Fond du Lac County, Wisconsin

MANAGEMENT COMMUNICATIONS

December 31, 2017

Schenck
ADVISORY | TAX | ASSURANCE

Fond du Lac County, Wisconsin

DECEMBER 31, 2017

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To the County Board
Fond du Lac County, 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 Fond du Lac County, Wisconsin (the "County") for the year ended December 31, 2017. The County's financial statements, including our report thereon dated August 8, 2018, 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 County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance and the *State Single Audit Guidelines*.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 County'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 County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

PLANNED SCOPE AND TIMING OF THE AUDIT

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

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SIGNIFICANT AUDIT FINDINGS

Consideration of Internal Control

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 County as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented in the 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 exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

FEDERAL AND STATE AWARDS

In planning and performing our audit of compliance for each major federal and state program, we considered the County'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 County's major federal and state programs for the year ended December 31, 2017, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our 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 County'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 County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of accumulated sick leave is based upon analysis of the employees' sick leave balances. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management estimated an allowance for forgiveness of loans receivable for the agreement with Mercury Marine and Alliance Laundry Systems. This estimate is based upon management's interpretation of the terms of the loan agreement. 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 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 known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 8, 2018. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of 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 County's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the schedules relating to pensions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the County Board, and management of Fond du Lac County and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Schenck SC

Certified Public Accountants

Sheboygan, Wisconsin
August 8, 2018

Summary Financial Information

GOVERNMENTAL FUND BALANCES

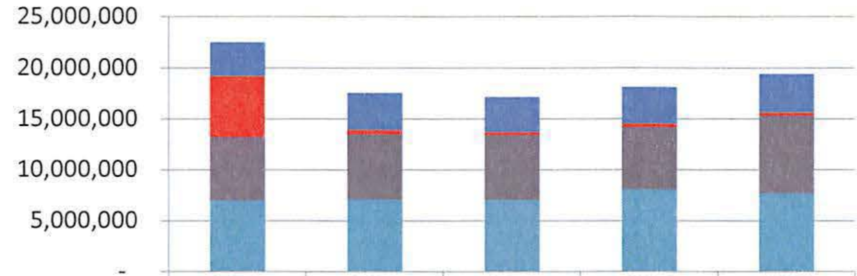
Presented below is a summary of the County's governmental fund balances on December 31, 2017 and 2016. This information is provided for assessing financial results for 2017 and for indicating financial resources available at the start of the 2018 budget year.

	12/31/17	12/31/16
General Fund		
Nonspendable	$ 3,814,264	$ 3,604,377
Restricted	322,619	357,280
Assigned	7,599,271	6,104,425
Unassigned	7,715,816	8,075,723
Total General Fund Balance	19,451,970	18,141,805
Debt Service Fund	2,943,302	3,374,553
Special Revenue Funds		
Department of social services	392,196	628,071
Department of community programs	17,893	154,800
Nutrition program	95,540	57,562
County roads and bridge	3,911,655	3,221,208
Total Special Revenue Funds	4,417,284	4,061,641
Capital Projects Fund		
Capital Projects Main Hwy Garage	147,149	-
Permanent Fund		
Sheriff canine program	50,552	60,027
Total governmental fund balances	$ 27,010,257	$ 25,638,026

GENERAL FUND BALANCE ANALYSIS

Presented is a fund balance analysis for the General Fund for fiscal years 2013-2017. This information is presented to assist the County in assessing fund balance levels at the end of fiscal year 2017 and the trend over the past five years.

