

# **CITY OF BLACK RIVER FALLS**

Black River Falls, Wisconsin

COMMUNICATION TO THOSE CHARGED  
WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2015

# CITY OF BLACK RIVER FALLS

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**REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS  
IDENTIFIED IN THE AUDIT TO THOSE CHARGED WITH GOVERNANCE**

To the City Council  
City of Black River Falls  
Black River Falls, Wisconsin

In planning and performing our audit of the financial statements of the City of Black River Falls, Wisconsin (city) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

A separate Communication to Those Charged with Governance and Management was issued to the Utility Commission. The information contained in that report is not included with this report.

Our consideration of the internal control was for the limited purpose described in the first 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the city's internal control to be material weaknesses, as discussed further on the following pages:

- > Internal Control Environment
- > Internal Control Over Financial Reporting
- > Lack of Account Reconciliations

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

*Baker Tilly Virchow Krause, LLP*

May 25, 2016

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## **MATERIAL WEAKNESSES**

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Auditing standards require that we perform procedures to obtain an understanding of your government and its internal control environment as part of the annual audit. This includes an analysis of significant transaction cycles and an analysis of the year-end financial reporting process and preparation of your financial statements.

### ***INTERNAL CONTROL ENVIRONMENT***

A properly designed system of internal control includes adequate staffing as well as policies and procedures to properly segregate duties. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in your accounting processes would be discovered by your staff in a timely manner.

At this time, due to staffing and financial limitations, the proper internal controls are not in place to achieve adequate segregation of duties. As a result, errors, irregularities or fraud could occur as part of the financial reporting process that may not be discovered by someone in your organization. Therefore, we are reporting a material weakness related to the internal control environment.

There are also certain controls that are not currently in place related to significant transaction cycles. As a result, there is a risk that erroneous or unauthorized transactions or misstatements could occur without the knowledge of management or the governing body. Our recommendations for strengthening controls are listed below.

### ***CONTROLS OVER ACCOUNTS PAYABLE/DISBURSEMENTS***

1. Persons processing accounts payable and those with access to the system should be separate from those ordering or receiving goods or services.
2. Retainages should be reviewed, approved, and recorded at year end.

### ***CONTROLS OVER PAYROLL***

1. Persons preparing the payroll should be independent of other personnel duties or restricted from access to the payroll account.
2. Year-end accrued payroll should be recorded to ensure proper fiscal year cutoff and this calculation should be reviewed and approved by an appropriate individual.

### ***CONTROLS OVER PROPERTY TAXES***

1. There should be a formal process to prepare and approve journal entries to record taxes receivable and the tax settlements.
2. Bank reconciliations for the tax account should be performed by someone independent of the tax collection process.

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## **MATERIAL WEAKNESSES (cont.)**

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### ***INTERNAL CONTROL ENVIRONMENT (cont.)***

#### ***CONTROLS OVER PERIOD CLOSE***

1. All adjusting journal entries, GASB 34 conversion journal entries, and supporting documentation should be reviewed and approved by an appropriate person who is not the original preparer.
2. Account reconciliations should be completed periodically through the year by someone independent of processing transactions in the account. The account reconciliations should be reviewed and approved by an appropriate person who is not the original preparer.

Since the controls listed above or other compensating controls are not currently in place, errors or irregularities could occur as part of the accounting processes that might not be discovered by management or the governing body. Therefore, the absence of these controls is considered to be a material weakness.

We recommend that a designated employee review the segregation of duties, risks, and these potential controls and determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis.

#### ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

Properly designed systems of internal control provides your organization with the ability to process and record accurate monthly and year-end transactions and prepare annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- > There is adequate staffing to prepare financial reports throughout and at the end of the year.
- > Material misstatements are identified and corrected during the normal course of duties.
- > Complete and accurate financial statements, including footnotes, are prepared.
- > Financial reports are independently reviewed for completeness and accuracy.
- > Financial reporting software is not based on Microsoft Access, which is susceptible to data manipulation.

Our evaluation of internal controls over financial reporting has identified control deficiencies that are considered a material weakness surrounding the preparation of financial statements and footnotes, adjusting journal entries identified by the auditors, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles. In addition, material misstatements in the general ledger were identified during the financial audit.

