

Fond du Lac County, Wisconsin
MANAGEMENT COMMUNICATIONS

December 31, 2018

Fond du Lac County, Wisconsin

DECEMBER 31, 2018

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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 Fond du Lac County, Wisconsin (the "County") as of and for the year ended December 31, 2018. The County's financial statements, including our report thereon dated July 29, 2019, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITIES UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS, GOVERNMENT AUDITING STANDARDS, UNIFORM GUIDANCE AND STATE SINGLE AUDIT GUIDELINES

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

In planning and performing our audit, we considered the 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.

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, 2018, 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 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 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.

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 1 to the financial statements. As described in Note D. 8 to the financial statements, the County changed accounting policies related to postemployment benefits by adopting Statement of Governmental Accounting Standards Board (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of activities. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements. In addition, none of the misstatements detected as a result of the 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 July 29, 2019. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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. We were informed by management that there were no consultations with other accountants.

Other Audit Findings or Issues

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

Audits of Group Financial Statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of Component Auditor's Work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the Group Audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and the schedules relating to pensions and other postemployment benefits, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated July 29, 2019.

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

Restriction on Use

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

Sincerely,



CliftonLarsonAllen LLP

Sheboygan, Wisconsin
July 29, 2019

Summary Financial Information

GOVERNMENTAL FUND BALANCES

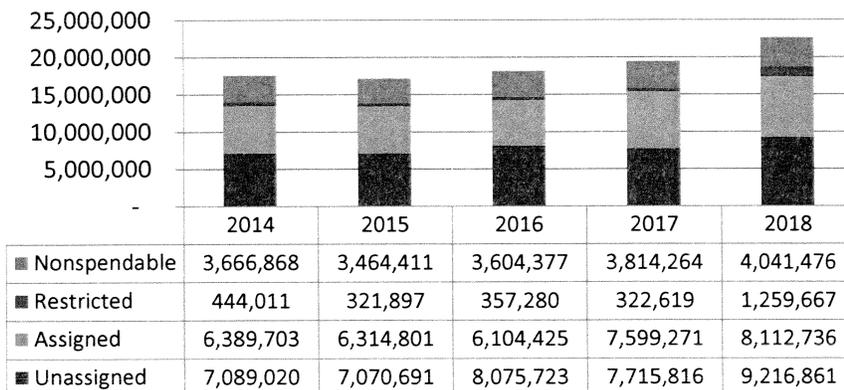
Presented below is a summary of the County's governmental fund balances on December 31, 2018 and 2017. This information is provided for assessing financial results for 2018 and for indicating financial resources available at the start of the 2019 budget year.

	<u>12/31/18</u>	<u>12/31/17</u>
General Fund		
Nonspendable	\$ 4,041,476	\$ 3,814,264
Restricted	1,259,667	322,619
Assigned	8,112,736	7,599,271
Unassigned	9,216,861	7,715,816
Total General Fund Balance	<u>22,630,740</u>	<u>19,451,970</u>
Debt Service Fund	<u>2,877,492</u>	<u>2,943,302</u>
Special Revenue Funds		
Department of social services	418,781	392,196
Department of community programs	50,943	17,893
Nutrition program	138,898	95,540
County roads and bridge	4,456,563	3,911,655
Total Special Revenue Funds	<u>5,065,185</u>	<u>4,417,284</u>
Capital Projects Fund		
Capital Projects Main Hwy Garage	<u>2,707,789</u>	<u>147,149</u>
Permanent Fund		
Sheriff canine program	<u>50,551</u>	<u>50,552</u>
Total governmental fund balances	<u>\$ 33,331,757</u>	<u>\$ 27,010,257</u>