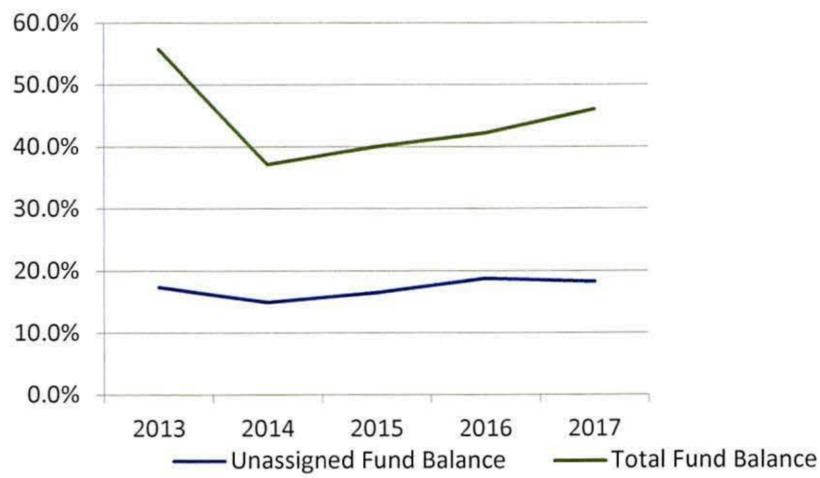
Components of Fund Balance – General Fund



	2013	2014	2015	2016	2017
Nonspendable	3,287,140	3,666,868	3,464,411	3,604,377	3,814,264
Restricted	6,030,425	444,011	321,897	357,280	322,619
Assigned	6,169,228	6,389,703	6,314,801	6,104,425	7,599,271
Unassigned	7,026,862	7,089,020	7,070,691	8,075,723	7,715,816

Fund Balance as a Percentage of General Fund Actual Expenditures

Fond du Lac County maintains unassigned fund balance in order to maintain sufficient cash reserves for working capital and emergency expenditures and to protect the County's bond rating. The following graph highlights the trends over the most recent five year period.



At December 31, 2017, the County's unassigned general fund balance of $7,715,816 represents approximately 18.3% of the expenditures of the general fund.

COMPARATIVE SUMMARY OF COMMUNITY PROGRAMS SPECIAL REVENUE FUND

Presented below is a summary of the Community Programs Special Revenue Fund as of December 31, 2017 along with a comparison to the prior year.

	2017	2016
Revenues		
Taxes	$ 5,529,026	$ 5,062,733
Intergovernmental	3,845,967	4,118,465
Public charges for services	3,640,492	2,296,766
Intergovernmental charges for services	1,066,410	2,923,958
Interdepartmental charges for services	161,086	83,475
Miscellaneous	72,052	22,091
Prior year revenue	133,988	427,571
Total revenues	14,449,021	14,935,059
Expenditures		
Current		
Health and human services	14,074,679	13,335,373
Excess of revenues over expenditures	374,342	1,599,686
Other Financing Uses		
Transfers out	(511,249)	(1,510,401)
Net change in fund balances	(136,907)	89,285
Fund balance - January 1	154,800	65,515
Fund balance - December 31	$ 17,893	$ 154,800

The Department of Community Programs reported revenues in excess of expenditures of $374,342 for 2017 compared to $1,599,686 for the previous year. In addition the Department transferred $511,249 back to the general fund for 2017.

COMPARATIVE SUMMARY OF SOCIAL SERVICES SPECIAL REVENUE FUND

Presented below is a summary of the Social Services Special Revenue Fund as of December 31, 2017 along with a comparison the prior year.

	2017	2016
Revenues		
Taxes	$ 9,058,213	$ 8,991,147
Intergovernmental	15,196,686	14,326,715
Public charges for services	640,962	549,771
Intergovernmental charges for services	-	4,365
Interdepartmental charges for services	182,803	171,293
Miscellaneous	42,172	43,595
Prior year revenue	8,378	15,115
Total revenues	25,129,214	24,102,001
Expenditures		
Current		
Health and human services	24,781,684	23,536,449
Excess of revenues over expenditures	347,530	565,552
Other Financing Uses		
Transfers out	(583,405)	(491,938)
Net change in fund balances	(235,875)	73,614
Fund balance - January 1	628,071	554,457
Fund balance - December 31	$ 392,196	$ 628,071

The Department of Social Services reported revenues in excess of expenditures of $347,530 for 2017 compared to $565,552 for the previous year. In addition, the Department transferred $583,405 back to the general fund for 2017.

