

City of Wausau, Wisconsin
MANAGEMENT COMMUNICATIONS

December 31, 2018

City of Wausau, Wisconsin

DECEMBER 31, 2018

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CliftonLarsonAllen LLP
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To the Honorable Mayor and City Council
City of Wausau, 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 the City of Wausau, Wisconsin (the "City") as of and for the year ended December 31, 2018. The City's financial statements, including our report thereon dated July 26, 2019, 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, GOVERNMENT AUDITING STANDARDS, 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 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. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with Uniform Guidance 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

FINANCIAL STATEMENTS

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, 2018, 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 in the report on Federal and State Awards.

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.

FEDERAL AND STATE AWARDS

In planning and performing our audit of compliance for each major federal and state program, we considered the City's internal control over compliance (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on compliance requirements that could have a direct and material effect on each of the City's major federal and state programs for the year ended December 31, 2018, 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 compliance is presented in the report on Federal and State Awards.

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, noncompliance 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 noncompliance of the City's major federal or state award programs will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance 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 1 to the financial statements. As described in Note 4.B. to the financial statements, the City changed accounting policies related to postemployment benefits by adopting Statement of Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. 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 postemployment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other postemployment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the fair value of the investments is based on ending market values as of December 31, 2018 as reported by the investment managers. We evaluated the key factors and assumptions used in valuing the investments in determining that they are 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 accumulated sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management estimated an allowance for uncollectible accounts for accounts receivable outstanding. These estimates are based upon management's knowledge 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 liability (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 liability (asset) and related deferred outflows/inflows of resources in determining that they are 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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements; reverse prior year constructed retainage. Management did not identify and we did not notify them of any, financial statement additional misstatements detected as a result of audit procedures.

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 July 26, 2019. 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. We were informed by management that there were no consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the general fund budgetary comparison schedule, and the schedules relating to pensions and other postemployment 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, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared 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. We have issued our report thereon July 26, 2019.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Restriction on Use

This information is intended solely for the information and use of the City Council, and management of the City of Wausau and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Wausau, Wisconsin
July 26, 2019

Summary Financial Information

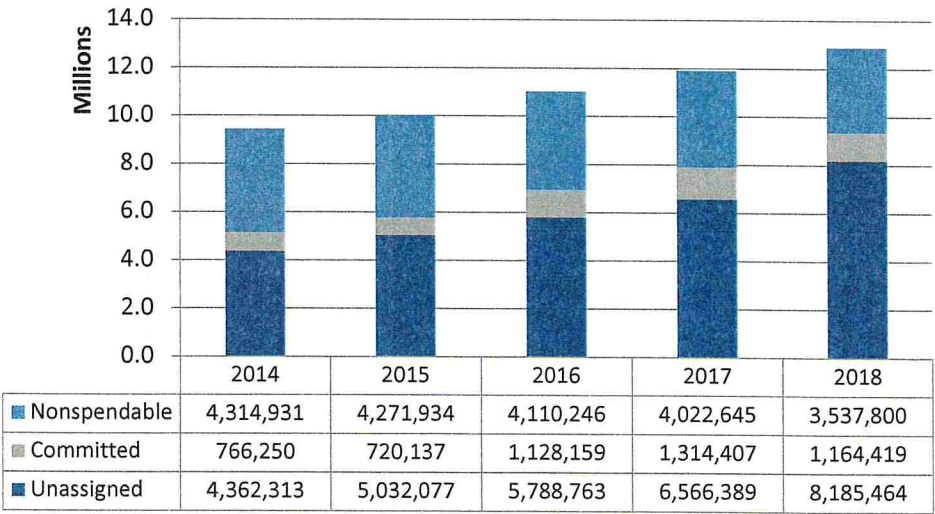
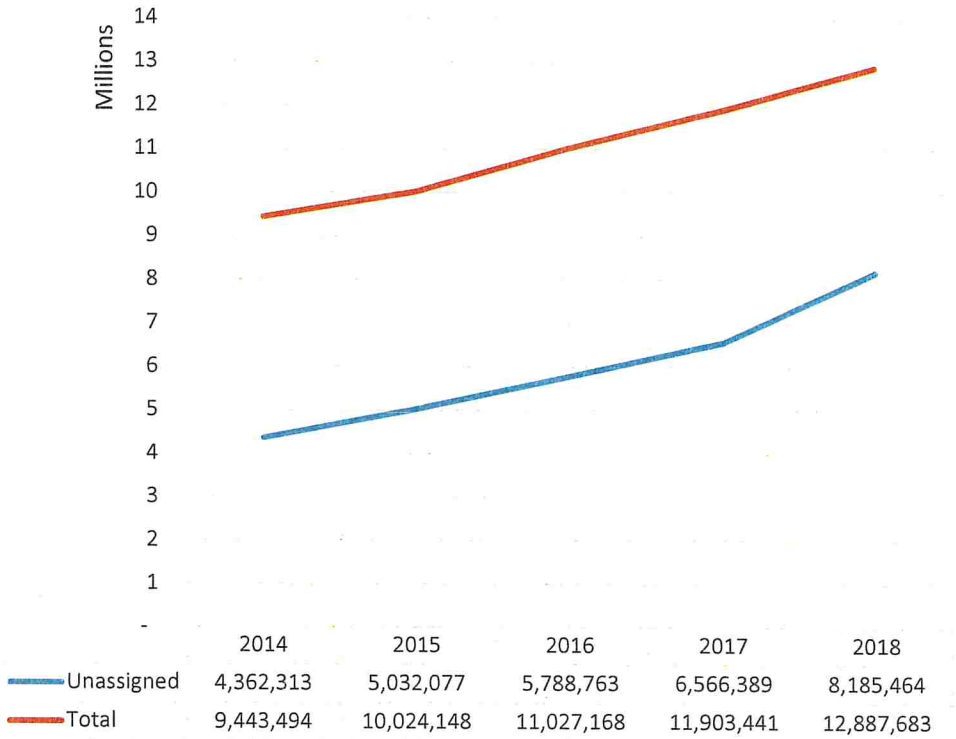
GOVERNMENTAL FUND BALANCES

