MANAGEMENT COMMUNICATIONS

LINCOLN COUNTY, WISCONSIN

DECEMBER 31, 2013

LINCOLN COUNTY, WISCONSIN
December 31, 2013

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Schenck SC
CPAs AND SO MUCH MORE.

To the County Board
Lincoln County, Wisconsin

We have completed our audit of the basic financial statements of Lincoln County (the "County") as of and for the year ended December 31 2013. The County's financial statements, including our report thereon dated July 31, 2014, 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, OMB Circular A-133 and the State Single Audit Guidelines

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, noncompliance with the provisions of laws, regulations, contracts and grants or other illegal acts may exist and not be detected by us.

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 OMB Circular A-133 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133 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) Circular A-133 Compliance Supplement" and the *State Single Audit Guidelines* applicable to each of its major federal and state programs for the purpose of expressing an opinion on the 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

In planning and performing our audit of the financial statements of the County as of and for the year ended December 31, 2013, 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 our auditing procedures for the purpose of expressing our opinion 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the 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 2013. We noted no significant 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 accumulated sick leave is based upon analysis of the employees sick leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the accumulated sick leave in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the incurred, but not reported (IBNR) insurance reserves are based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. We evaluated the key factors and assumptions used to develop the reserves in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for closure and postclosure care costs is based on landfill capacity and anticipated costs to be incurred during and after closing of the landfill. 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.

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 trivial, and communicate them to the appropriate level of management. We proposed seven audit entries as the result of our audit. The audit entries were posted by the County.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 31, 2014. 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 auditor's 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 conducting the audit. 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.

This communication, which does not affect our report dated July 31, 2014 on the financial statements of the County, is intended solely for the information and use of the County Board, management, and others within the 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
Green Bay, Wisconsin
July 31, 2014

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of the County's governmental fund balances on December 31, 2013, including a comparison to the prior year. This information is provided for assisting management in assessing financial results for 2013 and for indicating financial resources available at the start of the 2014 budget year.

	12/31/13	12/31/12
General Fund		
Nonspendable:		
Property Taxes	$ 1,763,114	$ 1,652,127
Prepaid	312,271	255,714
Advances	120,652	176,847
Inventory	4,017	16,445
Restricted:		
Insurance Deposits	48,161	57,588
Veterans	9,619	6,688
Land Records	243,646	193,693
Land Conservation	-	18,750
Zoning	2,417	1,167
Register of Deeds	49,822	73,261
UW Extension	3,144	13,388
Sheriff	94,555	73,402
Committed:		
Roads Fund	250,000	250,000
Family Care	707,810	916,790
Sheriff's Office CIP	198,000	-
Health insurance	-	500,000
IT CIP	88,615	223,110
Maintenance	134,000	110,925
EMS	-	128,618
Assigned		
Veterans	2,000	2,000
Fairgrounds	1,270,467	-
County Board	-	136,000
Land Records	-	390
Zoning	25,856	5,856
Register of Deeds	-	-
UW Extension	19,086	15,946
Sheriff	210	10,447
CIP not committed	1,764,560	2,219,296
Unassigned	5,366,610	5,582,716
Total General Fund	12,478,632	12,641,164

1. Governmental Fund Balances (Continued)

	12/31/13	12/31/12
County roads and bridges		
Assigned	916,066	899,115
Social services		
Restricted	7,695	75,189
Assigned	661,399	553,233
County health		
Nonspendable	-	204
Restricted	366,455	364,972
Assigned	180,750	195,000
Dog license		
Assigned	1,000	1,000
Community development		
Assigned	2	2
Emergency medical		
Nonspendable	383	383
Restricted	60,000	-
Committed	128,618	-
Assigned	194,645	437,685
Jail assessment		
Restricted	32,408	28,932
Total Special Revenue Funds	2,549,421	2,555,715
Debt Service Fund		
Assigned	8,119	12,500
Total Governmental Fund Balances	$ 15,036,172	$ 15,209,379

Unassigned General Fund

The unassigned general fund balance represents the County's available and unappropriated cash available for any County purpose. The County's unassigned fund balance totals $5,366,610. Of this balance, the County considers $3,902,262 required for cash flow needs leaving a balance of $1,464,348, or 9.4% of general fund expenditures during 2013, unassigned.

Special Revenue Funds

The County's special revenue funds total $2,549,421 as of December 31, 2013 compared to $2,555,715 for the prior year.

