

MANAGEMENT COMMUNICATIONS

CITY OF WEST ALLIS, WISCONSIN

DECEMBER 31, 2014

CITY OF WEST ALLIS, WISCONSIN
December 31, 2014

TABLE OF CONTENTS

	<u>Page No.</u>
COMMUNICATION TO THE CITY COUNCIL	1 - 4
SUMMARY FINANCIAL INFORMATION	
1. Governmental Fund Balances	5 - 6
2. Water Utility	7
3. Sanitary Sewer Utility	8
4. Storm Water Utility	9
5. Solid Waste Fund	10
APPENDIX	
Management Representation Letter	

To the Honorable Mayor and City Council
City of West Allis, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of West Allis, Wisconsin (the "City") for the year ended December 31, 2014. The City's financial statements, including our report thereon dated June 30, 2015, 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 City'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. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Also in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the *State Single Audit Guidelines* applicable to each of its major federal and state programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City'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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing auditing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 135 - 136 of the annual report.

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 City'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. 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 City 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 2014. We noted no transactions entered into by the City 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 the other post-employment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other post-employment benefits in determining that it 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.

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. The financial statements reflect all accounting adjustments proposed during our audit. The adjustments included various end of year payable, receivable and reclassification entries. These entries are considered routine in nature and normally do not vary significantly from year to year. Copies of the audit adjustments are available from management.

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 30, 2015. 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 City'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 City'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, the Schedule of Funding Progress and the Schedule of Employer Contributions, 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 combining statements for nonmajor governmental funds, internal service funds and the component units and the individual fund's budget to actual comparison schedule, which accompany the financial statements but are 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 City Council, management, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, appearing to read "S. Amundson".

Certified Public Accountants
Green Bay, Wisconsin
June 30, 2015

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of the various City governmental fund balances on December 31, 2014, including a comparison to the prior year. This information is presented for assisting management in assessing financial results for 2014 and for indicating financial resources available for the start of the 2014 budget year.

	12/31/14	12/31/13
General Fund		
Nonspendable		
Inventories and prepaid items	\$ 1,741,220	\$ 1,192,946
Long-term receivables	10,460,500	7,165,451
Committed		
Subsequent year's budget	1,550,039	1,525,181
Assigned		
Subsequent years expenditures	2,011,357	1,911,357
Land/building acquisition	1,000,000	1,000,000
Capital accumulation	2,500,123	2,434,698
Insurance	1,200,000	1,200,000
Workers compensation	1,500,000	1,500,000
Dental insurance	50,000	50,000
Unfunded pension liability	8,500,000	10,000,000
Productivity/operation improvement	189,000	200,000
Public access	515,000	500,000
Tax levy reduction	1,590,000	1,590,000
Strategic planning	97,500	97,500
Capital replacement	975,000	875,000
Computer/Technology improvement	249,356	179,886
Community and economic development investment	570,000	600,000
Tax refunds	200,000	200,000
Parks and open spaces	100,000	-
Zombie properties	100,000	-
Unassigned		
Contingency	3,003,264	3,013,583
Other	3,300,188	3,251,734
Total General Fund	41,402,547	38,487,336
Special Revenue Funds		
HOME Program	28,784	40,783
Rental energy loans	423,858	432,709
Housing programs	219,913	359,895
Library endowment	91,378	81,049
Cable communications	707,451	775,589
Fire grants	63,645	79,929
Information technology joint ventures	49,158	76,468
Miscellaneous grants	(2,561)	(6,158)
EPA revolving loan	2,000	-
Stimulus programs	29,893	25,340
Total Special Revenue Funds	1,613,519	1,865,604

(Continued)

1. Governmental Fund Balances (Continued)

	12/31/14	12/31/13
Debt Service Fund	206,806	191,877
Capital Projects Funds		
Public works improvements	(1,272,404)	(1,430,397)
Tax Increment District No. 2	282,827	215,015
Tax Increment District No. 3	(89)	-
Tax Increment District No. 5	(2,195,479)	1,111,799
Tax Increment District No. 6	(308,091)	(216,970)
Tax Increment District No. 7	2,103,119	3,159,836
Tax Increment District No. 9	88,013	88,060
Tax Increment District No. 10	(768,428)	(1,139,666)
Tax Increment District No. 11	(17,671)	103,006
Tax Increment District No. 12	(25,710)	(24,067)
Tax Increment District No. 13	(144,300)	21,139
Total Capital Projects Funds	<u>(2,258,213)</u>	<u>1,887,755</u>
Total Governmental Fund Balances	<u>\$ 40,964,659</u>	<u>\$ 42,432,572</u>

2. Water Utility

Presented below is a comparative summary of revenues, expenses and changes in net position for the water utility enterprise fund for the years ended December 31, 2014 and 2013.