This level of internal control over financial reporting can be a difficult task for governments that operate with only enough staff to process monthly transactions and reports, and often rely on their auditors to prepare certain year-end audit entries and financial statements.

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**MATERIAL WEAKNESSES (cont.)**

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***LACK OF ACCOUNT RECONCILIATIONS***

Adequate monitoring and regular reconciliation of all general ledger accounts, including cash and investment accounts, provide assurance that the city's accounting records are complete and accurate throughout the year. Also, timely recording of transactions and adjustments contributes to more accurate financial information throughout the year.

We proposed a significant number of adjustments to the city's records to correct year-end balances including cash and investment balances.

We recommend you approve a process that identifies who is responsible for reconciling each balance sheet account, how often each account should be reconciled, and who should ensure the reconciliations are being performed and/or review such reconciliations. The first priority should be to reconcile all cash and investment accounts to monthly bank statements. Such reconciliations should be completed within three weeks of month end and any necessary adjustments should be posted to the general ledger at this time also.

**OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE**



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## TWO WAY COMMUNICATION REGARDING YOUR AUDIT

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As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
  - > Identify types of potential misstatements.
  - > Consider factors that affect the risks of material misstatement.
  - > Design tests of controls, when applicable, and substantive procedures.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.
- d. Your financial statements contain components, as defined by auditing standards generally accepted in the United States of America, which we also audit.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the city council has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.

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## **TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)**

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- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the city concerning:

- a. The city's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary audit work during the month of December, and sometimes early January. Our final fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

**COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS  
AND INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT  
MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES**

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## RECOMMENDATIONS

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### ***BUDGET REQUIREMENTS***

Wisconsin state statutes regarding municipal budgeting specify the information that should be incorporated into the class 1 notice regarding the budget public hearing and the budget document adopted by the city.

The city's budget notice should include the following items:

1. Summary budget for the proposed budget, the budget in effect and the percentage change between the budget of the current year and the proposed budget. A summary budget would include:
  - > All expenditures by major expenditure category for general fund
  - > All revenues by major revenue source for general fund
  - > Any financing source and use not included in the first two bullet points above
  - > All beginning and year-end fund balances for all funds
  - > Total revenues and expenditures for each fund
  - > Summary totals of revenues and expenditures all funds
  - > Local property taxes for each fund and the total for all funds
  - > List of budget increases and decreases due to new or discontinued activities (if any)
2. The place where the budget, in detail, is available for public inspection.
3. The time and place for holding the public hearing.

The budget document is required to include these items:

1. List all existing indebtedness.
2. Actual revenues and expenditures of the preceding year.
3. Actual revenues and expenditures for not less than the first six months of the current year and estimated revenues and expenditures for the balance of the year.
4. All anticipated revenue from all sources and all proposed appropriations for the ensuing year (proposed budget).
5. All anticipated unexpended or unappropriated balances and surpluses for each fund.

The city should review state statutes pertaining to municipal budgets. When preparing the city's next budget, you should include the items mentioned above.

The city's 2016 summary budget that was published in the newspaper did not include the beginning and year-end fund balances, total revenues and expenditures, and summary totals of revenues and expenditures of all funds (including utilities). The detailed budget that was approved did not list all existing indebtedness, did not include actual revenues and expenditures of the preceding year for all funds, did not include all actual revenues and expenditures for at least the first six months of 2015 and the estimated revenues and expenditures for the balance of the year, and did not include all anticipated unexpended or unappropriated balances and surpluses in each fund.

We can help the city comply with the requirements by reviewing your documents prior to publication and adoption.

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**RECOMMENDATIONS (cont.)**

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***PARKS AND RECREATION DEPARTMENT CHECKING ACCOUNTS***

During the audit, we noted that the Parks and Recreation Department has been maintaining several checking accounts that are not recorded in the city's main accounting system. These accounts are part of the overall city financial reporting entity and should comply with the procedures used for all other city bank accounts, including reconciling register balances to bank statements, recording of all receipts and disbursements in the city's accounting system, and appropriate review and approval of all disbursements by department heads and the governing body.