Presented below is a summary of the City's governmental fund balances on December 31, 2018 and 2017. This information is provided for assessing financial results for 2018 and for indicating financial resources available at the start of the 2019 budget year.

	<u>12/31/18</u>	<u>12/31/17</u>
General Fund		
Nonspendable for:		
Advances	\$ 3,141,541	\$ 3,713,323
Inventories and prepaid items	396,259	309,322
Committed	1,164,419	1,314,407
Unassigned	8,185,464	6,566,389
Total General Fund Balance	<u>12,887,683</u>	<u>11,903,441</u>
Debt Service Fund	<u>1,199,615</u>	<u>1,240,252</u>
Special Revenue Funds		
Grants	1,632,976	1,513,743
HUD Mortgage	131,917	136,471
DLAD Mortgage Program	518,756	518,830
Economic Development	289,186	316,805
Federal Rent Rehabilitation	337,818	337,818
WRRP Rehabilitation	1,193,253	1,146,345
Holtz-Krause Clean Up	1,776,029	1,765,386
Hazardous Materials Emergency Response	180,065	200,879
Housing Stock Improvement	309,357	318,381
Room Tax	41,458	45,345
Public Access Cable	1,439	5,619
Recycling	8,314	(14,091)
EMS Grant	40,047	33,336
400 Block	126,369	58,577
Other Grants & Special Purpose Accounts	839,823	817,150
Total Special Revenue Funds	<u>7,426,807</u>	<u>7,200,594</u>
Capital Projects Funds		
Capital Improvements	3,725,795	3,712,726
TID #3	3,009,160	5,716,573
Central Capital Purchasing	83,328	46,776
TID #6	2,947,243	1,660,349
TID #7	(1,692,079)	(2,146,797)
TID #8	255,587	240,778
TID #9	(140,955)	(113,217)
TID #10	(270,929)	(306,871)
TID #11	4,159,943	3,437,401
TID #12	3,649,929	(222,350)
Total Capital Projects Funds	<u>15,727,022</u>	<u>12,025,368</u>
Total Governmental Fund Balances	<u>\$ 37,241,127</u>	<u>\$ 32,369,655</u>

FUND BALANCE ANALYSIS – GENERAL FUND

Presented below is a fund balance analysis of the General Fund for the years 2014 - 2018. This information is presented for assisting management in assessing fund balance at the end of fiscal year 2018 and how it compares to prior years.



