

June 23, 2010

Finance Committee
City of Wausau, Wisconsin
Wausau, Wisconsin

This letter is to provide you with information about significant matters related to our audit of the financial statements of City of Wausau, Wisconsin for the year ended December 31, 2009. It is intended solely for the Finance Committee and should not be used by anyone other than this specified party.

The following are our observations arising from the audit that are relevant to your responsibilities in overseeing the financial reporting process.

Auditor's Responsibilities Under Generally Accepted Auditing Standards. Our audit was performed for the purpose of forming and expressing an opinion about whether the financial statements, that have been prepared by management with your oversight, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve you or management of your responsibilities.

Other Information in Documents Containing Audited Financial Statements. In connection with the City's comprehensive annual financial report, we did not perform any procedures or corroborate other information included in the annual report. However, we read the transmittal letter, management's discussion and analysis of financial conditions and results of operations and the statistical information and considered whether the information or the manner in which it was presented was materially inconsistent with information or the manner of presentation of the financial statements. Based on our reading, we concluded that the information did not require revision.

Significant Issues Discussed With Management Prior to Retention. We discuss various matters with management each year prior to retention as the City's auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

Consultations With Other Accountants. We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles and generally accepted auditing standards.

Qualitative Aspects of Accounting Practices.

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Wausau, Wisconsin are described in Note 1 to the financial statements. There were no significant accounting policies or their application which were either initially selected or changed during the year.

We noted no transactions in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

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.

Significant estimates in the basic financial statements consist of the determination of the allowance for uncollectible ambulance accounts receivable, the estimated useful lives used in the calculation of depreciation on capital assets, the claims payable for the self-insured insurance fund, as well as the estimated other post employment benefit. Management established the allowance for uncollectible ambulance accounts receivable based on the aging of these receivables and historical collection rates. Management established the estimated useful lives of capital assets based on the age of the assets and industry guidelines for class of assets. Management records the liability for claims payable based upon information provided by a third party claims administrator and historical experience. Management records the unfunded other post employment benefit obligation based upon recommendations of various assumptions and calculations provided by professional actuaries.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

Difficulties Encountered in Performing the Audit. We encountered no significant difficulties in dealing with management related to the performance of our audit.

Corrected Misstatements. The following summarizes a corrected misstatement, other than those that are trivial, that was brought to the attention of management as a result of audit procedures. An adjustment of \$28,000 was proposed to increase receivables and revenues in the Sewer Fund. Management has corrected this misstatement.

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Representations from Management. We have requested the representations from management that are shown in the attached Exhibit I.

Disagreements With Management. There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the Company's financial statements or our report on those financial statements.

Please contact us if you have any questions regarding the matters included in this letter.

Clifton Henderson LLP

June 23, 2010

Exhibit I

Clifton Gunderson LLP
201 Frontenac Ave.
Stevens Point, WI 54481

We are providing this letter in connection with your audit of the basic financial statements of City of Wausau, Wisconsin as of December 31, 2009 and for the year then ended for the purpose of expressing an opinion as to whether the basic financial statements present fairly the financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information and the respective changes in financial position and cash flows, where applicable of City of Wausau, Wisconsin in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position and results of operations of City of Wausau, Wisconsin and the cash flows of its proprietary fund types and nonexpendable trust funds in conformity with accounting principles generally accepted in the United States of America. Although Clifton Gunderson may have made suggestions as to the form and content of the financial statements or even prepared them in whole or in part, we acknowledge our responsibility for the review and approval of the financial statement amounts and disclosures, and understand the financial statements remain the representations of our management.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the 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.

We confirm, to the best of our knowledge and belief, as of June 23, 2010 the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. All communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with:
 - (1) Statutory, regulatory or contractual provisions or requirements.
 - (2) Financial reporting practices that could have a material effect on the financial statements.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
4. We have followed applicable laws and regulations in adopting, approving and amending budgets.
5. 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.
6. With respect to the financial statements we acknowledge the following:
 - a. The financial statements properly classify all funds and activities.
 - b. The funds that meet the quantitative criteria in GASB Statement No. 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.
 - c. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 - d. 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.
 - e. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 - f. Interfund, internal, and intra-activity and balances have been appropriately classified and reported.
 - g. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - h. Special and extraordinary items have been appropriately classified and reported.
 - i. The management's discussion and analysis, budgetary schedules, and pension information, which is required supplementary information (RSI), is measured and presented within prescribed guidelines.
7. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
8. We have reviewed and approved all adjustments and corrections made to the financial statements and acknowledge that the adjustments are complete and accurate.
9. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

10. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
11. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balances.
13. The following have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions and related amounts receivable or payable, including revenues, expenditures, loans, transfers, leasing arrangements, and guarantees.
 - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.
 - c. Estimates that might be subject to material change within one year from the date of the financial statements. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
14. There are no:
 - a. Violations or possible violations of budget ordinances, or laws or regulations (including those pertaining to adopting or amending budgets, tax or debt limits, and federal, state or local environmental laws and regulations) whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.
 - c. Transfers, reservations or designations of fund equity or interfund borrowings that were not properly authorized and approved, or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you.
 - d. Guarantees, whether written or oral, under which the entity is contingently liable.
 - e. Agreements to repurchase assets previously sold.

15. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450.
16. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged.
17. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
18. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
19. With respect to federal award programs:
 - a. We are responsible for complying, and have complied, with the requirements of Circular A-133.
 - b. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included all expenditures made during the period being audited for all awards provided by federal 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 assistance.
 - c. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
 - d. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
 - e. We 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 federal program.
 - f. We have made available all contracts and grant agreements related to federal programs (including amendments, if any) and any related correspondence that has taken place with federal agencies or pass-through entities.
 - g. We have complied, in all material respects, with the compliance requirements in connection with federal awards except as we have disclosed to you.
 - h. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
 - i. Our interpretations of any compliance requirements that have varying interpretations have been provided to you.

- j. We have made available all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with that presented in the schedule of expenditures of federal awards.
- l. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- m. 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 Circular A-133.
- n. We have issued management decisions on a timely basis after the receipt of subrecipients' auditor's 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.
- o. We have considered the results of subrecipient audits and have made any necessary adjustments to our own books and records.
- p. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
- q. We have made available to you all audit or monitoring reports, if any, received from funding sources.
- r. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- s. We have accurately completed the appropriate sections of the data collection form and we are responsible for preparing and implementing a corrective action plan for each audit finding.
- t. We have disclosed all contracts or other agreements with the service organizations.
- u. We have disclosed all communications from the service organization relating to noncompliance at the service organization.
- v. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
- w. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies

and/or material weaknesses, have occurred subsequent to the date as of which compliance is audited.

20. We are responsible for establishing and maintaining effective internal control over financial reporting.
21. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as discussed in Note 1D. The entity is therefore unable to disclose the impact that adopting GASB Statement No. 54 will have on its financial position and the results of operations when such Statement is adopted.
22. We are responsible for City of Wausau, Wisconsin compliance with grant provisions, laws and regulations applicable to it; and we have identified, and disclosed to you, all grant provisions, laws and regulations that have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds. We have complied with all aspects of grant provisions, laws, regulations, and contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
23. We are responsible for our estimate of the allowance for uncollectible ambulance accounts receivable and the estimate of the claims payable for the self-insured insurance fund and have made the decisions that impact the computation for them based upon aging schedules, information provided by third party claims administrators and historical experience.
24. Except as has been disclosed in the financial statements, no events have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Maryanne Groat, CPA
Finance Director

Richard Whalen, CPA
Assistant Finance Director