

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE AND OTHER
REQUIRED COMMUNICATIONS**

VILLAGE OF ASHWAUBENON, WISCONSIN

DECEMBER 31, 2015

VILLAGE OF ASHWAUBENON, WISCONSIN

December 31, 2015

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Honorable President and Members of the Village Board
Village of Ashwaubenon, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Village of Ashwaubenon, Wisconsin (the "Village") for the year ended December 31, 2015. The Village's financial statements, including our report thereon dated June 26, 2016, 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 express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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. 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 governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village as of and for the year ended December 31, 2015, 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 audit procedures that are appropriate in the circumstances 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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note A to the financial statements. As described in Note D.4 to the financial statements, the Village changed accounting policies related to pension accounting by adopting Statement of Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, in 2015. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, 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 included in the financial statements were:

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 accumulated sick leave balance in determining that the liability calculation is reasonable in relation to the financial statements taken as a whole.

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 the incurred, but not reported (IBNR) insurance reserves are based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. We evaluated the key factors and assumptions used to develop the reserves in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension asset and related deferred outflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension asset and related deferred outflows/inflows of resources 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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. 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, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. 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 June 26, 2016. 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 auditors' 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 retention as the Village's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the schedules relating to pensions, which are 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 this 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.

Restriction on Use

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

Sincerely,

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Certified Public Accountants
Green Bay, Wisconsin
June 26, 2016

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable President and Members of the Village Board
Village of Ashwaubenon, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ashwaubenon, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village of Ashwaubenon's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 11 dated June 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Ashwaubenon, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Village of Ashwaubenon, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Ashwaubenon, Wisconsin's internal control.

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 Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Ashwaubenon, Wisconsin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Village of Ashwaubenon, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Ashwaubenon, Wisconsin's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
June 26, 2016

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of the Village's governmental fund balances on December 31, 2015, including a comparison to the prior year. This information is provided to assist management in assessing financial results for 2015 and for determining financial resources available at the start of the 2016 budget year.

	2015	2014
Governmental Funds		
General Fund		
Non-spendable		
Inventories and prepaid items	\$ 130,562	\$ 269,735
Long-term advance to TIF # 3	-	3,171,585
Restricted		
Bridge repairs	127,605	127,605
Public safety grants and forfeitures	35,971	36,745
Developer escrow funds	70,374	45,374
Assigned		
Smart comprehensive plan upgrade	-	50,000
Klipstine park remediation	-	57,324
Unassigned	5,178,814	1,734,101
Total General Fund	<u>5,543,326</u>	<u>5,492,469</u>
Special Revenue Funds		
Restricted		
Park development	149,676	137,443
Donation	13,865	17,715
K-9 Program	24,881	33,897
Excess Sales Tax	865,644	-
Committed		
Street beautification	280	236
Oneida Service Agreement	77,227	1,462
Citizen's Academy	2,500	-
Explorers Program	6,061	-
Total Special Revenue Funds	<u>1,140,134</u>	<u>190,753</u>
Debt Service Fund		
Restricted for debt service	-	8,828
Capital Project Funds		
Restricted		
Tax Incremental District No. 3	493,014	327,560
Tax Incremental District No. 4	212,258	1,502,754
Tax Incremental District No. 5	61,871	-
Referendum Auditorium	3,042,804	2,437,367
Referendum Community Center	1,601,957	1,201,505
Referendum Community Pool	3,901,631	2,267,117
Referendum Warm Water Pool	777,206	455,652
Committed		
Street construction	150,400	193,839
Village buildings	186,187	210,811
Parks and recreation projects	478	13,471
Land sales and acquisition	388,185	312,731
Assigned		
Referendum Auditorium	-	80,232
Referendum Community Center	-	39,703
Referendum Community Pool	-	75,932
Referendum Warm Water Pool	-	15,136
Unassigned		
Computer replacement	-	(48,373)
Land sales and acquisition	-	(3,643,138)
Tax Incremental District No. 3	(3,971,178)	-
Tax Incremental District No. 4	(1,042,780)	-
Tax Incremental District No. 5	(85,392)	(19,707)
Total Capital Project Funds	<u>5,716,641</u>	<u>5,422,592</u>
Total Governmental Fund Balances	<u>\$ 12,400,101</u>	<u>\$ 11,114,642</u>

1. Governmental Fund Balances (Continued)

General Fund

The Village's general fund balance increased \$50,857 during 2015. In prior years, the Village had used portions of the general fund to finance cash shortfalls of TID districts; therefore, the long-term portion was considered nonspendable. Because the Village's water utility has available cash to finance this advance, the Village transferred the advance to the water utility and treated it as an investment of the water utility with additional interest paid to the water utility. This allowed the Village more flexibility in its general fund balances while allowing the water utility to generate a return on its investment.