Bank accounts that do not comply with these procedures are at a higher risk for inappropriate disbursements and errors. In addition, interim reports to the governing body will not include account balances or the receipt and disbursement activity that has occurred in these accounts.

We recommend that these accounts be transferred to the Clerk/Treasurer's office for safekeeping and the disbursements from these accounts go through the city's normal approval process. All activity in these accounts should also be recorded on the city's general ledger.

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**PROFESSIONAL STANDARDS UPDATE / INFORMATIONAL POINTS**

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***DECENTRALIZED CASH COLLECTIONS***

Many governments collect cash at numerous decentralized locations that are separate from the primary system of accounting procedures and controls. The opportunity for theft is often higher at those locations because one person is frequently involved in most, if not all, aspects of a transaction (i.e. lack of segregation of duties).

Examples in your government that fit this situation include: police department, library, Lunda center, aquatic center/Lunda park.

Management is responsible for designing and implementing controls and procedures to detect and prevent fraud. As a result, we recommend that management review its decentralized cash collection procedures and controls on a periodic basis and make changes as necessary to strengthen the internal control environment. Reviewing the adequacy of the controls is a responsibility of the governing body.

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## **PROFESSIONAL STANDARDS UPDATE / INFORMATIONAL POINTS (cont.)**

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### ***DECENTRALIZED CASH COLLECTIONS (cont.)***

Below are example procedures and controls to help mitigate the risk of loss at decentralized cash collection points:

- > Implement a centralized receipting process with adequate segregation of duties
- > For cash collections, ensure pre-numbered receipts are being used and all receipts in the sequence are being reviewed by someone other than the person receipting the cash and receipts tie to deposits
- > Perform surprise procedures at decentralized locations (cash counts, walkthrough of processes, etc.)
- > Require regular cash deposits to minimize collection on-hand
- > Limit the number of separate bank accounts
- > Segregate duties as much as possible – the person receipting cash should be separate from the person preparing deposits and the person reconciling bank accounts should be separate from the cash collection activity
- > Perform a month-to-month or year-to-year comparisons to look for unusual changes in collections
- > If collecting from a drop box site, consider sending two people to collect the funds, especially during peak times

As always, the cost of controls and staffing must be weighed against the benefits of safeguarding your assets.

### ***NEW RESOURCES FOR STATE AND LOCAL GOVERNMENT BOARDS***

In recent years, our clients have told us that the roles of their council members have become increasingly demanding. Expectations and accountability are at all-time high and the knowledge required to be an effective council member is substantial. For these reasons, we have compiled a number of resources dedicated to educating state and local government council members. Go to our website [www.bakertilly.com](http://www.bakertilly.com) and click on the State and Local Government page.

Included in the “insights” section at the bottom of the State and Local Government page are four quick-hitting, informative videos:

1. Government financial statements 101
2. Understanding your government’s fraud risk
3. Financial ratios and benchmarks
4. Fund balance and other financial policies

Also included are links to other videos, case studies and news / events that you might find of interest.

We encourage you to subscribe to our complimentary newsletter “Government Connection” to stay abreast of the latest issues impacting state and local governments. You can do so by clicking on the “subscribe” button and indicating “State and Local Government” as an area of interest on the subscription form. Also, if you or your board members have suggested topics to feature on our Board Governance webpage or Government Connection newsletter, we invite you to submit your ideas in person or online.

***INTERPRETING YOUR FINANCIAL STATEMENTS POST-GASB No. 68***

Now that your financial statements reflect the new pension requirements of GASB Statement No. 68, what has changed and how do you interpret this new information? In summary, GASB Statement No. 68 required governmental entities participating in the Wisconsin Retirement System (WRS) to report their proportionate share of the plan's activity and net pension asset.

As of the December 31, 2014 measurement date used for your 2015 financial statements, WRS reported total resources available to provide pension benefits of \$92.1 billion. They also reported a total liability for pensions of \$89.7 billion. This resulted in a net pension asset of \$2.4 billion. Your government's proportionate share of the asset is reported on the statement of net position as a restricted asset. There are also pension-related deferred outflows or inflows due to timing of contributions and smoothing of activity.

