,614 | 178,686 |
| Nonoperating Revenues | | |
| Interest income | 12,301 | 8,614 |
| Net Income Before Contributions and Transfers | 95,915 | 187,300 |
| Capital contributions | 46,624 | 349,147 |
| Transfer of capital assets | - | 138,715 |
| Change in Net Assets | $ 142,539 | $ 675,162 |