	2014	2013
Operating Revenues		
Charges for services	<u>\$ 7,564,217</u>	<u>\$ 7,523,275</u>
Operating Expenses		
Operation and maintenance	5,962,622	5,908,469
Depreciation	729,157	697,319
Total Operating Expenses	<u>6,691,779</u>	<u>6,605,788</u>
Operating Income	<u>872,438</u>	<u>917,487</u>
Nonoperating Revenues (Expenses)		
Interest expense	(294,822)	(288,087)
Interest rate subsidy	-	4,364
Merchandising and jobbing	33,354	24,529
Miscellaneous	11,764	23,291
Total Nonoperating Revenues (Expenses)	<u>(249,704)</u>	<u>(235,903)</u>
Income before Capital Contributions and Transfers	622,734	681,584
Capital contributions	11,335	14,979
Transfers	<u>(766,297)</u>	<u>(775,502)</u>
Change in Net Position	(132,228)	(78,939)
Net Position - January 1	<u>16,312,074</u>	<u>16,391,013</u>
Net Position - December 31	<u>\$ 16,179,846</u>	<u>\$ 16,312,074</u>

The water utility had a change in net position of (\$132,228) for 2014 compared to a change in net position of (\$78,939) for 2013 mostly due to the increase in maintenance and repair costs and depreciation exceeding the increase sales revenues.

Water utility rates are regulated by the Wisconsin Public Service Commission (PSC). One measure of operating results the PSC utilizes to evaluate the annual operating result of utilities is the return on rate base calculation. The PSC has been allowing the return on rate base to be approximately 5.50%. The Water Utility's return on rate base calculations for 2014 and 2013 were 1.66% and 2.43%, respectively, which are under the allowable amounts. Operating results for 2015 should be monitored to determine if a rate adjustment is necessary.

3. Sanitary Sewer Utility

Presented below is a comparative summary of revenues, expenses and changes in net position for the sanitary sewer utility enterprise fund for the years ended December 31, 2014 and 2013:

	2014	2013
Operating Revenues		
Charges for services	\$ 7,468,860	\$ 7,100,955
Operating Expenses		
Operation and maintenance	4,840,236	4,606,767
Depreciation	393,309	402,459
Total Operating Expenses	5,233,545	5,009,226
Operating Income	2,235,315	2,091,729
Nonoperating Revenues (Expenses)		
Interest expense	(464,600)	(504,109)
Interest rate subsidy	(235)	8,390
State and local grants	24,445	4,175
Loss on sale of assets	(147,141)	(29,287)
Miscellaneous	-	3,336
Total Nonoperating Revenues (Expenses)	(587,531)	(517,495)
Income before Transfers	1,647,784	1,574,234
Transfers	(87,323)	(85,816)
Change in Net Position	1,560,461	1,488,418
Net Position - January 1	16,253,263	14,764,845
Net Position - December 31	\$ 17,813,724	\$ 16,253,263

The sewer utility generated a change in net position of \$1,560,461 for 2014 compared to a change in net position of \$1,488,418 for 2013.

4. Storm Water Utility

Presented below is a summary of revenues, expenses and changes in net position for the storm water utility enterprise fund for the year ended December 31, 2014 and 2013:

	2014	2013
Operating Revenues		
Charges for services	\$ 3,948,601	\$ 3,976,612
Operating Expenses		
Operation and maintenance	1,739,494	1,793,564
Depreciation	605,414	575,219
Total Operating Expenses	2,344,908	2,368,783
Operating Income	1,603,693	1,607,829
Nonoperating Revenues (Expenses)		
Interest expense	(46,835)	(82,669)
Interest rate subsidy	-	11,809
Miscellaneous	118,387	56,445
Total Nonoperating Revenues (Expenses)	71,552	(14,415)
Income before Capital Contributions and Transfers	1,675,245	1,593,414
Transfers	(300,000)	(300,000)
Change in Net Position	1,375,245	1,293,414
Net Position - January 1	33,571,989	32,278,575
Net Position - December 31	\$ 34,947,234	\$ 33,571,989

The storm water utility generated a change in net position of \$1,375,245 for 2014 compared to \$1,293,414 for 2013 as there was an increase in miscellaneous revenue in 2014.