2. Health Self-Insurance Fund

The County has established a self-insurance internal service fund to provide health insurance coverage to County employees and retirees. A summary of 2013 transactions, including a comparison to 2012, is presented below:

	2013	2012
Operating Revenues		
Charges to county departments and retirees	$ 5,249,939	$ 5,247,732
Operating Expenses		
Insurance payments and claims	4,473,088	4,954,697
Administrative and fiscal services	751,489	838,113
Total Operating Expenses	5,224,577	5,792,810
Operating Income (loss)	25,362	(545,078)
Nonoperating Revenues		
Interest revenue	3,310	14,644
Net Income (Loss) Before Transfers	28,672	(530,434)
Transfers		
Transfers in	500,000	-
Change in net position	528,672	(530,434)
Net Position - January 1	338,485	868,919
Net Position - December 31	$ 867,157	$ 338,485

The self-insurance fund reported an operating income of $25,362 compared to an operating loss of $545,078 for the prior year. At year end, based on 2013 claims paid, the net position balance represents approximately 19.6% of its annual claims expenses compared to 7% for the prior year.

In addition to its net position balance, the County has accrued a claims liability of $1,154,387 as of December 31, 2013 for claims related to services provided but not paid as of December 31, 2013.

3. County Highway Internal Service Fund

The County's highway department operates as an internal service fund, with County road maintenance and construction costs financed by a special revenue fund. A summary of 2013 transactions, including a comparison to 2012, is presented below:

	2013	2012
Operating Revenues		
Interdepartmental charges for services	$ 4,830,809	$ 4,167,412
Intergovernmental charges for services	2,616,480	2,050,626
Other operating revenue	27,736	50,625
Total Operating Revenues	7,475,025	6,268,663
Operating Expenses		
General services	6,066,200	5,736,314
Administrative and fiscal services	374,085	545,744
Depreciation and amortization	457,017	481,975
Total Operating Expenses	6,897,302	6,764,033
Operating Income (Loss)	577,723	(495,370)
Nonoperating Revenues		
Sale of capital assets	-	877
Loss on disposal of assets	(5,432)	-
Salvage revenue	6,943	-
Insurance recoveries	17,537	-
Donations and other nonoperating revenues	877	161,564
Total Nonoperating Revenues	19,925	162,441
Change in Net Position	597,648	(332,929)
Net Position - January 1	4,620,465	4,953,394
Net Position - December 31	$ 5,218,113	$ 4,620,465

The highway department reported an operating income of $577,723 compared to operating loss of $495,370 for the prior year. The County's machinery cost pool reported an income of $776,507 in the current year.

4. Solid Waste Landfill

The County has a Solid Waste Landfill operating as a proprietary fund. A summary of 2013 transactions, including a comparison to 2012, is presented below:

	2013	2012
Revenues		
Public charges for services	$ 1,608,124	$ 1,498,058
Intergovernmental charges for services	179,267	190,199
Total Revenues	1,787,391	1,688,257
Expenses		
General services	1,065,470	1,045,799
Future closing costs	164,278	289,238
Depreciation and amortization	520,055	400,408
Total Expenditures	1,749,803	1,735,445
Operating Income (Loss)	37,588	(47,188)
Nonoperating Revenues		
Interest income	22,419	16,629
Income (Loss) before Transfers	60,007	(30,559)
Transfer out	(200,000)	(200,000)
Change in Net Position	(139,993)	(230,559)
Net Position - January 1	5,383,133	5,613,692
Net Position - December 31	$ 5,243,140	$ 5,383,133

The Solid Waste Landfill reported an operating income of $37,588 compared to an operating loss of $47,188 for the prior year. Current assets and restricted cash total $6.87 million while liabilities are $4.9 million.

5. Forestry

The County's forestry operations are accounted for as a proprietary fund. A summary of 2013 transactions, including a comparison to 2012, is presented below:

	2013	2012
Revenues		
Public charges for services	$ 946,155	$ 889,042
Interdepartmental charges for services	2,065	1,989
Total Revenues	948,220	891,031
Expenses		
General services	849,405	768,018
Depreciation and amortization	56,691	33,835
Total Expenditures	906,096	801,853
Operating Income	42,124	89,178
Nonoperating Revenues		
Grant income	344,716	216,699
Donations	288	200
Gain on disposal of capital assets	26,971	-
Insurance recoveries	-	162
Total Nonoperating Revenues	371,975	217,061
Income before Transfers	414,099	306,239
Transfer out	(270,698)	(717,577)
Change in Net Position	143,401	(411,338)
Net Position - January 1	4,121,064	4,532,402
Net Position - December 31	$ 4,264,465	$ 4,121,064

At December 31, 2013, the fund has cash and investments of $1,825,656. In addition to the transfer of funds to the general fund, the general fund also retains interest earned on Forestry fund cash balances as part of its general fund budget.