GENERAL FUND BALANCE ANALYSIS

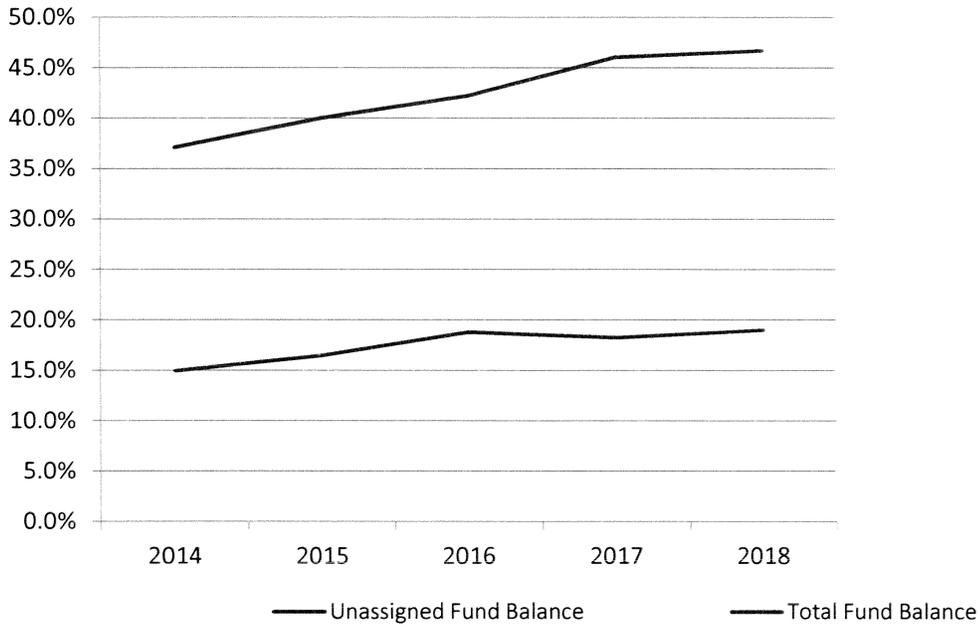
Presented below is a fund balance analysis for the General Fund for fiscal years 2014-2018. This information is presented to assist the County in assessing fund balance levels at the end of the fiscal year 2018 and the trend over the past five years.

Components of Fund Balance-General Fund



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, 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, 2018, the County's unassigned general fund balance of \$9,216,861 represents approximately 19% 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, 2018 along with a comparison to the prior year.

	<u>12/31/18</u>	<u>12/31/17</u>
Revenues		
Taxes	\$ 5,871,569	\$ 5,529,026
Intergovernmental	4,499,850	3,845,967
Public charges for services	5,000,567	3,640,492
Intergovernmental charges for services	1,044,533	1,066,410
Interdepartmental charges for services	109,603	161,086
Miscellaneous	109,778	72,052
Prior year revenue	389,209	133,988
Total revenues	<u>17,025,109</u>	<u>14,449,021</u>
Expenditures		
Current		
Health and human services	<u>15,530,237</u>	<u>14,074,679</u>
Excess of revenues over expenditures	<u>1,494,872</u>	<u>374,342</u>
Other Financing Uses		
Transfers out	<u>(1,461,822)</u>	<u>(511,249)</u>
Net change in fund balances	33,050	(136,907)
Fund balance - January 1	<u>17,893</u>	<u>154,800</u>
Fund balance - December 31	<u>\$ 50,943</u>	<u>\$ 17,893</u>

The Department of Community Programs reported revenues in excess of expenditures of \$1,494,872 for 2018 compared to \$374,342 for the previous year. In addition the Department transferred \$1,461,822 back to the general fund for 2018.

COMPARATIVE SUMMARY OF SOCIAL SERVICES SPECIAL REVENUE FUND

Presented below is a summary of the Social Services Special Revenue Fund as of December 31, 2018 along with a comparison to the prior year.