5. Solid Waste Fund

Presented below is a summary of revenues, expenses and changes in net position for the storm water utility enterprise fund for the year ended December 31, 2014 and 2013:

	2014	2013
Operating Revenues		
Charges for services	\$ 2,126,314	\$ 2,140,833
Operating Expenses		
Operation and maintenance	1,668,922	1,636,204
Depreciation	52,130	44,157
Total Operating Expenses	1,721,052	1,680,361
Operating Income	405,262	460,472
Nonoperating Revenues (Expenses)		
State grants	254,290	254,630
Miscellaneous	-	1
Total Nonoperating Revenues (Expenses)	254,290	254,631
Income before Capital Contributions and Transfers	659,552	715,103
Transfers	(100,000)	(100,000)
Change in Net Position	559,552	615,103
Net Position - January 1	3,001,529	2,386,426
Net Position - December 31	\$ 3,561,081	\$ 3,001,529

The solid waste fund generated a change in net position of \$559,552 for 2014 compared to \$615,103 for 2013.

APPENDIX



DEPARTMENT OF ADMINISTRATION & FINANCE
FINANCE DIVISION

June 30, 2015

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

Mark D. Wyss
Manager of Finance/Comptroller
mwyss@westalliswi.gov
Kris Moen, CPA
Finance Supervisor
kmoen@westalliswi.gov
Nicole O'Connor
Senior Accountant
noconnor@westalliswi.gov
Shawn Hart
Accountant
shart@westalliswi.gov

This representation letter is provided in connection with your audit of the financial statements of the City of West Allis, Wisconsin, (the "City"), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2014, 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 in No. 55 are considered material based on the materiality criteria specified in OMB Circular A-133 and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. 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 30, 2015, 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 January 13, 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 and all component units 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 or in the schedule of findings and questioned costs.
 9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the City'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 City 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 and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the City Council 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 and the schedules of expenditures of federal awards and state financial assistance.

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 City'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 City'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 City 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. As part of your audit, you assisted with preparation of the financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance.
29. The City 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.
30. The City 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.

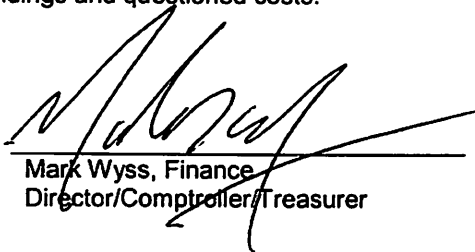
41. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
42. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.
43. We have appropriately disclosed the City'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.
44. 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.
45. 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.
46. 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.
47. We agree with the findings of specialists in evaluating the other post-employment benefits, pension benefits, and incurred but not reported claims 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.
48. 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 City's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
49. 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.
50. 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.

51. 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.
52. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
53. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
54. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.
55. With respect to federal and state award programs:
 - a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, including requirements relating to preparation of the schedule of federal awards and the schedule of state financial assistance.
 - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and the schedule of state financial assistance (SSFA) in accordance with the requirements of the *State Single Audit Guidelines* and we believe the SEFA and SSFA, including their form and content, are fairly presented in accordance with the Circular and the Guidelines. The methods of measurement or presentation of the SEFA and SSFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SSFA.
 - c. If the SEFA and SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SSFA information no later than the date we issue the SEFA and SSFA and the auditors' report thereon.
 - d. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and the *State Single Audit Guidelines* and have included in the SEFA and SSFA expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - e. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.
 - f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.

- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.
- h. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements, (except for noncompliance disclosed to you) including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal and state awards.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in *OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments*, and *OMB's Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- r. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.

- t. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*.
 - u. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
 - v. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
 - w. We have charged costs to federal and state awards in accordance with applicable cost principles.
 - x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
 - y. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
 - z. We are responsible for preparing and implementing a corrective action plan for each audit finding.
56. 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:



Mark Wyss, Finance
Director/Comptroller/Treasurer