MANAGEMENT COMMUNICATIONS

DOOR COUNTY, WISCONSIN

DECEMBER 31, 2014

DOOR COUNTY, WISCONSIN
December 31, 2014

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Schenck SC
CPAs AND SO MUCH MORE.

To the County Board
Door County, Wisconsin

We have completed our audit of the basic financial statements of Door County (the "County") as of and for the year ended December 31, 2014. The County's financial statements, including our report thereon dated August 10, 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, OMB Circular A-133 and the *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 County'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 County'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 County'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 County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County'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.

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Significant Audit Findings

Consideration of Internal Control

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County 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 County's internal control over financial reporting (internal control) as a basis for designing our 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented in the Federal Awards and State Financial Assistance 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. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 County'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.

A significant deficiency is a deficiency, or a combination of deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the County's internal control to be a significant deficiency:

Finding 2014-001 Preparation of Annual Financial Report

This finding is described in detail in the Additional Auditors' Report in the Federal Awards and State Financial Assistance Report.

The County's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 County 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 County 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 accumulated sick leave is based upon analysis of the employees sick leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the 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 August 10, 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 County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County'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.

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

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 nonmajor fund combining statements, and individual fund statements, 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 County Board, and management of Door County and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
August 10, 2015

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of the various County governmental fund balances totaling $25,513,251 on December 31, 2014, including a comparison to the prior year. This information is provided for assisting management in assessing financial results for 2014 and for indicating financial resources available at the start of the 2015 budget year.

	12/31/14	12/31/13
General Fund		
Nonspendable		
Delinquent property taxes	$ 875,077	$ 1,112,857
Inventory and prepaid items	371,712	464,212
Restricted	246,412	259,616
Committed	6,311,440	6,539,801
Unassigned	12,156,982	10,679,120
Total General Fund	19,961,623	19,055,606
Special Revenue Funds		
Human Services	8,673	8,265
County Roads and Bridges	1,204,125	1,219,415
Revolving Loan	656,159	807,358
CDBG Special Housing	11,331	11,331
Senior Resource Center	447,295	444,796
Library Federal Programs	372	349
Recycling Solid Waste	1,398,528	1,412,130
Jail Assessments	28,961	43,317
Veteran's Memorial	7,134	7,128
Cana Island Restoration	40,028	216,015
Library Donations	33,141	36,694
Jail Commissary	103,296	68,483
Dog License	1,000	976
Total Special Revenue Funds	3,940,043	4,276,257
Debt Service Funds		
Debt Service	1,688	2,491
Capital Projects Funds		
Capital Projects	1,609,897	1,857,849
Total Governmental Fund Balances	$ 25,513,251	$ 25,192,203

The general fund unassigned fund balance is the measure of the County's available and unappropriated cash that is available for any County purpose. The County's current unassigned fund balance totaled $12,156,982 on December 31, 2014 and represented approximately 27% of the general and special revenue funds actual expenditures. This amount would generally be considered by bond rating agencies to be an adequate working capital reserve.

SUMMARY FINANCIAL INFORMATION (Continued)

2. **Comparative Analysis of Health and Dental Self-Insurance Fund for the Years Ended December 31, 2014 and 2013**

	2014	2013
Operating Revenues		
Charges for services	$ 6,880,210	$ 6,716,905
Operating Expenses		
Insurance claims and administration	5,653,886	6,491,981
Change in Net Position	1,226,324	224,924
Net Position - January 1	3,339,285	3,114,361
Net Position - December 31	$ 4,565,609	$ 3,339,285

We bring this to your attention to keep you informed of the operations of the health and dental self-insurance fund.

3. Summary of County Roads and Bridges Special Revenue Fund

The County utilizes a special revenue fund to account for general property taxes and state aids used to reimburse the highway department's enterprise fund for the maintenance and construction of County roads and bridges. A statement of the County Roads and Bridges Special Revenue Fund for 2014 and 2013 follows:

	2014	2013
Revenues		
Property taxes	$ 489,578	$ 269,614
State aid		
Transportation	1,515,140	1,066,070
Miscellaneous	1,446	2,604
Total Revenues	2,006,164	1,338,288
Expenditures		
CTHS maintenance	1,006,168	900,791
CTHS winter maintenance	937,226	875,260
CTHS road construction	2,858,302	2,782,005
CTHS bridge construction	6,928	49,307
Total Expenditures	4,808,624	4,607,363
Excess of Revenues Under Expenditures	(2,802,460)	(3,269,075)
Other Financing Sources (Uses)		
Transfer in	2,787,170	2,662,035
Transfer out	-	(36,581)
Total Other Financing Sources (Uses)	2,787,170	2,625,454
Net Change in Fund Balance	(15,290)	(643,621)
Fund Balance - January 1	1,219,415	1,863,036
Fund Balance - December 31	$ 1,204,125	$ 1,219,415