	<u>12/31/18</u>	<u>12/31/17</u>
Revenues		
Taxes	\$ 9,329,887	\$ 9,058,213
Intergovernmental	15,832,603	15,196,686
Public charges for services	536,278	640,962
Intergovernmental charges for services	20,275	-
Interdepartmental charges for services	314,161	182,803
Miscellaneous	45,807	42,172
Prior year revenue	11,448	8,378
Total revenues	<u>26,090,459</u>	<u>25,129,214</u>
Expenditures		
Current		
Health and human services	<u>24,770,672</u>	<u>24,781,684</u>
Excess of revenues over expenditures	<u>1,319,787</u>	<u>347,530</u>
Other Financing Uses		
Transfers out	<u>(1,293,202)</u>	<u>(583,405)</u>
Net change in fund balances	26,585	(235,875)
Fund balance - January 1	<u>392,196</u>	<u>628,071</u>
Fund balance - December 31	<u>\$ 418,781</u>	<u>\$ 392,196</u>

The Department of Social Services reported revenues in excess of expenditures of \$1,319,787 for 2018 compared to \$347,530 for the previous year. In addition, the Department transferred \$1,293,202 back to the general fund for 2018.

SUMMARY OF HIGHWAY DEPARTMENT FUND

The County utilizes a proprietary fund to account for the road and bridge construction and maintenance services provided to other governments by the Highway Department. A summary of the Highway Department proprietary fund for 2018 and 2017 follows:

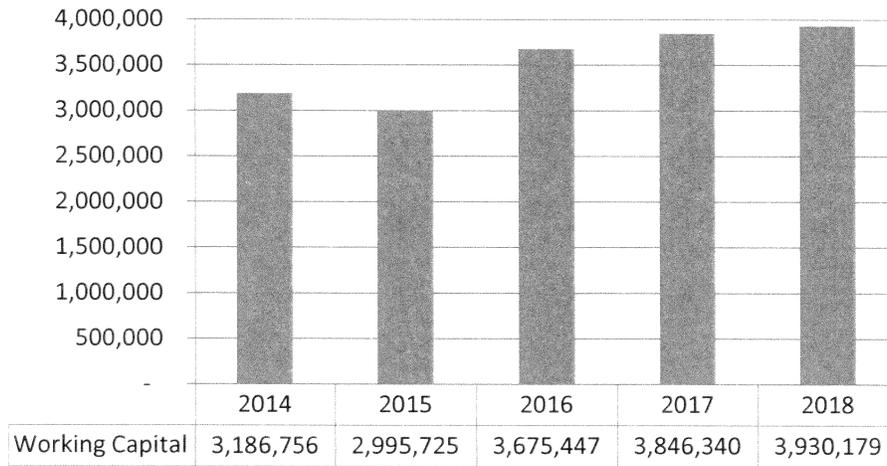
	<u>12/31/18</u>	<u>12/31/17</u>
Operating Revenues		
Charges for services	\$ 17,784,142	\$ 17,918,910
Other	8,065	9,345
Total operating revenues	<u>17,792,207</u>	<u>17,928,255</u>
Operating Expenses		
Operation and maintenance	16,082,002	17,290,707
Depreciation	1,209,530	1,181,835
Total operating expenses	<u>17,291,532</u>	<u>18,472,542</u>
Operating income (loss)	<u>500,675</u>	<u>(544,287)</u>
Nonoperating Revenues (Expenses)		
Intergovernmental	37,000	1,000,000
Miscellaneous revenue	23,784	126,975
Loss on disposal of capital assets	(104,369)	-
Total nonoperating revenues (expenses)	<u>(43,585)</u>	<u>1,126,975</u>
Income before transfers	457,090	582,688
Transfers in	-	100,000
Transfers out	<u>(185,716)</u>	<u>(388,837)</u>
Change in net position	<u>271,374</u>	<u>293,851</u>
Net position - January 1, as originally reported	16,235,121	15,941,270
Cumulative effect of change in accounting principle	<u>(176,540)</u>	<u>-</u>
Net Position - Beginning of Year, restated	<u>16,058,581</u>	<u>16,235,121</u>
Net position - December 31	<u>\$ 16,329,955</u>	<u>\$ 16,235,121</u>

The Highway Department proprietary fund reported income before contributions and transfers of \$457,090 for the year ended December 31, 2018 compared to \$582,688 for the prior year.