The Village's general fund unassigned fund balance of \$5,178,814 is 36% of the general fund expenditures in 2015. We believe the unassigned fund balance is necessary to allow the Village to maintain current operations, finance unplanned contingencies, and provide additional cash flow due to the lag in receiving tax revenues and state aids due the Village. In addition, an unassigned fund balance can be used to stabilize the Village's tax rate.

Tax Incremental District No. 3 Capital Projects Fund

In 2008, the Village established Tax Incremental District No. 3 (TID) as a capital projects fund and began the construction phase of the TID. At December 31, 2015 the net unreimbursed project costs totaled \$12,418,164 and consisted of the following:

Future maturities of principal on outstanding general obligation debt	
incurred for financing TID No. 3 projects	\$ 8,940,000
Add: Fund deficit in TID No. 3 capital projects fund	3,478,164
Net Unreimbursed Project Costs	<u>\$ 12,418,164</u>

Summary Comment: Included in the fund deficit of (\$3,478,164) is \$493,014 of remaining debt proceeds restricted for capital improvements related to the project plan, leaving an unassigned deficit of \$3,971,178. TID No. 3 in 2014 generated the first significant positive tax increment and, based on debt issued as of December 31, 2015, has annual principal and interest of approximately \$1.2 million with \$793,576 of tax increment. As a result, the Village will still need to temporarily finance these debt payments from a cash flow perspective.

1. **Governmental Fund Balances (Continued)**

Tax Incremental District No. 4 Capital Projects Fund

During 2009, the Village established Tax Incremental District No. 4 (TID) as a capital projects fund and began the construction phase of the TID. At December 31, 2015, the net unreimbursed project costs totaled \$5,710,521 and consisted of the following:

Future maturities of principal on outstanding general obligation debt incurred for financing TID No. 4 projects	\$ 4,880,000
Add: Fund deficit in TID No. 4 capital projects fund	830,522
Net Unreimbursed Project Costs	<u>\$ 5,710,522</u>

Summary Comment: Included in the fund deficit of \$830,522 is \$212,258 of remaining bond proceeds restricted to capital projects related to the project plan, leaving an unassigned deficit of \$1,042,780. TID No. 4 has generated tax increments with \$1,237,362 due in 2016, based on debt issued as of December 31, 2015, has annual principal and interest of approximately \$800 thousand. From a cash flow perspective, the District is generating sufficient cash flow to service its debt service maturities at the present time; however, future activities can impact.

Tax Incremental District No. 5 Capital Projects Fund

During 2014, the Village established Tax Incremental District No. 5 (TID) as a capital projects fund and began the construction phase of the TID. At December 31, 2015, the net unreimbursed project costs totaled \$3,073,521 and consisted of the following:

Future maturities of principal on outstanding general obligation debt incurred for financing TID No. 4 projects	\$ 3,050,000
Add: Fund deficit in TID No. 4 capital projects fund	23,521
Net Unreimbursed Project Costs	<u>\$ 3,073,521</u>

Summary Comment: The total fund deficit of \$23,521 includes remaining bond proceeds of \$61,871 that are restricted to the project plan, leaving an unassigned deficit of \$85,392. TID No. 5 is currently not generating a tax increment and has debt service principal and interest payments annually of \$350 thousand, beginning in 2016.

2. Water Utility Enterprise Fund

Presented below are financial analyses to assist management in reviewing water utility operations for 2015.