4. Summary of Highway Cost Pool Operations

Transportation cost pools are used to accumulate those costs of the highway department where the intent is to recover expenses of operations, including depreciation on highway buildings and equipment, directly from user charges for service. The cost pool accounting system is designed to match all revenues and expenses of a particular operation and aid management in determining the adequacy of rates being charged and the cost effectiveness of each operation. Presented below is a summary of the major transportation cost pools of the highway department internal service fund for the period January 1, 2014 to December 31, 2014 with comparison amounts from 2013.

Machinery Operations	2014	2013
Charges for services	$ 2,614,336	$ 2,845,942
Expenses		
Personnel services	514,528	460,896
Supplies and expenses (including overhead)	1,279,772	1,407,454
Depreciation	513,391	512,365
Total Expenses	2,307,691	2,380,715
Net Income	$ 306,645	$ 465,227

Bituminous Operations	2014	2013
Charges for services	$ 1,794,651	$ 2,048,467
Expenses		
Personnel services	109,664	102,807
Supplies and expenses (including overhead and inventory adjustments)	1,333,907	1,666,190
Depreciation	111,037	104,589
Total Expenses	1,554,608	1,873,586
Net Income	$ 240,043	$ 174,881

Pit and Quarry Operations	2014	2013
Charges for services	$ 325,618	$ 360,151
Expenses		
Personnel services	261,341	385,892
Supplies and expenses (including overhead and inventory adjustments)	412,288	560,489
Depreciation	21,201	64,733
Total Expenses	694,830	1,011,114
Net Loss	$ (369,212)	$ (650,963)

As shown above, the combined net total for the bituminous and pit and quarry operations totaled a net loss of $129,169 in 2014. This compared to net loss of $476,082 in 2013.

5. Comparative Analysis of Human Services Special Revenue Fund for the Years Ended December 31, 2014 and 2013

	2014	2013
Revenues		
Property taxes	$ 3,289,840	$ 3,465,317
Federal and state aid	7,672,114	7,373,389
Departmental collections	1,968,305	1,920,206
Miscellaneous	841,108	1,055,337
Total Revenues	13,771,367	13,814,249
Expenditures		
Administration and aid programs	13,002,074	13,270,044
Excess of Revenues Over Expenditures	769,293	544,205
Other Financing Sources (Uses)		
Transfer in	42,059	103,627
Transfer out	(810,944)	(672,773)
Total Other Financing Sources (Uses)	(768,885)	(569,146)
Net Change in Fund Balance	408	(24,941)
Fund Balance - January 1	8,265	33,206
Fund Balance - December 31	$ 8,673	$ 8,265

COMMENTS AND OBSERVATIONS

1. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

In June, 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, revising and establishing new financial reporting requirements for governments that provide their employees with pension benefits. The new standard recognizes pension costs as employment services are provided, rather than when the pensions are funded. This change in the pension liability calculation could have a material impact on net position for many governments. Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

Other significant changes from previous reporting requirements (GASB 27) include:

- Coordination of the actuarial valuation date and the measurement date;
- Stricter guidance on the selection and calculation of the discount rate;
- Required use of the entry age normal actuarial cost method;
- Some changes in pension liabilities will be reported as deferred outflows/inflows of resources;
- Required supplementary information, with ten years of trend information developed over time;
- Expanded note disclosures

This new standard is also applicable to the Wisconsin Retirement System ("WRS"). It is our understanding that the WRS is well aware of the impact of this new standard and is planning to provide participants with detailed supplementary information that will be needed to complete the footnote disclosures in County's audited financial statements. At this time, we are not aware of any action that is required by the County.

This comment is for informational purposes.

2. Single Audit Requirements

U.S. Office of Management and Budget ("OMB") issued one Circular, often referred to as the "Super-Circular" or "Omni-Circular," in December, 2013 which will be effective for fiscal years beginning on or after December 26, 2014. This Circular supersedes eight existing Circulars and combines into one place the administrative requirements, cost principles, and audit requirements for all organizations that receive Federal Awards. The new Circular was designed to strengthen oversight of federal awards and increase the efficiency and effectiveness of single audits.