Pension activity under GASB Statement No. 68 is reported in the government-wide financial statements and proprietary fund financial statements, similar to long-term debt. The implementation of this new standard does not affect how you fund or pay for your pension contributions to the WRS.

The accounting and reporting of pensions has become more complex with the implementation of GASB Statement No. 68. We are available to answer any questions on how this new accounting standard affects your financial statements.

***HIPAA RISK ASSESSMENT***

With data breaches on the rise, the US Department of Health and Human Services (HHS) Office of Civil Rights (OCR) has ramped up auditing and enforcement of Health Insurance Portability and Accountability Act (HIPAA) compliance in recent years. What they have found is that many organizations are not doing enough to protect Electronic Protected Health Information (ePHI).

One of the most common findings identified by HHS OCR is the lack of a thorough and documented risk assessment. The HIPAA Security Rule requires that organizations in accordance with the Code of Federal Regulations 45 §164.308(a)(1)(ii)(A) "Conduct an accurate and thorough assessment of the potential risks and vulnerabilities to the confidentiality, integrity, and availability of electronic protected health information ...". HHS OCR has indicated this risk assessment should be documented and performed at least annually.

Breach notification to HHS OCR is required when ePHI is exposed. When HHS OCR investigates such breaches, the documentation for the organization's latest risk assessment is often one of the first requests by HHS OCR for their review.

We recommend you perform and document the required HIPAA risk assessment. We are available to assist you with this process.

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**PROFESSIONAL STANDARDS UPDATE / INFORMATIONAL POINTS (cont.)**

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***GOVERNMENT FRAUD PREVENTION AND DETECTION: NOW IS THE TIME TO ACT***

When it comes to preventing and detecting fraud in government, being proactive is critical. In fact, government is the second most likely industry to be impacted by fraud. According to the audit standards, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. To get started, your government should conduct a fraud risk assessment to identify where and how fraud might occur and what individuals may be in a position to commit fraud. Once you've identified your entity's fraud risk areas, the next step is to develop a fraud risk assessment and investigation policy.

As you begin your fraud risk assessment or develop tools to prevent and detect fraud, it is important to keep in mind the following information provided by the Association of Certified fraud Examiners:

- > Misappropriation of assets accounts for 80 percent of fraud
- > The primary internal control weaknesses observed are lack of internal controls, lack of management review, override of existing internal controls and poor tone at the top
- > A tip is the most effective tool to catch a fraudster followed by management review
- > The professional requirements and objectives of a financial audit are different than a forensic audit. Due to the nature of a financial audit, less than 10 percent of frauds have been discovered as a result of a financial audit conducted by an independent accounting firm.

If your government has not gone through a fraud risk assessment or does not have a plan to prevent and detect fraud, we recommend that this be done and then updated on a regular basis. We are available to assist you with this process.

***GASB UPDATES***

The following is a schedule of upcoming GASB projects that may affect the city in 2016:

<b>Task or Event</b>	<b>Effective Date</b>	<b>Impact</b>
GASB 72 – Fair Value Measurement and Application	For financial statements for periods beginning after June 15, 2015	Items that are now subject to fair value measurement that weren't before: private equity/hedge funds, real estate investments, many investments that were previously carried at cost or under the equity method, derivatives will now be measured using exit price, donated long term assets. Does not affect money markets, investments in 2a7-like pools, or assets held by the government that enhance the ability to provide services.

Full lists of projects, as well as many resources, are available on GASB's website which is located at [www.gasb.org](http://www.gasb.org).



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## PROFESSIONAL STANDARDS UPDATE / INFORMATIONAL POINTS (cont.)

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### *TAX INCREMENT FINANCING LAW CHANGES*

In 2014, the Wisconsin Legislature appointed the Legislative Council Study Committee on the Review of Tax Increment Financing to study and review Wisconsin's Tax Incremental Financing (TIF) laws and to make recommendations for modifications and improvements. The Committee recommended eight bills, four of which were adopted by the Legislature and signed by the Governor in March 2016.

