

**MANAGEMENT COMMUNICATIONS**

**CITY OF MANITOWOC, WISCONSIN**

**DECEMBER 31, 2014**

**CITY OF MANITOWOC, WISCONSIN**

December 31, 2014

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To the Mayor and City Council  
City of Manitowoc, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Manitowoc, Wisconsin (the "City") for the year ended December 31, 2014. The City's financial statements, including our report thereon dated May 28, 2015 are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Also in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the *State Single Audit Guidelines* applicable to each of its major federal and state programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.



## Significant Audit Findings

### *Consideration of Internal Control*

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 193 – 194 of the annual report.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates included in the financial statements were:

Management's estimate of the other post-employment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other post-employment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incurred, but not reported (IBNR) insurance reserves are based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. We evaluated the key factors and assumptions used to develop the reserves in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of accumulated compensated absences is based upon analysis of the employees 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 clearly trivial, and communicate them to the appropriate level of management. The financial statements reflect all accounting adjustments proposed during our audit. The adjustments included various end of year payable, receivable and reclassification entries. These entries are considered routine in nature and normally do not vary significantly from year to year. Copies of the audit adjustments are available from management.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 28, 2015. The management representation letter follows this communication.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

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

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, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized in the comments and observations section of this report.

*Restriction on Use*

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

Sincerely,



Certified Public Accountants  
Green Bay, Wisconsin  
May 28, 2015

**GENERAL CITY**

## SUMMARY FINANCIAL INFORMATION

### 1. Governmental Fund Balances

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

	12/31/14	12/31/13
General Fund		
Nonspendable		
Long-term receivables	\$ 4,267,385	\$ 3,781,606
Inventories and prepaid items	561,424	534,358
Assigned for future projects	91,312	53,708
Unassigned	1,416,511	1,184,321
Total General Fund	6,336,632	5,553,993
Special Revenue Funds		
Room tax	337,960	287,826
Farmer's market	37,728	35,959
Tax Incremental District #7	130,779	149,493
Commercial revolving loan program	746,913	717,978
Transit capital grant	34,979	27,924
Housing revolving loan programs	283,695	236,044
Community development block grant	(32,383)	11,130
HCRI revolving loan programs	36,919	26,631
Industrial revolving loan program	1,761,480	2,655,115
Library and library donations	26,111	199,669
Manitowoc International Relations Association	8,036	7,836
Rahr West Museum	307,107	360,437
Police programs	92,594	32,181
Parkland dedication	262,988	259,135
Aquatic center	(79,387)	4,758
Senior center	129,421	107,064
X Sports Center	-	10,695
Eternal flame	34,141	40,565
Centennial	11,244	10,425
Ball diamond improvements	-	14,352
Park and rec donations	114,402	106,332
Total Special Revenue Funds	4,244,727	5,301,549
Debt Service Fund	617,396	942,429

(Continued)

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

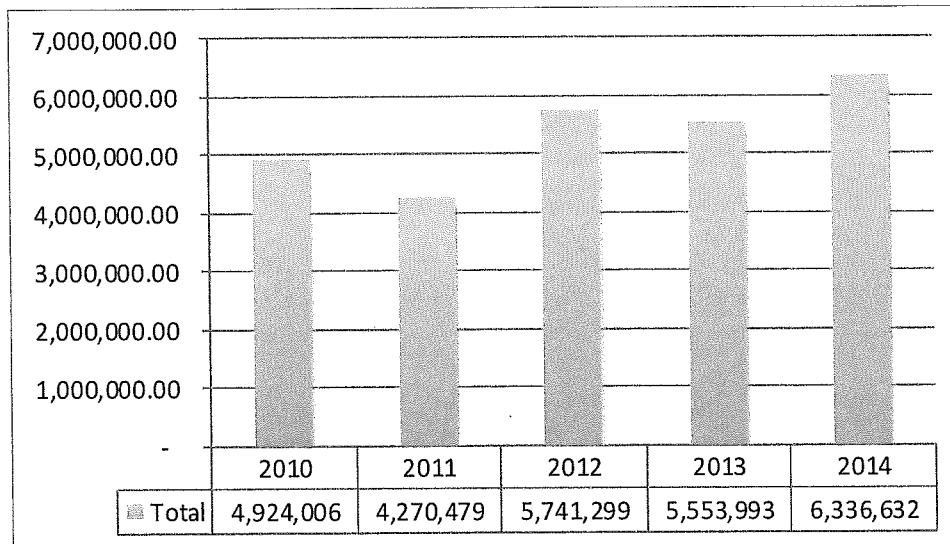
	12/31/14	12/31/13
Capital Projects Funds		
Sanitary and storm sewers	(1,714,018)	(2,191,389)
Streets	(2,927,061)	(3,088,380)
Harbor improvements	-	30,063
Capital equipment	1,316,552	595,257
Tax Incremental District #9	(559,849)	(721,951)
Tax Incremental District #11	(70,523)	-
Tax Incremental District #12	(135,592)	(134,574)
Tax Incremental District #14	(400,462)	(340,800)
Tax Incremental District #16	(1,418,411)	(1,228,975)
Tax Incremental District #17	-	(35,539)
Cemetery improvements	24,142	32,852
Environmental remediation	76,150	109,088
Buildings and other improvements	331,183	381,219
Total Capital Projects Funds	<u>(5,477,889)</u>	<u>(6,593,129)</u>
Total Governmental Fund Balances	<u>\$ 5,720,866</u>	<u>\$ 5,204,842</u>