COMMENTS AND OBSERVATIONS

GENERAL

1. <u>GASB Statement No. 67 *Financial Reporting for Pension Plans* and No. 68, *Accounting and Financial Reporting for Pensions*</u>

In June, 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans,* revising the reporting requirements of pension plans that are administered through trusts or similar arrangements meeting certain criteria. The provisions of Statement 67 are effective for fiscal years beginning after June 15, 2013.

Also in June, 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions,* revising and establishing new financial reporting requirements for governments that provide their employees with pension benefits. The new standard recognizes pension costs as employment services are provided, rather than when the pensions are funded. This change in the pension liability calculation could have a material impact on net position for many governments.

Other significant changes from previous reporting requirements (GASB 27) include:

- Coordination of the actuarial valuation date and the measurement date;
- Stricter guidance on the selection and calculation of the discount rate;
- Required use of the entry age normal actuarial cost method;
- Some changes in pension liabilities will be reported as deferred outflows/inflows of resources;
- Required supplementary information, with ten years of trend information developed over time;
- Expanded note disclosures

These new standards are also applicable to the Wisconsin Retirement System ("WRS"). It is our understanding that the WRS is well aware of the impact of these new standards and is planning to provide participants with detailed supplementary information that will be needed to complete the footnote disclosures in the County's audited financial statements.

COMMENTS AND OBSERVATIONS (Continued)

GENERAL

2. New Single Audit Requirements

U.S. Office of Management and Budget ("OMB") issued one Circular, often referred to as the "Super-Circular" or "Omni-Circular," in December 2013, which will be effective for fiscal years beginning on or after December 26, 2014. This comment is for Circular supersedes eight existing Circulars and combines into one place the administrative requirements, cost principles, and audit requirements for all organizations that receive Federal Awards. The new Circular was designed to strengthen oversight of federal awards and increase the efficiency and effectiveness of single audits.

Since you receive federal assistance, your policies and procedures may need to be reviewed and potentially modified to comply with this new guidance. To assist you in this process, we have identified the key changes for your review and consideration.

Administrative requirements

Administrative requirements generally focus on how federal funds are managed by recipients and involve overall policies, procedures and related controls. Specific changes of the Circular which may impact you include:

- **Recipient Monitoring and Performance Management.** Requires greater focus on federal agencies and pass-through entities to evaluate the risk of passing through federal funds to a recipient with additional pre- and post-award monitoring responsibilities. Risks to be considered include financial stability, performance history and prior audit findings, among other factors. As a recipient, you may notice additional oversight activities performed by your grantor agencies. As a pass-through agency, you may need to integrate additional performance standards into your contracts and monitor performance throughout the contract. In addition, the Circular requires your provider contracts to contain specific data elements.

- **Procurement Responsibilities.** Expands procurement responsibilities and conflict-of-interest guidance to ensure all organizations have adequate policies and procedures to protect the integrity of procurements of federal funds.

- **Internal Controls.** Requires organizations to establish and maintain effective internal controls over federal awards, including measures to safeguard protected, personally-identifiable information. Specifically, you should document the controls you are relying on based on guidance established in the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Cost principles

Both federal and state agencies have previously established guidelines that determined which costs were allowable for reimbursement under their grant agreements; however, different guidelines existed between colleges and educational institutions, governments, and not-for-profit organizations. The new Circular consolidates three Circulars and expands guidance. Specific changes of the Circular which may impact you include:

- **Direct and Indirect Costs.** Expands guidelines regarding how direct and indirect costs are reported, promoting increased consistency and transparency when applying indirect costs to grant awards. This may impact the indirect cost plan prepared annually by the County.

- **Time and Effort Reporting.** Provides alternatives to the current reporting requirements for salaries and wages to prevent duplicating efforts when organizations have good internal controls. As auditors, we will be required to verify your controls are effective and efficient to safeguard federal funds.

2. New Single Audit Requirements (Continued)

Audit requirements

For the year ended December 31, 2013, the County was required to have an audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as it expended more than $500,000 in federal awards (commonly referred to as a "single audit"). Specific changes of the Circular related to audit requirements which may impact you include:

- **Increased threshold.** The new guidelines increase the requirement for an organization to have a single audit performed from the current threshold of $500,000 to $750,000 of federal awards expended.

- **Major program determination.** Currently, federal programs with expenditures of $300,000 or more must be periodically tested as major programs (Type A programs.) The new guidelines increase the threshold for Type A programs to at least $750,000.