WATER UTILITY

A comparative summary of the Water Utility's change in net position for the years ended December 31, 2018 and 2017 appears below:

	<u>12/31/18</u>	<u>12/31/17</u>
Operating Revenues		
Charges for services	\$ 5,872,093	\$ 5,369,904
Operating Expenses		
Operation and maintenance	2,926,502	2,682,577
Depreciation	1,226,894	1,189,328
Total Operating Expenses	<u>4,153,396</u>	<u>3,871,905</u>
Operating Income	<u>1,718,697</u>	<u>1,497,999</u>
Nonoperating Revenues (Expenses)		
Interest expense	(174,657)	(183,001)
Interest income	22,118	3,020
Gain on sale of assets	9,958	2,910
Amortization	20,685	1,909
Total Nonoperating Revenues (Expenses)	<u>(121,896)</u>	<u>(175,162)</u>
Income before Capital Contributions and Transfers	1,596,801	1,322,837
Capital Contributions	1,485,856	16,240
Transfers	<u>(1,165,911)</u>	<u>(1,135,012)</u>
Change in Net Position	<u>\$ 1,916,746</u>	<u>\$ 204,065</u>

WASTEWATER UTILITY

A comparative summary of the Wastewater Utility's change in net position for the years ended December 31, 2018 and 2017 appears below:

	<u>12/31/18</u>	<u>12/31/17</u>
Operating Revenues		
Charges for services	\$ 5,455,972	\$ 5,312,985
Operating Expenses		
Operation and maintenance	3,228,465	3,132,714
Depreciation	1,270,561	1,292,867
Total Operating Expenses	<u>4,499,026</u>	<u>4,425,581</u>
Operating Income	<u>956,946</u>	<u>887,404</u>
Nonoperating Revenues (Expenses)		
Interest expense	(238,671)	(283,949)
Interest income	43,863	5,582
Amortization	32,345	1,715
Total Nonoperating Revenues (Expenses)	<u>(162,463)</u>	<u>(276,652)</u>
Income before Capital Contributions and Transfers	794,483	610,752
Capital Contributions	1,260,988	81,285
Transfers	<u>(450,000)</u>	<u>(450,000)</u>
Change in Net Position	<u>\$ 1,605,471</u>	<u>\$ 242,037</u>

PARKING UTILITY

A comparative summary of the Parking Utility's change in net position for the years ended December 31, 2018 and 2017 appears below:

	<u>12/31/18</u>	<u>12/31/17</u>
Operating Revenues		
Charges for services	\$ 956,565	\$ 1,000,947
Operating Expenses		
Operation and maintenance	1,277,826	1,383,582
Depreciation	673,564	656,119
Total Operating Expenses	<u>1,951,390</u>	<u>2,039,701</u>
Operating Loss before Capital Contributions	<u>(994,825)</u>	<u>(1,038,754)</u>
Capital Contributions	<u>-</u>	<u>136,994</u>
Change in Net Position	<u>\$ (994,825)</u>	<u>\$ (901,760)</u>

METRO RIDE TRANSIT

A comparative summary of the Metro Ride Transit's change in net position for the years ended December 31, 2018 and 2017 appears below:

	<u>12/31/18</u>	<u>12/31/17</u>
Operating Revenues		
Passenger fares	\$ 429,393	\$ 434,699
Intergovernmental	1,879,153	1,754,761
Total Operating Revenues	<u>2,308,546</u>	<u>2,189,460</u>
Operating Expenses		
Operation and maintenance	3,195,745	2,939,742
Depreciation	574,524	579,042
Total Operating Expenses	<u>3,770,269</u>	<u>3,518,784</u>
Operating Loss	<u>(1,461,723)</u>	<u>(1,329,324)</u>
Nonoperating Revenues		
Property taxes	<u>809,906</u>	<u>601,600</u>
Loss before Capital Contributions	<u>(651,817)</u>	<u>(727,724)</u>
Capital Contributions	<u>168,500</u>	<u>-</u>
Change in Net Position	<u>\$ (483,317)</u>	<u>\$ (727,724)</u>

New Accounting Standard

ACCOUNTING AND REPORTING FOR FIDUCIARY ACTIVITIES

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities and revises reporting requirements. The standard is effective for fiscal years ending on or after December 31, 2019. In addition, the GASB expects to issue an implementation guide in 2019.

