



Management
Village of Kronenwetter, Wisconsin
Kronenwetter, Wisconsin

In planning and performing our audit of the financial statements of Village of Kronenwetter, Wisconsin, as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the entity'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. A separate communication dated September 26, 2023, contains our written communication of significant deficiencies and material weaknesses in the entity's internal control. This letter does not affect our report on the financial statements dated September 26, 2023, nor our internal control communication dated September 26, 2023.

Account Reconciliations

During the audit, additional time was spent reconciling multiple general ledger accounts to record, adjust and reclassify transactions to prepare the Village's annual financial report. In the current year, we proposed over 60 audit entries which significantly changed the balances reported by the Village. The following accounts required significant adjustments during the audit:

- Accrued payroll
- Property tax receivables and revenues including special assessments and custodial fund activity
- Water and Sewer Utility capital assets
- Accounts receivable
- Reclassification of various receipts and disbursements to the proper accounts and funds

We believe the Village could improve its financial recordkeeping process by implementing procedures to reconcile all balance sheet accounts on a monthly basis and to record journal entries as needed to ensure the account agrees with supporting documentation and to accurately disclose the financial position of the Village. Timely and accurate financial reporting is essential to provide the Village Board and management with reliable financial information to manage and oversee the Village's operations. Because an audit is designed as an after-the-fact review of recorded activity, adjustments we make occur after year-end and after the Village adopted the subsequent year budget.

Journal Entries

As part of the audit we reviewed the Village's journal entry process and tested a sample of journal entries posted for 2022. It was noted during the audit that journal entry support was not readily available or directly determinable based on the description of the entry. We also noted journal entries that were not reviewed and approved by someone other than the individual preparing the entry. While all journal entries reviewed during our audit were appropriate, we believe supporting documentation and, if practical, evidence of review should accompany all journal entries entered into the Village's general ledger. We therefore recommend that the Village develop a policy for processing journal entries that includes 1) adequate explanation and documentation and, 2) if practical, the review of all journal entries prior to the entering into the Village's general ledger.

Public Service Commission Annual Statistics

Each year the Village is required by the Public Service Commission ("PSC") to keep records of the meter inventory, feet of water mains added and removed, and the number of water lateral services added and removed along with other operating and billing statistics. The statistics were not ready at the start of the audit and our review of the statistics noted that the original statistics provided did not match the accounting system. Adjustments were needed to the statistics in order for them to agree to the accounting system. Other adjustments were made to previously reported totals with no explanation as to the change. We recommend keeping track of the meters, mains, and services on a monthly basis. We also recommend reconciling this list back to the accounting system and obtaining information on developer contributions upon completion of the projects. We also recommend the operating statistics on water pumped, water uses for flushing and other utility uses, and other operating stats be compiled on a monthly basis as well. Utilizing a monthly recording and reconciliation process will help to prevent adjustments and will aid in the preparation of the PSC's annual report. We also recommend doing something similar for sewer capital assets.

Upcoming Change in Accounting Standards:

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. We recommend the Village review the requirements under the new standard, gather all agreements that could be impacted by the requirements, and identify the terms and conditions of each of those agreements in order to properly implement this new standard for the 2023 financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Stevens Point, Wisconsin
September 26, 2023