

**MANAGEMENT COMMUNICATIONS**

**CITY OF WEST ALLIS, WISCONSIN**

**DECEMBER 31, 2015**



**Schenck**<sub>SC</sub>

**CPAs AND SO MUCH MORE.**

**CITY OF WEST ALLIS, WISCONSIN**  
December 31, 2015

**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
UPCOMING PRONOUNCEMENTS	
1. Accounting and Reporting for Other Post-employment Benefits	11
2. Fair Value Measurement and Application	12
3. Uniform Grant Guidance	12
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 discretely presented component unit, each major fund, and the aggregate remaining fund information of City of West Allis, Wisconsin (the "City") for the year ended December 31, 2015. The City's financial statements, including our report thereon dated June 24, 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, Federal Uniform Guidance and *State Single Audit Guidelines*

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 Federal Uniform Guidance 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 Federal Uniform Guidelines 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) 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City 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 City'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 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 134 - 135 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. The significant accounting policies used by the City are described in Note A to the financial statements. As described in Note E.10 to the financial statements, the City 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 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 estimated an allowance for uncollectible accounts for note and loan receivables outstanding. These estimates are based upon management's knowledge of, and past experience with the outstanding balances. We evaluated the key factors and assumptions used to develop this estimate 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/inflows 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.

#### *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 24, 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 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 and the schedules relating to pensions and other post-employment benefits, 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 City Council, and management of City of West Allis and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Schneider SC".

Certified Public Accountants  
Green Bay, Wisconsin  
June 24, 2016

## SUMMARY FINANCIAL INFORMATION

### 1. Governmental Fund Balances

Presented below is a summary of the various City governmental fund balances on December 31, 2015, including a comparison to the prior year. This information is presented for assisting management in assessing financial results for 2015 and for indicating financial resources available for the start of the 2016 budget year.

	12/31/15	12/31/14
General Fund		
Nonspendable		
Inventories and prepaid items	\$ 1,696,111	\$ 1,741,220
Long-term receivables	10,460,500	10,460,500
Committed		
Subsequent year's budget	3,868,046	1,550,039
Assigned		
Subsequent years expenditures	2,111,357	2,011,357
Land/building acquisition	1,000,000	1,000,000
Capital accumulation	2,188,795	2,500,123
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	8,500,000
Productivity/operation improvement	235,500	189,000
Public access	515,000	515,000
Tax levy reduction	1,590,000	1,590,000
Strategic planning	97,500	97,500
Capital replacement	1,540,200	975,000
Computer/Technology improvement	361,399	249,356
Community and economic development investment	440,000	570,000
Tax refunds	200,000	200,000
Parks and open spaces	250,000	100,000
Zombie properties	100,000	100,000
Unassigned		
Contingency	3,029,812	3,003,264
Other	3,623,650	3,300,188
Total General Fund	<u>44,557,870</u>	<u>41,402,547</u>
Special Revenue Funds		
HOME Program	28,784	28,784
Rental energy loans	342,497	423,858
Housing programs	453,505	219,913
Library endowment	1,215,846	1,246,169
Cable communications	686,240	707,451
Health grants	(8,269)	-
Fire grants	66,837	63,645
Information technology joint ventures	68,398	49,158
Miscellaneous grants	(14,226)	(2,561)
EPA revolving loan	2,000	2,000
Centennial	5	-
Stimulus programs	40,325	29,893
Total Special Revenue Funds	<u>2,881,942</u>	<u>2,768,310</u>

(Continued)



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

	12/31/15	12/31/14
Debt Service Fund	50,893	206,806
Capital Projects Funds		
Public works improvements	(2,702,461)	(1,272,404)
Zombie property abatement	95,953	-
Tax Increment District No. 2	-	282,827
Tax Increment District No. 3	(89)	(89)
Tax Increment District No. 5	(2,174,638)	(2,195,479)
Tax Increment District No. 6	(497,782)	(308,091)
Tax Increment District No. 7	1,846,706	2,103,119
Tax Increment District No. 9	69,560	88,013
Tax Increment District No. 10	(897,464)	(768,428)
Tax Increment District No. 11	(140,337)	(17,671)
Tax Increment District No. 12	(34,848)	(25,710)
Tax Increment District No. 13	(250,780)	(144,300)
Tax Increment District No. 14	(732,456)	-
Total Capital Projects Funds	(5,418,636)	(2,258,213)
Total Governmental Fund Balances	<u>\$ 42,072,069</u>	<u>\$ 42,119,450</u>

The deficit fund balances for the tax increment districts are expected to be recovered through future operations of the various districts.

The deficit fund balance in the Public Works Improvements Fund has resulted from capital project spending in excess of revenues (special assessment collections and grants) plus debt proceeds and transfers from other funds. Although the total deficit has accumulated over a number of years, the most significant deficits were generated in 2013 (\$1,158,696) and 2015 (\$1,272,404). In reviewing the 2015 budget for the Fund, it appears special assessment collections were approximately \$300,000 under budget, grant revenues were \$218,000 over budget, transfers from other funds were \$948,000 under budget, while capital project spending was \$450,000 over budget.