Since the Highway Department is accounted for as a proprietary fund, the above net position of \$16,329,955 includes the 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 represents the current assets less current liabilities.



The Highway Department held unrestricted cash and investments of \$2,411,985 on December 31, 2018, which was an increase of \$408,594 from the balance of \$2,003,391 which was held on December 31, 2017.

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 fund for 2018 and 2017.

	<u>12/31/18</u>	<u>12/31/17</u>
Charges for services	\$ 3,082,920	\$ 2,932,497
Expenses		
Labor and fringe benefits	426,467	345,600
Fuel	481,606	416,706
Materials and supplies	441,558	378,848
Overhead	368,898	314,941
Sundry	86,301	71,973
Depreciation on equipment	912,635	887,304
Total Expenses	<u>2,717,465</u>	<u>2,415,372</u>
Operating Income	<u>\$ 365,455</u>	<u>\$ 517,125</u>

As shown above, the machinery operations cost pool had a net operating income of \$365,455 in 2018 compared to \$517,125 for 2017. Revenues increased by about \$150,423 or 5.1% in 2018.

SUMMARY OF HARBOR HAVEN HEALTH AND REHABILITATION ENTERPRISE FUND

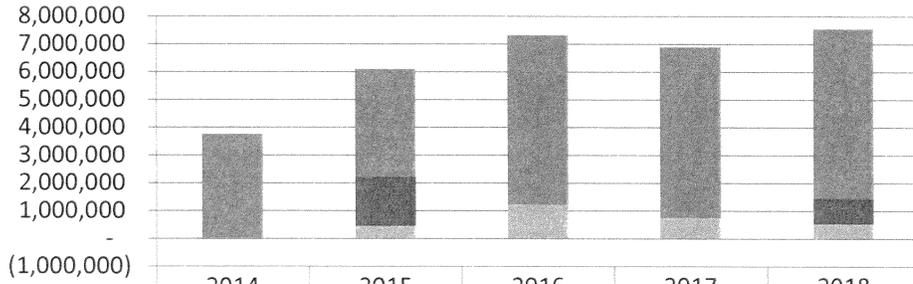
The County utilizes an enterprise fund to account for the operations of Harbor Haven Health and Rehabilitation, a nursing home for the elderly and needy of the County. A summary of the Harbor Haven Health and Rehabilitation enterprise fund for 2018 and 2017 follows:

	<u>12/31/18</u>	<u>12/31/17</u>
Operating Revenues		
Public charges for services	\$ 8,262,051	\$ 6,964,963
Interdepartmental charges for services	680,034	666,117
Miscellaneous	26,602	43,889
Total operating revenues	<u>8,968,687</u>	<u>7,674,969</u>
Operating Expenses		
Operation and maintenance	9,603,984	9,492,175
Depreciation	458,382	474,411
Total operating expenses	<u>10,062,366</u>	<u>9,966,586</u>
Operating loss	<u>(1,093,679)</u>	<u>(2,291,617)</u>
Nonoperating Revenues (Expenses)		
Property taxes	729,265	988,091
Intergovernmental operating grant	1,286,269	874,700
Loss on disposal of capital assets	(42,864)	-
Total nonoperating revenues	<u>1,972,670</u>	<u>1,862,791</u>
Change in net position	<u>878,991</u>	<u>(428,826)</u>
Net position - January 1, as originally reported	6,900,636	7,329,462
Cumulative effect of change in accounting principle	<u>(219,282)</u>	<u>-</u>
Net Position - Beginning of Year, restated	<u>6,681,354</u>	<u>7,329,462</u>
Net position - December 31	<u>\$ 7,560,345</u>	<u>\$ 6,900,636</u>

Harbor Haven Health and Rehabilitation reported an operating loss of \$1,093,679 in 2018 compared to an operating loss of \$2,291,617 for the prior year. Total revenue increased by approximately 17%.