Following is a summary of the new laws:

- > 2015 Wisconsin Act 254 permits a Tax Incremental District (TID) project plan to be amended, or its maximum lifespan to be extended by an additional three years, or both, if at any time during the life of the TID, the annual and total amount of tax increments to be generated are adversely impacted by Wisconsin Act 145. Act 145 increased state aid to technical college districts in order to reduce the total statewide levy of technical college districts.
- > 2015 Wisconsin Act 255 removes the restriction that vacant property may not comprise more than 25 percent of the area of a newly created TID and excludes all tax-exempt city-owned property from the calculation of a TID's initial tax incremental base value.
- > 2015 Wisconsin Act 256 makes several technical changes to the TIF law, deleting certain obsolete provisions and clarifying/modifying others, such as maintenance of industrial zoning, public hearing notice for TID amendments and Joint Review Board review period. It also specifies that the municipality's equalized value for the preceding year, as used in the calculation of the levy limit exception for the year that a TID terminates, excludes the value of any TID value increments (TID OUT Value).
- > 2015 Wisconsin Act 257 makes several changes to improve reporting and transparency regarding the performance of TIF districts, including requiring a community to submit an annual report by July 1 describing the status of each existing TID to each overlying taxing jurisdiction as well as to the Wisconsin Department of Revenue (DOR). There will be a \$100 per day fine imposed for reports that are past due. In addition, the joint review board must meet annually to review the annual report and status of each TID. Baker Tilly will be working with the DOR in upcoming months to fully understand the impact of the reporting changes. We anticipate that there will be additional information your government will need to provide as part of this new reporting process. We will communicate additional information as it is known.

Acts 254, 255, 256 and certain sections of Act 257 are effective immediately and apply to all TIDs that are created or amended after October 1, 2015. The effective date for the annual reporting requirements stated in Act 257 is October 1, 2016. Accordingly, this new reporting requirement will be effective for your 2016 annual report due by July 1, 2017. More information related to these new laws is available on the DOR and Wisconsin State Statute's websites.

**REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE**

To the City Council  
City of Black River Falls  
Black River Falls, Wisconsin

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed our audit of the financial statements of the City of Black River Falls for the year ended December 31, 2015, and have issued our report thereon dated May 25, 2016. This letter presents communications required by our professional standards.

***OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND GOVERNMENT AUDITING STANDARDS***

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or those charged with governance of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Black River Falls' 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.

***OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS***

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

***PLANNED SCOPE AND TIMING OF THE AUDIT***

We performed the audit according to the planned scope and timing previously communicated to you in our prior year Communication to those Charged with Governance and Management point titled "Two Way Communication Regarding Your Audit" dated May 26, 2015.

To the City Council  
City of Black River Falls

## ***QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES***

### ***Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Black River Falls are described in Note I to the financial statements. As described in Note I to the financial statements, the city changed accounting policies related to financial reporting for pensions by adopting Statement of Governmental Accounting Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* in 2015. Accordingly, the accounting change has been applied as of January 1, 2015 with a restatement of net position. We noted no transactions entered into by the city during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### ***Accounting Estimates***

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 affecting the financial statements were:

- > Management's estimate of the net pension asset and the deferred outflows and inflows related to pensions which impacts the reported pension expense are based on information provided by the Wisconsin Retirement System.
- > Management's estimate of allowances for uncollectible ambulance receivables are based on historical loss levels and an analysis of the collectivity of individual accounts.
- > Management's estimate of allowances for uncollectible residential rehabilitation revolving loans receivable are based on an analysis of the collectivity of certain individual accounts.

### ***Financial Statement Disclosures***

The disclosures in the financial statements are neutral, consistent, and clear.

### ***DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT***

We encountered no significant difficulties in dealing with management in performing 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.

To the City Council  
City of Black River Falls

***CORRECTED AND UNCORRECTED MISSTATEMENTS (cont.)***

Multiple Parks and Recreation Department checking accounts are not recorded in the city's general ledger. Recording the total balances in these accounts as of December 31, 2015 would result in the assets and liabilities of the city's agency funds each increasing by \$24,661. Also, certain revolving housing loans reported as of December 31, 2015 are likely uncollectible. The projected balance of overall loans that may not be collectible would result in the assets and liabilities of the nonmajor governmental funds each decreasing by \$186,303 and the governmental activities' assets decreasing, expenses increasing, and net position decreasing by \$186,303. Management has determined that the effect of the uncorrected entries described above is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Attached to this communication are the misstatements (audit adjustments) that were identified by the audit team and corrected by management. Some of these misstatements are considered to be material.