SUMMARY OF HIGHWAY DEPARTMENT FUND

The County utilizes a proprietary fund to account for road and bridge construction and maintenance services provided to the County and other governments by the Highway Department. A summary of the Highway Department proprietary fund for 2017 and 2016 follows:

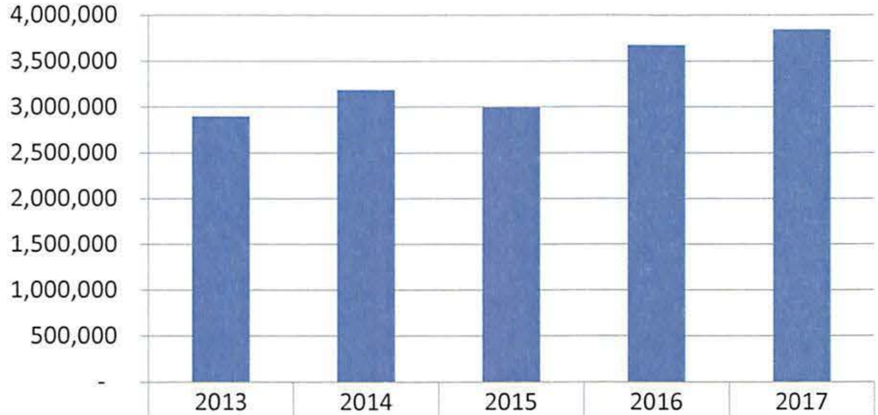
	2017	2016
Operating Revenues		
Charges for services	$ 17,918,910	$ 15,871,544
Other	9,345	3,865
Total operating revenues	17,928,255	15,875,409
Operating Expenses		
Operation and maintenance	17,290,707	14,355,949
Depreciation	1,181,835	1,145,940
Total operating expenses	18,472,542	15,501,889
Operating income (loss)	(544,287)	373,520
Nonoperating Revenues		
Intergovernmental	1,000,000	-
Miscellaneous revenue	126,975	14,845
Total nonoperating revenues	1,126,975	14,845
Income before contributions and transfers	582,688	388,365
Transfers in	100,000	150,000
Transfers out	(388,837)	(59,948)
Capital contribution	-	324,531
Change in net position	293,851	802,948
Net position - January 1	15,941,270	15,138,322
Net position - December 31	$ 16,235,121	$ 15,941,270

The Highway Department enterprise fund reported income before contributions and transfer of $582,688 for the year ended December 31, 2017 as compared to $388,365 for the prior year.

Since the Highway Departments is accounted for as an enterprise fund, the above net position of $16,235,121 includes book value of highway equipment, as well as, other non-cash equity.

Working Capital – Highway

The following graph presents an overview of the Highway Fund's working capital for the most recent five year period. Working capital represent current assets less current liabilities.



	2013	2014	2015	2016	2017
Working Capital	2,898,929	3,186,756	2,995,725	3,675,447	3,846,340

The Highway Department held unrestricted cash and investments of $2,003,391 on December 31, 2017, which was a decrease of $428,147 from the balance of $2,431,538 which was held on December 31, 2016.

SUMMARY OF HIGHWAY MACHINERY OPERATIONS COST POOL

Transportation cost pools are used to accumulate those costs of the highway department where the intent is to recover expenses of operations, including depreciation on highway buildings and equipment, directly from user charges for service. The cost pool accounting system is designed to match all revenues and expenses of a particular operation and aid management in determining the adequacy of rates being charged and the cost effectiveness of each operation. Presented below is a summary of the machinery operations cost pool of the highway department internal service fund for 2017 and 2016.

	2017	2016
Charges for services	$ 2,932,497	$ 3,004,280
Expenses		
Labor and fringe benefits	345,600	382,693
Fuel	416,706	383,290
Materials and supplies	378,848	399,994
Overhead	314,941	327,020
Sundry	71,973	66,868
Depreciation on equipment	887,304	883,770
Total Expenses	2,415,372	2,443,635
Operating Income	$ 517,125	$ 560,645

As shown above, the machinery operations cost pool had a net operating income of $517,125 in 2017 compared to net operating income of $560,645 in 2016. Revenues decreased by approximately $71,783 or 2.3% in 2017.