The City's General Fund balance increased approximately \$782,639 during 2014. This was due to favorable variances in police and fire, public works, and conservation and development expenditures, being greater than negative revenue variances, mostly in rescue squad fees. The City also received insurance proceeds from the prior year's storm damage.

The unassigned portion of the General Fund (basically the amount that is available for contingencies or future spending) increased \$232,190. The main reason for this increase was the mostly due to actual revenues exceeding actual expenditures.

The following chart shows the change in the City's General Fund balance for the five most recent years.

General Fund Balance





**2. Fiduciary Fund Balances**

Fiduciary funds represent assets held by the City in a trustee capacity that are restricted to finance expenditures for specific purposes. Under the new accounting principles, the only City fund which qualifies as a fiduciary fund is the Poor Relief Fund. The balance in the fund at December 31, 2014 was \$16,699 compared to \$17,574 at the end of 2013.

**3. Cash Advances to Other Funds**

On December 31, 2014 the City had eight funds that showed operating cash deficits (negative cash balances). The operating cash deficits result from insufficient cash available in each of the funds to finance current fund expenditures as of December 31, 2014. The net effect of the foregoing is to require the general fund to temporarily advance its share of the City's pooled bank cash in order to finance voucher disbursements of the respective funds. Cash advances totaled \$4,627,545 on December 31, 2014 as follows:

	Cash Advanced 12/31/14
Advanced to	
Special Revenue Funds	
Aquatic Center	\$ 78,313
Mandatory recycling	104,912
CDBG	32,383
Transit capital grant	1,216
Capital Projects Funds	
Sanitary and Storm Sewers	
Streets	1,961,476
Tax Increment District #9	559,849
Tax Increment District #11	70,523
Tax Increment District #14	400,462
Tax Increment District #16	1,418,411
Total Advanced by General Fund	\$ 4,627,545

#### 4. Loans Due City

The City's Planning Department administers four separate revolving loan programs for City development. Individual revolving loan receivable accounts recorded on the City's general ledger showed a balance of \$4,834,823 due the City on December 31, 2014 as summarized below:

Commercial development loans	\$ 11,944
Industrial development loans	1,845,742
Housing rehabilitation loans	2,845,511
Housing cost reduction initiative loans	131,626
Total	<u>\$ 4,834,823</u>

The above loans receivable are off-set by deferred inflow of revenue accounts in the respective funds maintained for the loan programs.

Additional discussion on the four revolving loan programs follows:

Commercial Development – Payments on the one commercial development loan outstanding are current as of December 31, 2014.

Industrial Development – Payments on the five industrial development loans outstanding are current as of December 31, 2014.

Housing Rehabilitation – The City has received grants from the Wisconsin Department of Administration to be used to make housing rehabilitation loans to individuals. Under the program, qualified individuals can apply for loans to be used to make necessary repairs to their homes. All repayments of these loans are deferred until the house which was repaired is sold, transferred, or ceases to be the borrower's principal place of residence. At that time, the loan is payable in full. There is no interest charged on these loans. All loan repayments are to remain with the City as long as the repayment proceeds are used to provide additional loans to qualified individuals.

Housing Cost Reduction Initiative – The City received grants from the Wisconsin Department of Administration to be used to benefit first-time home buyers. Under the program, qualified individuals can apply for loans to pay the closing costs and interest rate buy-down costs associated with the home purchase. All repayments of the loans are deferred until the purchased home is sold, transferred, or ceases to be the borrower's principal place of residence. At that time, the loan is payable in full. There is no interest charged on these loans. All loan repayments are to remain with the City as long as the repayment proceeds are used to provide additional loans to qualified individuals.

## 5. Health Self-Insurance Fund

Financial transactions of the health self-insurance program are recorded in a separate internal service fund on the City's accounting system to allow management to more easily monitor the operations of the fund. A summary of 2014 transactions with a comparison to 2013 for the health self-insurance fund follows:

	2014	2013
Operating Revenues		
Charges to City departments, employees and retirees for health insurance coverage	<u>\$ 3,567,046</u>	<u>\$ 3,196,153</u>
Operating Expenses		
Health care claims and other costs	<u>3,753,551</u>	<u>3,953,210</u>
Operating Loss	<u>(186,505)</u>	<u>(757,057)</u>
Nonoperating Revenues		
Insurance recoveries	<u>149,386</u>	<u>291,205</u>
Change in Net Position	<u>(37,119)</u>	<u>(465,852)</u>
Net Position - January 1	<u>1,532,395</u>	<u>1,998,247</u>
Net Position - December 31	<u>\$ 1,495,276</u>	<u>\$ 1,532,395</u>

The fund generated a negative change in net position of \$37,119 due to the increase in premium charges not being sufficient to cover all operating costs.