- **High risk classification.** The new guidelines amend the types of findings that will trigger a high-risk classification, which requires a Type A program to be audited as a major program. Type A programs will be considered high-risk if, in the most recent audit period, the program:
  - Did not receive an unmodified opinion;
  - Had a material weakness in internal control; or
  - Had known or likely questioned costs exceeding 5% of total program expenditures

- **Audit coverage.** The new guidelines reduce the percentage of coverage required in a single audit from 50% to 40% of federal expenditures for entities that do not qualify as low-risk auditees and from 25% to 20% for low-risk auditees. The guidance also revises the criteria for low-risk auditee status, making it more difficult for some organization to qualify.

- **Audit findings**. The new guidelines require auditors to report their findings in greater detail, but it increases the threshold for reporting questioned costs from $10,000 to $25,000. The requirement for a finding related to state programs continues to be $1,000 although the State of Wisconsin is evaluating.

- **Corrective Action Plan.** The County must prepare a corrective action plan for current year audit findings. When prior year audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence and planned corrective action, and any partial corrective action taken.

- **Schedule of Expenditures of Federal Awards.** The County must include federal awards passed through to recipients in its Schedule of Expenditures of Federal Awards. Because a recipient may receive funding under multiple grants, including County funds, the County will need to allocate payments by funding source to comply with this requirement.

This comment is for informational purposes informational purposes only. We would be happy to assist the County in determining how the new guidance will impact future single audits of the County.

APPENDIX

LINCOLN COUNTY FINANCE DEPARTMENT
SAFETY BUILDING
801 North Sales Street, Suite 211
MERRILL, WI 54452-1632
Phone: (715) 539-1030
FAX: (715) 539-8056

Dan Leydet, Finance Director
Heather Marheine, County Accountant
Dawn Bergs, County Accountant

Elayne Lang, Payroll Clerk
Amy Kohnhorst, Fiscal Clerk/
Accounts Payable

July 31, 2014

Schenck SC
2200 Riverside Drive
P.O. Box 23819
Green Bay, WI 54305-3819

This representation letter is provided in connection with your audit of the financial statements of Lincoln County, Wisconsin, (the "County"), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2013, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items in No. 47 are considered material based on the materiality criteria specified in OMB Circular A-133 and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 31, 2014, 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, 2013.

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

3. 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.

Schenck SC
July 31, 2014
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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 are reasonable.

6. 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 the requirements of U.S. GAAP.

7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the County's accounts.

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 County is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

b. Additional information that you have requested from us for the purpose of the audit.

c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d. Minutes of the meetings of the County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. 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.

13. 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.

14. We have disclosed to you all known 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.

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

16. 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

17. We have made available to you all financial records and related data.

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

19. We have a process to track the status of audit findings and recommendations.

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

21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

22. The 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.

23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and 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.

24. 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.

25. 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.

26. 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.

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

28. 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.

29. The financial statements properly classify all funds and activities.

30. 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.
31. 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.

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

33. 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.

34. Revenues are appropriately classified in the statement of activities within program revenues, general revenues.

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

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

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

38. 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 were properly recognized under the policy.

39. 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.

40. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, 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.

41. 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.

42. 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.

43. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

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

45. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.

46. Provision has been made for any material loss that is probable from environmental remediation liabilities associated with the Lincoln County Landfill. We believe that such estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately described in the financial statements.

47. With respect to federal and state award programs:

    a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, including requirements relating to preparation of the schedule of federal awards and the schedule of state financial assistance.

b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133 and the schedule of state financial assistance in accordance with *State Single Audit Guidelines*, and have identified and disclosed in the schedules of expenditures of federal awards and state financial assistance, expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and the schedule of state financial assistance (SSFA) in accordance with the requirements of the *State Single Audit Guidelines* and we believe the SEFA and SSFA, including their form and content, are fairly presented in accordance with the Circular and the Guidelines. The methods of measurement or presentation of the SEFA and SSFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SSFA.

d. If the SEFA and SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SSFA information no later than the date we issue the supplementary information and the auditors' report thereon.

e. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and the *State Single Audit Guidelines*.

f. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.

g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.

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

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

j. We have complied with the direct and material compliance requirements, (except for noncompliance disclosed to you) including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines,* relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal and state awards.

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

l. 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.

m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments,* and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.*.

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

o. 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.

p. 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.

q. 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.

r. 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 in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.

s. 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.

t. 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.

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

v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

x. We are responsible for preparing and implementing a corrective action plan for each audit finding.

48. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed: Dan Leydet
Dan Leydet, Finance Director