Identifying Fiduciary Activities

Activities other than pension and postemployment arrangements are considered fiduciary activities if all of the following criteria are met:

- ▶ The government controls the assets or can direct their use.
- ▶ The activity must not be solely based on the government's own-source revenue. Own-source revenue includes exchange transactions such as user charges, sales taxes and property taxes.
- ▶ The government does not have administrative involvement such as determining eligibility, monitoring compliance or approval of expenditures.
- ▶ The government does not have direct financial involvement such as matching requirements or liability for disallowed costs.

Activities meeting these criteria would be required to be reported as fiduciary funds. An exception is made for funds held in enterprise funds which are expected to be held for three months or less. These funds can continue to be reported in the enterprise fund. Activities not meeting these criteria would be reported as part of the governmental or proprietary funds.

The administrative involvement criteria is likely to have the most impact on reclassification of fiduciary activities. Policies on the expenditures of funds and approval of expenditures by an employee of the government may be considered administrative involvement and preclude the classification as a fiduciary activity.

Financial Reporting

An activity meeting the above criteria should be reported in one of the following four fiduciary funds:

- ▶ Pension and other employee benefit trust funds
- ▶ Investment trust funds
- ▶ Private-purpose trust funds
- ▶ Custodial funds

Fiduciary assets administered through a trust agreement are recorded in a pension and other employee benefit trust, investment or private-purpose trust fund. Custodial funds are used to report all other fiduciary activities not held in a trust or equivalent arrangement. Agency funds have been eliminated with GASB No. 84 and replaced with custodial funds.

Fiduciary funds will present a statement of fiduciary net position, including assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Liabilities to beneficiaries should be recognized when an event occurs that compels the government to disburse fiduciary resources, when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. A statement of changes in fiduciary net position should present additions by source and deductions by type.

Implementation

As mentioned previously, this new standard is effective for fiscal years ending on or after December 31, 2019. However, due to the potential reclassification of funds, the impact may need to be considered during budget preparation. We recommend the City begin to determine the impact of the Statement by:

1. Identifying potential fiduciary activities. Some activities to consider include:
 - a. Tax collection funds
 - b. Circuit court funds
 - c. Jail inmate funds
 - d. Nursing home patient funds
 - e. Cemetery trust funds
2. Gathering facts regarding each activity, including the government's administrative involvement.
3. Evaluating whether each activity meets the fiduciary activity criteria and determine how it should be reported. An appendix to the Statement includes flowcharts for the evaluation process.

These changes will affect your 2019 financial statements. This comment is for informational purposes.

ACCOUNTING AND REPORTING FOR LEASES

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*, which establishes a single model for lease accounting and revises reporting requirements.

Lease accounting is required when a government contracts to use another entity's equipment, building, or other nonfinancial assets for a specific period of time. Under the new guidance, a lease asset and a lease liability are recorded in the government-wide and proprietary financial statements for this contract. The lease liability is calculated by including the following: fixed payments, variable payments, interest rate, purchase options, residual value guarantees, and termination or extension options. The lease liability is discounted and is amortized over the lease term. The lease asset is calculated by starting with the lease liability amount and adjusting for incentives and other costs and is amortized over the shorter of the lease term or the useful life of the underlying asset. The lease asset is reported in the financial statements as an intangible right to use asset, rather than a capital asset under current guidance. Footnote disclosures including lease assets by asset class and related accumulated amortization and future minimum payments among other details are required under the new Statement.

When the government is leasing one of its assets to another entity, a lease receivable and deferred inflow of resources related to the lease receivable is recorded. The lease receivable is calculated similar to the lease asset described above. The lease receivable is discounted and is amortized over the lease term. The deferred inflow of resources is calculated by starting with the lease receivable and adjusting for incentives and other payments. The deferred inflow would be recognized as an inflow of resources in a systematic and rational manner over the lease term.