## 6. Wastewater Treatment Plant

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

	2014	2013
Operating Revenues		
Charges for services	\$ 6,714,873	\$ 6,461,392
Other	3,168	5,568
Total Operating Revenues	<u>6,718,041</u>	<u>6,466,960</u>
Operating Expenses		
Operation and maintenance	3,673,279	3,779,819
Depreciation	1,037,582	832,526
Total Operating Expenses	<u>4,710,861</u>	<u>4,612,345</u>
Operating Income	<u>2,007,180</u>	<u>1,854,615</u>
Nonoperating Revenues (Expenses)		
Miscellaneous	1,922	5,929
Interest and fiscal charges	(233,652)	(277,447)
Total Nonoperating Revenues (Expenses)	<u>(231,730)</u>	<u>(271,518)</u>
Net Income before Transfers	1,775,450	1,583,097
Transfers out	<u>(26,393)</u>	<u>(26,041)</u>
Change in Net Position	1,749,057	1,557,056
Net Position - January 1	<u>20,471,948</u>	<u>18,914,892</u>
Net Position - December 31	<u>\$ 22,221,005</u>	<u>\$ 20,471,948</u>

The wastewater treatment plant generated a net gain of \$1,749,057 in 2014 compared to a net gain of \$1,557,056 for 2013 due to the increase in expenses being offset by an increase in operating revenues.

## 7. Transit System

The City records financial transactions of the transit system as an enterprise fund on the financial statements. A comparative summary of revenues, expenses, and changes in net position for the years ended December 31, 2014 and 2013 follows:

	2014	2013
Operating Revenues		
Charges for services	\$ 199,353	\$ 193,404
Operating Expenses		
Operation and maintenance	1,961,604	1,935,325
Depreciation	384,697	293,217
Total Operating Expenses	<u>2,346,301</u>	<u>2,228,542</u>
Operating Loss	<u>(2,146,948)</u>	<u>(2,035,138)</u>
Nonoperating Revenues		
General property taxes	251,503	251,503
Federal and state grants	1,213,666	1,156,531
Local grants	291,447	213,928
Miscellaneous	43,770	42,466
Total Nonoperating Revenues	<u>1,800,386</u>	<u>1,664,428</u>
Net Gain (Loss) before Contributions	(346,562)	(370,710)
Contributions	-	5,777
Transfers out	<u>(5,190)</u>	<u>-</u>
Change in Net Position	(351,752)	(364,933)
Net Position - January 1	<u>2,689,073</u>	<u>3,054,006</u>
Net Position - December 31	<u>\$ 2,337,321</u>	<u>\$ 2,689,073</u>

The transit system showed an decrease in net position of \$351,752 for 2014 compared to a decrease in net position of \$364,933 for 2013. This is mostly due to the increase in operating grants being sufficient to offset the increase in operating expenses.

It is important to remember that the operating loss includes the annual depreciation expense on transit equipment. Since the equipment is purchased through tax levies and federal grants, it is not considered necessary that the transit operation recover these costs.

## **APPENDIX**



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 the City of Manitowoc, (the "City"), which comprise the respective financial position of the governmental activities, the business-type activities, 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. 56 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 May 28, 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 October 21, 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 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.
  9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the City's accounts.
  10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
  11. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

12. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedules of expenditures of federal awards and state financial assistance.
14. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:
  - a. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:



- i. Management,
  - ii. Employees who have significant roles in internal control, or
  - iii. Others where the fraud could have a material effect on the financial statements.
- b. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statements communicated by employees, former employees, regulators, or others.
15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.

**Government - specific**

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have a process to track the status of audit findings and recommendations.
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
22. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.
23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
28. As part of your audit, you assisted with preparation of the financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance.
29. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
30. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
32. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
34. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
35. Components of net position (net investment in capital assets, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
36. Investments, derivative instruments, and land and other real estate held by endowments are properly valued. [delete if no endowments]
37. Provisions for uncollectible receivables have been properly identified and recorded.
38. 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.
39. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.


42. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
43. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.
44. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
45. 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.
46. 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.
47. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, supporting schedules, and statistical data (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
48. We agree with the findings of specialists in evaluating the other post-employment benefits, pension benefits, and incurred but not reported claims and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
49. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the City's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
50. 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.
51. 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.

52. 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.
53. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
54. 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.
55. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.
56. 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.
  - aa. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
57. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed:

  
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Steven Corballe  
Finance Director