Harbor Haven Health and Rehabilitation Net Position

The following is an 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.



	2014	2015	2016	2017	2018
■ Net Investment in Capital Assets	3,763,014	3,882,211	6,109,242	6,150,603	6,118,884
■ Restricted	-	1,770,406	-	-	910,139
■ Unrestricted	(52,854)	448,793	1,220,220	750,033	531,322

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

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

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

This new standard is effective for fiscal years beginning after December 15, 2019. Early adoption is encouraged by GASB. We recommend the 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.

ACCOUNTING AND REPORTING FOR FIDUCIARY ACTIVITIES

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

Identifying Fiduciary Activities

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

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

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

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

Financial Reporting

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

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

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

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

Implementation

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

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

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

APPENDIX



Fond du Lac County

OFFICE OF THE COUNTY EXECUTIVE
(920) 929-3155 Fax (920) 929-3016

160 S. Macy Street
Fond du Lac WI 54935

July 29, 2019

CliftonLarsonAllen LLP
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, 2018, and the respective changes in 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 on 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.

We confirm, to the best of our knowledge and belief, as of July 29, 2019, 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 16, 2018, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

6. Related party relationships and transactions, including, but not limited to, 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 the requirements of U.S. GAAP.
7. All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We have not identified or been notified of any uncorrected financial statement misstatements.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
11. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
14. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.
15. We believe that all material expenditures that have been deferred to future periods will be recoverable.
16. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
17. We are unable to determine the possibility of a withdrawal liability in a multiple-employer benefit plan.
18. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

1. 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. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices. Omit if no such communications.
 - f. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.
 - g. Access to all audit or relevant monitoring reports, if any, received from funding sources.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
6. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse whose effects should be considered when preparing financial statements.
7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have a process to track the status of audit findings and recommendations.

12. 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.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the County, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
14. 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.
15. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
16. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
17. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
18. The financial statements properly classify all funds and activities.
19. 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.
20. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
21. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
22. Provisions for uncollectible receivables have been properly identified and recorded.
23. 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.
24. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
25. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
26. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

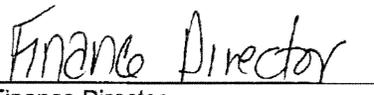
27. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
28. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
29. 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.
30. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, and supporting schedules (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. 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. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
31. With respect to federal and state award programs:
 - a. We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration including requirements relating to preparation of the schedules of expenditures of federal and state awards.
 - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance and the schedule of expenditures of state awards (SESA) in accordance with the requirements of the *State Single Audit Guidelines*, and we believe the SEFA and SESA, including their form and content, are fairly presented in accordance with the Uniform Guidance and the *State Single Audit Guidelines*. The methods of measurement and presentation of the SEFA and SESA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SESA.
 - c. If the SEFA and SESA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SESA no later than the date we issued the SEFA and SESA and the auditors' report thereon.

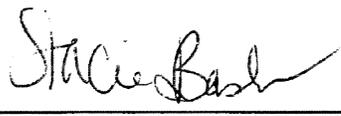
- d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and *State Single Audit Guidelines* compliance audit, and included in the SEFA and SESA expenditures made during the audit period for all awards provided by federal and state agencies in the form of federal or state awards, federal or state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major federal and state program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.
- h. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements including when applicable, those set forth in the *OMB Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards.
- j. We have disclosed to you any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).

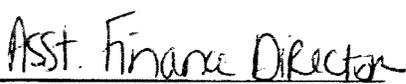
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- q. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.
- r. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- s. The copies of federal and state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.
- t. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance 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 *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 timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- 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 the Uniform Guidance and *State Single Audit Guidelines*, and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

- 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 *State Single Audit Guidelines*.
32. We agree with the findings of specialists in evaluating the other postemployment benefits and 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.

Signature: 
Tammy Pinno

Title: 
Finance Director

Signature: 
Stacie Basler

Title: 
Assistant Finance Director