SUMMARY OF HARBOR HAVEN HEALTH & REHABILITATION ENTERPRISE FUND

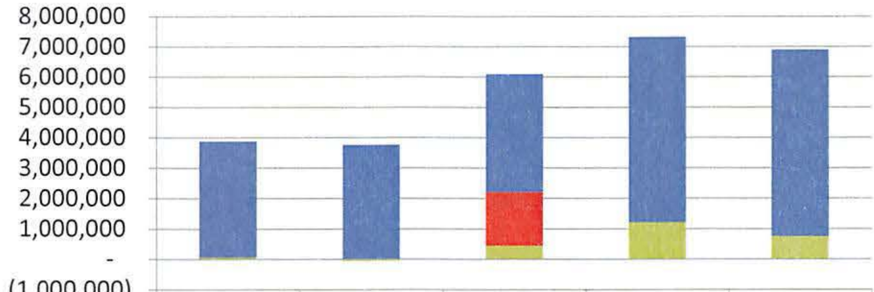
The County utilizes an enterprise fund to account for the operations of Harbor Haven Health & Rehabilitation, a nursing home for the elderly and needy of the County. A summary of the Harbor Haven Health & Rehabilitation enterprise fund for 2017 and 2016 follows:

	2017	2016
Operating Revenues		
Public charges for services	$ 6,964,963	$ 6,609,936
Interdepartmental charges for services	666,117	715,067
Miscellaneous	43,889	4,834
Total operating revenues	7,674,969	7,329,837
Operating Expenses		
Operation and maintenance	9,492,175	10,098,205
Depreciation	474,411	449,468
Total operating expenses	9,966,586	10,547,673
Operating loss	(2,291,617)	(3,217,836)
Nonoperating Revenues		
Property taxes	988,091	3,079,295
Intergovernmental operating grant	874,700	904,100
Total nonoperating revenues	1,862,791	3,983,395
Income (loss) before transfers	(428,826)	765,559
Transfers in	-	462,493
Change in net position	(428,826)	1,228,052
Net position - January 1	7,329,462	6,101,410
Net position - December 31	$ 6,900,636	$ 7,329,462

Harbor Haven Health & Rehabilitation reported an operating loss of $2,291,617 in 2017 compared to an operating losses of $3,217,836 for the prior year. Total revenue increased approximately 4.7%.

Harbor Haven Health & Rehabilitation Net Position

Following is analysis of the funds net position for the past five years. This information is presented to assist County management in assessing equity levels at the end of the fiscal year and the trend over the past five years.



	2013	2014	2015	2016	2017
Net Investment in Capital Assets	3,822,990	3,763,014	3,882,211	6,109,242	6,150,603
Restricted	-	-	1,770,406	-	-
Unrestricted	57,000	(52,854)	448,793	1,220,220	750,033

REVIEW OF PURCHASE OF SERVICE AUDIT REPORTS

The departments of social services and community programs currently enter into over eighty purchase of service contracts with estimated payments exceeding $5.6 million annually. The State statutes require service providers with contracts exceeding $75,000 to submit certified financial and compliance audit reports to the County within 180 days after the end of the provider's fiscal year. The departments are responsible for monitoring the receipt of these audit reports to ensure they meet the requirements of Uniform Guidance and State Single Audit Guidelines. Any compliance findings or contract overpayments need to be resolved within six months after the receipt of an acceptable audit report. Compliance findings, among other things, may include excess compensation, related party transactions, or excess profit.

Because of the significant dollars expended by the County through purchase of service contracts, we recommend the departments perform a detailed review of their current monitoring efforts using criteria detailed in the Uniform Guidance and State Single Audit Guidelines to ensure monitoring efforts are sufficient. As part of the development of the 2019 purchase of service contracts, we further recommend the County consider completing a risk assessment for each contracting agency. This risk assessment can then be used as the basis for the level of monitoring performed by the departments.