Comparative Income Statements

Comparative income statements for the years ended December 31, 2015 and 2014 follows:

	2015	2014
Operating Revenues		
Metered sales	\$ 3,813,815	\$ 3,919,672
Fire protection	491,369	489,731
Other	352,073	366,468
Total Operating Revenues	<u>4,657,257</u>	<u>4,775,871</u>
Operating Expenses		
Operation and maintenance	3,599,771	3,588,332
Depreciation and amortization	893,201	879,534
Total Operating Expenses	<u>4,492,972</u>	<u>4,467,866</u>
Operating Income	<u>164,285</u>	<u>308,005</u>
Nonoperating Revenues (Expenses)		
Interest income	44,785	47,276
Interest expense	(200,993)	(220,578)
Total Nonoperating Revenues (Expenses)	<u>(156,208)</u>	<u>(173,302)</u>
Income Before Contributions and Transfers	<u>8,077</u>	<u>134,703</u>
Capital contributions	44,660	99,461
Transfers out - property tax equivalent	<u>(494,559)</u>	<u>(495,327)</u>
Change in Net Position	<u>\$ (441,822)</u>	<u>\$ (261,163)</u>

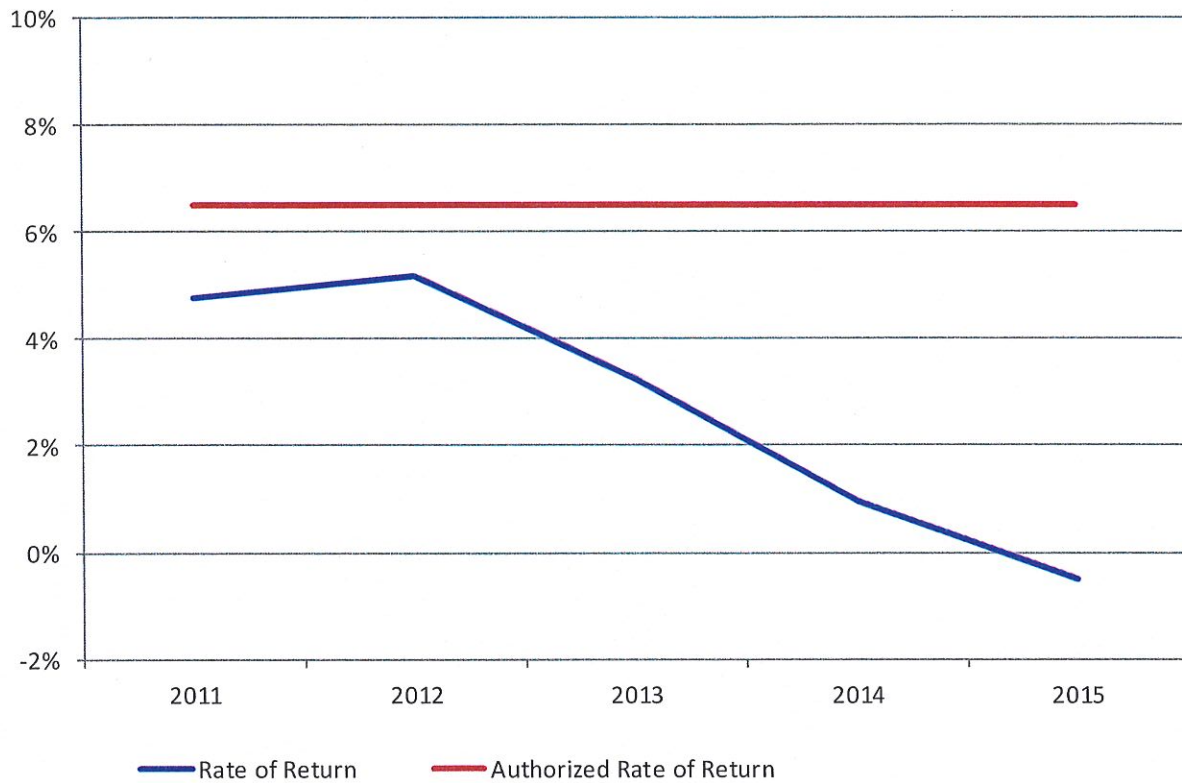
Operating income decreased due to lower sales of water, primarily by residential customers, which accounted for the reduction in rate of return as follows.