Since you receive federal assistance, your policies and procedures may need to be reviewed and potentially modified to comply with this new guidance. To assist you in this process, we have identified the key changes for your review and consideration.

Administrative requirements

Administrative requirements generally focus on how federal funds are managed by recipients and involve overall policies, procedures and related controls. Specific changes of the Circular which may impact you follow:

- **Recipient Monitoring and Performance Management.** Requires greater focus on federal agencies and pass-through entities to evaluate the risk of passing through federal funds to a recipient with additional pre- and post-award monitoring responsibilities. Risks to be considered consist of financial stability, performance history and prior audit findings, among other factors. As a recipient, you may notice additional oversight activities by your grantor agencies. As a pass-through agency, you may need to integrate additional performance standards into your contracts and monitored results throughout the contract. In addition, the Circular requires your contracts to contain specific data elements within the contract.

- **Procurement Responsibilities.** Expands procurement responsibilities and conflict-of-interest guidance to ensure all organizations have adequate policies and procedures to protect the integrity of procurements of federal funds.

- **Internal Controls.** Requires organizations to establish and maintain effective internal controls over federal awards, including measures to safeguard protected personally identifiable information. Specifically, you should document the controls you are relying on based on guidance established in the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Cost principles

Both federal and state agencies have previously established guidelines which determine costs which were allowable for reimbursement under their grant agreements; however, different guidelines existed between colleges and educational institutions, governments, and not-for-profit organizations. The new Circular consolidates three Circulars and expands guidance. Specific changes of the Circular which may impact you follow:

- **Direct and Indirect Costs.** Expands guidelines regarding to how direct and indirect costs are reported, promoting increased consistency and transparency when applying indirect costs to grant awards. This may impact your indirect cost plan prepared annually by the County.

- **Time and Effort Reporting.** Provides alternatives to the current reporting requirements for salaries and wages to prevent duplicating efforts when organizations have good internal controls. As auditors, we will be required to verify your controls work effectively and efficiently to safeguard federal funds.

2. <u>Single Audit Requirements (Continued)</u>

Audit requirements

For the year ended December 31, 2013, the County was required to have an audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as it expended more than $500,000 in federal awards (commonly referred to as a "single audit"). Specific changes of the Circular related to audit requirements which may impact you follow:

- **Increased threshold.** The new guidelines increase the requirement for an organization to have a single audit performed from the current threshold of $500,000 to $750,000 of federal awards expended.

- **Major program determination.** Currently, federal programs with expenditures of $300,000 or more must be periodically tested as major programs (Type A programs.) The new guidelines increase the threshold for Type A programs to at least $750,000.

- **High risk classification.** The new guidelines amend the types of findings that will trigger a high-risk classification, which requires a Type A program to be audited as a major program. Type A programs will be considered high-risk if, in the most recent audit period, the program:
  - Did not receive an unmodified opinion;
  - Had a material weakness in internal control; or
  - Had known or likely questioned costs exceeding 5% of total program expenditures

- **Audit coverage.** The new guidelines reduce the percentage of coverage required in a single audit from 50% to 40% of federal expenditures for entities that do not qualify as low-risk auditees and from 25% to 20% for low-risk auditees. The guidance also revises the criteria for low-risk auditee status, making it more difficult for some organization to qualify.

- **Audit findings**. The new guidelines require auditors to report their findings in greater detail, but it increases the threshold for reporting questioned costs from $10,000 to $25,000. The requirement for a finding related to state programs continues to be $1,000 although the State of Wisconsin is evaluating.

- **Corrective Action Plan.** The County must prepare a correction plan for current year audit findings. When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken.

- **Schedule of Expenditures of Federal Awards.** The County must include federal awards passed through to recipients in its Schedule of Expenditures of Federal Awards. Because a recipient may receive funding under multiple grants, including County funds, the County will need to allocation payments by funding source to comply with this requirement.

This comment is for informational purposes only. We would be happy to assist the County in determining how the new guidance will impact future single audits of the County.

APPENDIX

August 10, 2015

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

This representation letter is provided in connection with your audit of the financial statements of Door County, Wisconsin, (the "County"), 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 August 10, 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 November 17, 2014, 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 County'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 County 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 County from whom you determined it necessary to obtain audit evidence.

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

13. All material transactions have been recorded in the accounting records and are reflected in the financial statements 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 County'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 County'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 County 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. 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.

29. The County 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 County 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 or 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 County'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, and individual fund statements (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 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 County'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: ______________________
Kenneth Pabich
County Administrator

Signed: ______________________
Mark Janiak
Finance Director