We recommend that operations of the Fund be reviewed to determine that, similar to the General Fund, expenditures are limited to budgeted items and budgeted revenues and other sources of financing are reasonable and accurate. If the deficits continue, a financing source needs to be identified to replenish the fund.



## 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, 2015 and 2014.

	2015	2014
Operating Revenues		
Charges for services	\$ 7,939,711	\$ 7,564,217
Operating Expenses		
Operation and maintenance	5,824,119	5,962,622
Depreciation	743,907	729,157
Total Operating Expenses	6,568,026	6,691,779
Operating Income	1,371,685	872,438
Nonoperating Revenues (Expenses)		
Interest expense	(327,062)	(294,822)
Merchandising and jobbing	23,117	33,354
Miscellaneous	9,307	11,764
Total Nonoperating Revenues (Expenses)	(294,638)	(249,704)
Income before Capital Contributions and Transfers	1,077,047	622,734
Capital contributions	10,820	11,335
Transfers	(839,899)	(766,297)
Change in Net Position	247,968	(132,228)
Net Position - January 1, as originally stated	16,179,846	16,312,074
Cumulative effect of change in accounting principle	511,107	-
Net Position - January 1, restated	16,690,953	16,312,074
Net Position - December 31	\$ 16,938,921	\$ 16,179,846

The water utility had a change in net position of \$247,968 for 2015 compared to a change in net position of (\$132,228) for 2014 mostly due to the increase in water rates effective January 1, 2015 and the decrease in maintenance and repair costs and depreciation.

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 2015 and 2014 were 3.93% and 1.66%, respectively, which are under the allowable amounts.

### 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, 2015 and 2014.

	2015	2014
Operating Revenues		
Charges for services	\$ 7,641,263	\$ 7,468,860
Operating Expenses		
Operation and maintenance	4,870,276	4,840,236
Depreciation	412,450	393,309
Total Operating Expenses	5,282,726	5,233,545
Operating Income	2,358,537	2,235,315
Nonoperating Revenues (Expenses)		
Interest expense	(476,346)	(464,600)
Interest rate subsidy	398	(235)
State and local grants	11,195	24,445
Loss on sale of assets	(64,864)	(147,141)
Total Nonoperating Revenues (Expenses)	(529,617)	(587,531)
Income before Transfers	1,828,920	1,647,784
Transfers	(91,660)	(87,323)
Change in Net Position	1,737,260	1,560,461
Net Position - January 1, as originally stated	17,813,724	16,253,263
Cumulative effect of change in accounting principle	105,866	-
Net Position - January 1, restated	17,919,590	16,253,263
Net Position - December 31	\$ 19,656,850	\$ 17,813,724

The sewer utility generated a change in net position of \$1,737,260 for 2015 compared to a change in net position of \$1,560,461 for 2014.

#### 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, 2015 and 2014.

	2015	2014
Operating Revenues		
Charges for services	\$ 3,858,515	\$ 3,948,601
Operating Expenses		
Operation and maintenance	1,848,214	1,739,494
Depreciation	636,698	605,414
Total Operating Expenses	2,484,912	2,344,908
Operating Income	1,373,603	1,603,693
Nonoperating Revenues (Expenses)		
Interest expense	(38,859)	(46,835)
Miscellaneous	60,553	118,387
Total Nonoperating Revenues (Expenses)	21,694	71,552
Income before Capital Contributions and Transfers	1,395,297	1,675,245
Transfers	(300,000)	(300,000)
Change in Net Position	1,095,297	1,375,245
Net Position - January 1, as originally stated	34,947,234	33,571,989
Cumulative effect of change in accounting principle	193,605	-
Net Position - January 1, restated	35,140,839	33,571,989
Net Position - December 31	\$ 36,236,136	\$ 34,947,234

The storm water utility generated a change in net position of \$1,095,297 for 2015 compared to \$1,375,245 for 2014 as there was an increase in operation and maintenance expenses and a decrease in charges for services revenue in 2015.



## 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, 2015 and 2014.

	2015	2014
Operating Revenues		
Charges for services	\$ 1,914,221	\$ 2,126,314
Operating Expenses		
Operation and maintenance	1,672,471	1,668,922
Depreciation	42,448	52,130
Total Operating Expenses	1,714,919	1,721,052
Operating Income	199,302	405,262
Nonoperating Revenues		
State grants	254,268	254,290
Income before Transfers	453,570	659,552
Transfers	(100,000)	(100,000)
Change in Net Position	353,570	559,552
Net Position - January 1, as originally stated	3,561,081	3,001,529
Cumulative effect of change in accounting principle	145,961	-
Net Position - January 1, restated	3,707,042	3,001,529
Net Position - December 31	\$ 4,060,612	\$ 3,561,081

The solid waste fund generated a change in net position of \$453,570 for 2015 compared to \$659,552 for 2014 due to a decrease in charges for services revenue.