Rate of Return

The Public Service Commission (PSC) of Wisconsin determines rates charged customers by calculating a rate of return on the water utility's rate base. Rate of return for the years ended December 31, 2015 and 2014 follows:

	2015	2014
Rate Base	<u>\$ 11,004,443</u>	<u>\$ 11,441,982</u>
Operating Income	\$ 164,285	\$ 308,005
Less: Property tax equivalent	(494,559)	(495,327)
Add: Depreciation on contributed plant and other adjustments	275,807	296,699
PSC Operating Income	<u>\$ (54,467)</u>	<u>\$ 109,377</u>
Rate of Return	<u>-0.49%</u>	<u>0.96%</u>

Water Utility Historical Rate of Return



Summary Comment: The water utility continues to be in strong financial position, with unrestricted cash and investments and an advance to the TID districts totaling \$9,301,285; however, decreases in the rate of return since 2012 and future capital needs indicate a rate increase may be needed. The Village annually reviews the performance of the water utility as part of the budget.

3. Sewer Utility Enterprise Fund

Presented below is a financial analysis to assist management in reviewing sewer utility operations for 2015.

Comparative Income Statements

Comparative income statements for the years ended December 31, 2015 and 2014 follows:

	2015	2014
Operating Revenues		
Charges for services	\$ 5,056,574	\$ 5,082,204
Other	20,260	19,712
Total Operating Revenues	5,076,834	5,101,916
Operating Expenses		
Operation and maintenance	4,501,373	4,258,639
Depreciation	697,881	371,146
Total Operating Expenses	5,199,254	4,629,785
Operating Income (Loss)	(122,420)	472,131
Nonoperating Revenues (Expenses)		
Interest income	37,519	37,431
Interest expense	(14,437)	(17,539)
Total Nonoperating Revenues (Expenses)	23,082	19,892
Income (Loss) Before Contributions and Transfers	(99,338)	492,023
Capital contributions	1,645	92,202
Transfers out - property tax equivalent	(13,506)	(13,033)
Change in Net Position	\$ (111,199)	\$ 571,192

Comparative Cash Flows

Comparative cash flow statements for the years ended December 31, 2015 and 2014 follows:

	2015	2014
Cash Flows from Operating Activities		
Operating income (loss)	\$ (122,420)	\$ 472,131
Depreciation	621,296	296,779
Changes in assets and liabilities	(36,500)	(139,127)
Net Cash Provided by Operating Activities	462,376	629,783
Cash Flows from Noncapital Financing Activities		
Repayment of advance to other funds	68,241	66,093
Transfers out - property tax equivalent	(13,506)	(13,033)
Net Cash Provided by Noncapital Financing Activities	54,735	53,060
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(56,853)	-
Proceed on sale of capital assets	-	501
Principal and interest paid on capital debt	(120,212)	(120,238)
Net Cash Used for Capital and Related Financing Activities	(177,065)	(119,737)
Cash Flows from Investing Activities		
Interest received	37,519	37,431
Change in Cash and Cash Equivalents	377,565	600,537
Cash and Cash Equivalents - January 1	3,310,311	2,709,774
Cash and Cash Equivalents - December 31	\$ 3,687,876	\$ 3,310,311

Summary Comment: At December 31, 2015, available cash and investments totaled \$3,687,876. Because the sewer utility's costs are heavily dependent on treatment costs, which have significantly increased in recent years, the Village annually reviews its sewer rates in relation to operating costs. The Village annually reviews the performance of the water utility as part of the budget.

4. Health and Dental Self Funded Internal Service Funds

The Village maintains two separate internal service funds to finance employee health and dental claims. A summary of 2015 transactions, including a comparison to the prior year, for each fund follows:

	Health		Dental	
	2015	2014	2015	2014
Operating Revenues				
Premiums	\$ 1,897,497	\$ 1,849,020	\$ 113,211	\$ 110,783
Stop loss reimbursements	131,538	65,992	-	-
Insurance refunds	7,730	28,453	-	-
Total Operating Revenues	2,036,765	1,943,465	113,211	110,783
Operating Expenses				
Insurance claims and premiums	2,101,166	1,957,722	133,037	121,600
Administration	258,030	294,161	-	-
Total Operating Expenses	2,359,196	2,251,883	133,037	121,600
Changes in Net Position	(322,431)	(308,418)	(19,826)	(10,817)
Net Position - January 1	874,378	1,182,796	414,019	424,836
Net Position - December 31	\$ 551,947	\$ 874,378	\$ 394,193	\$ 414,019

Health Self-Funded Insurance Fund

Insurance claims were 103% of operating revenues resulting in a decrease of \$322,431 in the fund's net position. The net position balance represents approximately 26% of 2015 claims.