New Accounting Standard

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 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 County 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 County should also review contracts that have both lease and nonlease components to determine if a price allocation is practicable.

APPENDIX

Fond du Lac County

OFFICE OF THE COUNTY EXECUTIVE **160 S. Macy Street**
(920) 929-3155 **Fax (920) 929-3016** **Fond du Lac WI 54935**

August 8, 2018

Schenck SC
712 Riverfront Drive, Suite 301
Sheboygan, WI 53081

This representation letter is provided in connection with your audit of the financial statements of Fond du Lac County, Wisconsin (the "County"), which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of December 31, 2017, 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 are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of August 8, 2018, 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 December 14, 2017 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U. S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and the component unit required by generally accepted accounting principles to be included in the financial reporting entity.

3. 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. 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.
7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the County's accounts.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

INFORMATION PROVIDED

12. We have provided you with:
    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the County from whom you determined it necessary to obtain audit evidence.
    d. Minutes of meetings of the County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedules of expenditures of federal awards and state financial assistance.
14. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:
    a. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
       i. Management,
       ii. Employees who have significant roles in internal control, or
       iii. Others where the fraud could have a material effect on the financial statements.
    b. We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements communicated by employees, former employees, regulators, or others.

15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17. We have disclosed to you the identity of the County's related parties and all the related party relationships and transactions of which we are aware.

GOVERNMENT - SPECIFIC

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. As part of your audit, you assisted with preparation of the schedule of expenditures of federal awards, and the schedule of expenditures of state awards. 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 expenditures of state awards.

27. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

28. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

29. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

30. 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.

31. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.

32. 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.

33. 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.

34. Provisions for uncollectible receivables have been properly identified and recorded.

35. 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.

36. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

37. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

38. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.

39. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

40. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.

41. We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

42. We are following GASB Statement No. 54, paragraph 18, to determine the fund balance classifications for financial reporting purposes.

43. 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.

44. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, and supporting schedules (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.

45. We agree with the findings of specialists in evaluating the pension benefits 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 specialist.

46. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the County's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.

47. 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.

48. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

49. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.

50. Capital assets, including intangible assets, have been evaluated for impairment as a result of significant and unexpected decline in service utility.

51. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

52. We do not plan to make frequent amendments to our pension plans.

53. With respect to federal and state award programs:

    a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, including requirements relating to preparation of the schedule of expenditures of federal awards and the schedule of expenditures of state awards.

    b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance and the schedule of 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 Guidelines. The methods of measurement or 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 issue 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 the *State Single Audit Guidelines* compliance audit and have 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 awards, cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e. We are responsible for understanding and complying with, and have complied with, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major federal and state program.

f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.

g. We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.

h. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

i. We have complied with the direct and material compliance requirements, (except for noncompliance disclosed by you), including, when applicable, those set forth in the *OMB Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards.

j. We have disclosed any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, subpart E) and OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, if applicable.

m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditors' report.

r. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.

t. We have monitored subrecipients, as necessary, to determine that they have expended subawards in accordance with federal and state statutes, regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance and the *State Single Audit Guidelines.*

u. We have issued management decisions for audit findings that relate to federal and state awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken time and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal and state award provided to the subrecipient.

v. We have considered the results of the subrecipient audits and have made any necessary adjustments to our books and records.

w. We have charged costs to federal and state awards in accordance with applicable cost principles.

x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

y. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

aa. 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 the *State Single Audit Guidelines.*

54. 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 though the date of this letter that would require adjustment to or disclose in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed: Allen J. Buechel
Allen Buechel, County Executive

Signed: Karen A. Kuehl
Karen Kuehl, Finance Director

Signed: Brenda A. Schneider
Brenda Schneider, County Treasurer

Signed: Tammy Pinno
Tammy Pinno, Assistant Finance Director