Some contracts include a nonlease component such as maintenance services. The government will need to allocate the contract cost between the lease component and the nonlease component, unless it is not practicable to do so. If it is not practicable, the entire contract should be treated as a lease.

This new standard is effective for fiscal years beginning after December 15, 2019. Early adoption is encouraged by GASB. We recommend the City review the new standard, gather all lease contracts, and identify the terms and conditions of each contract, noting the lease term, all payments, and options in order to properly determine the value of each lease. The City should also review contracts that have both lease and nonlease components to determine if a price allocation is practicable.

APPENDIX

Maryanne Groat –Director of Finance
Robert Splinter – Asst. Finance Director



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FINANCE DEPARTMENT

September 10, 2019

CliftonLarsonAllen LLP
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Wausau, WI 54401

This representation letter is provided in connection with your audit of the Schedules of Expenditures of Federal and State Awards (SEFA and SESA) in accordance with the requirements of 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 as of December 31, 2018, and for the year then ended for the purpose of expressing an opinion as to whether the single audit report presents fairly the federal and state expenditures of the City of Wausau, Wisconsin (the City), in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). We confirm that we are responsible for the fair presentations of the SEFA and SESA. Although CliftonLarsonAllen, LLP (CLA) may have made suggestions as to the form and content of the SEFA and SESA, we acknowledge our responsibility for the review and approval of the fair presentation and disclosures and understand that the SEFA and SESA remains the representation of 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 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 September 10, 2019, the following representations made to you during your audit.

1. We reaffirm that representations made for the December 31, 2018 basic financial statements audit report dated July 26, 2019 were fairly presented in conformity with accounting principles generally accepted in the United States. Additionally, no information has come to our attention that would cause us to believe that any of those previous representations should be modified.
2. 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 City's compliance with federal and state program requirements.
3. There are no material transactions that have not been properly recorded in the accounting records underlying the SEFA and or SESA.
4. We have reviewed and approved all adjustments and corrections to the SEFA and SESA and acknowledge that the adjustments are complete and accurate.

5. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - o Management;
 - o Employees who have significant roles in internal controls; or
 - o Others when the fraud could have a material effect on the financial statements.


6. We have made available to you all:
 - o Financial records and financial data
 - o 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.
 - o Communication from grantors, lenders, other funding sources or regulatory agencies concerning compliance with:
 - Statutory, regulatory or contractual provisions or requirements
 - Financial reporting practices that could have a material effect on the City's compliance with federal program requirements.


7. With respect to federal and state award programs:
 - a. We are responsible for understanding and complying with, and have complied with the requirements of 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 including requirements relating to preparation of the schedules of expenditures of federal and state awards.
 - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance and the schedule of expenditures of state awards (SESA) in accordance with the requirements of the *State Single Audit Guidelines*, and we believe the SEFA and SESA, including their form and content, are fairly presented in accordance with the Uniform Guidance and the *State Single Audit Guidelines*. The methods of measurement and presentation of the SEFA and SESA 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 SESA.
 - c. If the SEFA and SESA 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 SESA no later than the date we issued the SEFA and SESA 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 *State Single Audit Guidelines* compliance audit, and included in the SEFA and SESA expenditures made during the audit period for all awards provided by federal and state agencies in the form of federal or state awards, federal or state 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 provides 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, 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 direct and material compliance requirements of federal and state awards.
- j. We have disclosed to you 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).
- 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 known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- q. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred 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 basic financial statements have been prepared.
- s. The copies of federal and state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.
- t. We have charged costs to federal and state awards in accordance with applicable cost principles.
- u. 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 *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.
- v. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance and *State Single Audit Guidelines*.
- y. If applicable, management has monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- z. If applicable, management has issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed-up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.

aa. If applicable, management has considered the results of subrecipient audits and has made any necessary adjustments to management's own books and records.

Signature:  Title: Finance Director
Maryanne Groat

Signature:  Title: Assistant Finance Director
Robert Splinter