Dental Self-Funded Insurance Fund

Operating expenses were 118% of operating revenues; resulting in a \$19,826 decrease in the fund's net position. The net position balance represents approximately 296% of 2015 claims. The Village should review the 2016 premiums based on the fund's current financial position.

Because insurance claims can fluctuate annually, municipalities generally try to maintain a net position balance between 20% and 50% of their annual operating expenses depending on the level of risk assumed by the plan.

5. Community Development Authority

The Community Development Authority is a component unit of the Village. A summary of 2015 transactions, including a comparison to the prior year, is presented below:

	2015	2014
Revenues		
Intergovernmental	\$ -	\$ 2,202,550
Special assessments	43,804	-
Lease revenue	2,960,680	2,981,910
Donations and other miscellaneous revenues	4,380	4,405
Total Revenues	3,008,864	5,188,865
Expenditures		
Current		
General government	99,964	16,076
Debt service		
Principal	1,930,000	1,930,000
Interest and fiscal charges	1,026,880	1,048,110
Capital outlay	-	2,203,550
Total Expenditures	3,056,844	5,197,736
Net Change in Fund Balance	(47,980)	(8,871)
Fund Balance - January 1	160,408	169,279
Fund Balance - December 31	\$ 112,428	\$ 160,408

APPENDIX

Village of Ashwaubenon



FINANCE OFFICE

2155 Holmgren Way
Ashwaubenon, Wisconsin 54304-4605
Fax (920) 492-2341 www.ashwaubenon.com

Finance Director

Gregory B. Wenholz
(920) 492-2320
gwenholz@ashwaubenon.com

June 26, 2016

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

This representation letter is provided in connection with your audit of the financial statements of the Village of Ashwaubenon, Wisconsin, (the "Village"), which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining aggregate fund information as of December 31, 2015, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 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 June 26, 2016, 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 dated October 30, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
3. In regards to accounting estimates:
 - The measurement processes used by management in determining accounting estimates is appropriate and consistent.
 - The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - The disclosures related to accounting estimates are complete and appropriate.

- No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
4. 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.
 5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
 6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
 7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
 8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
 9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Village's accounts.
 10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
 11. Guarantees, whether written or oral, under which the Village is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

12. 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 records, 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 Village from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Village Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:
 - a. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- i. Management,
 - ii. Employees who have significant roles in internal control, or
 - iii. Others where the fraud could have a material effect on the financial statements.
- b. We have no knowledge of any allegations of fraud or suspected fraud affecting the Village's financial statements communicated by employees, former employees, regulators, or others.
15. We have no knowledge of 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 all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the Village's related parties and all the related party relationships and transactions of which we are aware.

Government - specific

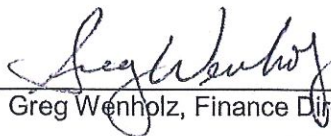
18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have a process to track the status of audit findings and recommendations.
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
22. The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.
23. 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 legal and contractual provisions for reporting specific activities in separate funds.
24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

27. There are no 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.
28. In regard to the capital asset depreciation services performed by you, we have –
 - a. Assumed all management responsibilities.
 - b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
29. 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, except as disclosed in the notes.
30. 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.
31. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
32. 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.
33. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
34. 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.
35. 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.
36. Provisions for uncollectible receivables have been properly identified and recorded.
37. 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.
38. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
39. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
40. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.

41. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
42. We have appropriately disclosed the Village'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 is available and have determined that net position is properly recognized under the policy.
43. We are following our established accounting 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. That policy determines the fund balance classifications for financial reporting purposes.
44. 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.
45. We acknowledge our responsibility for presenting the 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.
46. We agree with the findings of specialists in evaluating the pension benefits and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
47. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the Village's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
48. 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, have been properly recorded or disclosed in the financial statements.
49. 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.
50. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.

51. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
52. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
53. We do not plan to make frequent amendments to our pension benefit plans.
54. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application* and No. 77, *Tax Abatement Disclosures*, as discussed in Note D.6. The Village is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and the results of its operations when the Statements are adopted.
55. 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 or in the schedule of findings and questioned costs.

Signed:


Greg Wenzholz, Finance Director

Signed:


Allison Swanson, Village Manager