## UPCOMING PRONOUNCEMENTS

### 1. Accounting and Reporting for Other Post-employment Benefits

In June 2015, the Governmental Accounting Standards Board (GASB) issued two new pronouncements relating to other post-employment benefits (OPEB). GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions* significantly change the accounting and financial reporting of post-employment benefits that was established in GASB Statement Nos. 43 and 45. The primary purpose of these Statements is to improve accounting and financial reporting of OPEB obligations and enhance transparency of OPEB related information in your financial statements similar to how GASB Statements Nos. 67 and 68 were designed.

Currently, governments report a liability related to other post-employment liabilities for the unfunded portion of the annual required contribution, which includes an amortization of the Unfunded Actuarial Liability (UAL) over an open period of time, not to exceed 30 years. Upon implementing the new standards, the City will recognize the difference between total OPEB liability and any plan assets (net OPEB liability) in the government-wide and proprietary financial statements, often resulting in a significant increase in the OPEB liability reported in your financial statements. The new standards also require that the entry age normal cost method be used to determine the liability, deferred inflows and outflows of resources to be reported for changes in economic and demographic assumptions and differences between expected and actual experience, and additional note disclosures and schedules.

The new standards are effective for financial statements for OPEB plans for fiscal years beginning after June 15, 2016 and for employers for fiscal years beginning after June 15, 2017. We recommend that the City evaluate impact of the new standards with your actuary, and determine an implementation strategy to minimize your costs while ensuring adequate communication of the impact of these changes will have on your financial statements. As you develop your implementation strategy, you should evaluate the following:

- Do you anticipate any changes in benefits? If yes, you should approve benefit changes prior to implementation, as any changes in benefits in the future are treated as a current year activity.
- What is your valuation measurement date? You can roll back to a valuation date 12 months prior to year end, allowing you to complete your actuarial valuation prior to year end or you can roll forward to your reporting date, requiring your actuarial valuation to be completed after year end but before you anticipate issuance of your financial statements.



## **2. Fair Value Measurement and Application**

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurement, primarily for investments.

GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also provides guidance on how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. It establishes a hierarchy of inputs to valuation techniques used to measure fair value. That fair value hierarchy has three levels of inputs based on the objectivity and reliability of the information. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs for similar assets or liabilities. Finally, Level 3 inputs are unobservable inputs. GASB Statement No. 72 requires additional footnote disclosures about fair value measurement, the level of fair value hierarchy and valuation techniques used.

The new standard is effective for years beginning after June 15, 2015, although early application is encouraged. We recommend that the City review the new standard, determine its investments that are subject to fair value measurement and value those investments according to the valuation techniques and inputs outlined in the Statement. We are able to assist you in implementing this standard.

## **3. Uniform Grant Guidance**

The U.S. Office of Management and Budget (OMB) has issued new Uniform Grant Guidance which replaces the previous Single Audit Guidelines issued under various OMB Circulars. The new Uniform Guidance requires organizations that receive Federal grant awards to enhance their control documentation over managing these grants in an effort to strengthen oversight over the management and spending of these funds. The enhanced documentation requires organizations to identify and document key controls over the receipt and disbursement of federal funds. This documentation would occur at both the department level for the department managing the grant and at the overall organization level.

As part of the current year audit, we completed the audit of your federal programs following the new Uniform Guidance which requires us to review documentation of your policies and procedures, design tests to determine the policies and procedures are operating effectively, and that you are compliant with the specific requirements of the federal award tested. Our procedures indicated that we believe you are meeting the minimum requirements, but believe documentation could be improved by identifying and documenting key controls for each individual grant.

We would be available to assist the City with the implementation of the recommendation noted above.



## **APPENDIX**



DEPARTMENT OF ADMINISTRATION & FINANCE  
FINANCE DIVISION

June 24, 2016

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

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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 discretely presented component unit, each major fund, and the aggregate remaining 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 in No. 54 are considered material based on the materiality criteria specified in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 24, 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 19, 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 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.
49. 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.
50. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
51. 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.



52. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.
53. 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*, No. 74, *Financial Reporting for Post-employment Benefit Plans other than Pension Plans*, No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* and No. 77, *Tax Abatement Disclosures*, as discussed in Note E.12. The City 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.
54. With respect to federal and state award programs:
- a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance 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 the Uniform Guidance 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 Uniform Guidance 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 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 the Uniform Guidance 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 federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards 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 federal and state statutes, regulations, and the terms and conditions of federal and state awards 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 federal and state awards (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 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 federal and state awarding agencies 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's Uniform Guidance (2 CFR Part 200, subpart E) OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, if applicable.
- 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 period covered by the auditors' report.
  - 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 federal and state statutes, regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance and the *State Single Audit Guidelines*.
  - u. We have issued management decisions for audit findings that relate to federal and state awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal and state award provided to the subrecipient.
  - 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 the Uniform Guidance 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 ensured the reporting package does not contain protected personally identifiable information.
  - z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
57. 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:



Kris Moen, Interim Finance Director