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements.

***DISAGREEMENTS WITH MANAGEMENT***

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS***

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit'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.

***MANAGEMENT REPRESENTATIONS***

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

***INDEPENDENCE***

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and the City of Black River Falls that, in our professional judgment, may reasonably be thought to bear on our independence.

To the City Council  
City of Black River Falls

***INDEPENDENCE*** (cont.)

Relating to our audit of the financial statements of the City of Black River Falls for the year ended December 31, 2015, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the city in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the city other than audit services provided in connection with the audit of the current year's financial statements and the following nonaudit services which in our judgment do not impair our independence:

- > Financial statement preparation
- > Adjusting journal entries and GASB 34 conversion entries (including preparation of account reconciliations and depreciation schedules)

None of these nonaudit services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

***OTHER AUDIT FINDINGS OR ISSUES***

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

***OTHER MATTERS***

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

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

***RESTRICTION ON USE***

This information is intended solely for the use of those charged with governance and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

*Baker Tilly Virchow Krause, LLP*

May 25, 2016

## **ADJUSTING JOURNAL ENTRIES**

**City of Black River Falls**

**TB. 2**

Year End: December 31, 2015

Adjusting journal entries

Date: 1/1/2015 To 12/31/2015

Account No: A01 To X10

Prepared by KAF 4/19/2016	In-Charge	Manager CP 4/12/2016
Partner	Pre-issuance	Reviewed by

Number	Date	Name	Account No	Debit	Credit
A01	12/31/2015	DEFERRED REVENUES	202-00-26000-000-000 202	30,183.00	
A01	12/31/2015	EDF LOAN PAYBACK	202-00-49000-000-000 202		30,183.00
To record economic development loan payments received and adjust deferred revenue.					
A02	12/31/2015	TREASURE'S CASH	100-00-11100-000-000 100	20,611.00	
A02	12/31/2015	ACCTS RECEIVABLE/SUNDRY	100-00-13100-000-000 100		20,611.00
A02	12/31/2015	SHARED-RIDE TAXI TREAS CASH	215-00-11100-000-000 215		20,611.00
A02	12/31/2015	SHARED-RIDE TAXI UNDESIGNATED	215-00-34000-000-000 215	20,611.00	
To reverse prior year audit entry C02. This was entry #1850 being recorded after you sent us the trial balance; you didn't need to record it again.					
A03	12/31/2015	ACCTS RECEIVABLE/WDF	100-00-13102-000-000 100	2,220.00	
A03	12/31/2015	INTEREST INCOME	100-00-48100-000-000 100		2,220.00
A03	12/31/2015	ACCRUED INTEREST RECEIVABLE	202-00-13103-000-000 202	1,100.00	
A03	12/31/2015	INTEREST INCOME	202-00-48100-000-000 202		1,100.00
A03	12/31/2015	LUNDA PARK ACCTS RECEIV/SUNDRY	209-00-13100-000-000 209	367.00	
A03	12/31/2015	LUNDA PARK INTEREST INCOME	209-00-48100-000-000 209		367.00
To record accrued interest on CD's. REVERSE IN 2016.					
A04	12/31/2015	DUE TO CITY	100-00-24800-000-000 100	48,596.00	
A04	12/31/2015	FUND BALANCE - UNDESIGNATED	100-00-34000-000-000 100		48,596.00
To reverse portion of 2014 audit entry A09 that should have been to the fund 200.					
A05	12/31/2015	GENERAL PROPERTY TAX	100-00-41110-000-000 100	2,496.00	
A05	12/31/2015	Special Assessments	100-00-42100-000-000 100		2,496.00
A05	12/31/2015	TAXES RECEIVABLE	800-00-12100-000-000 800	274.00	
A05	12/31/2015	DUE TO COUNTY	800-00-24210-000-000 800		274.00
To move mowing/weed special assessment revenue from the prior year tax roll to the proper current year revenue account and adjust taxes receivable and due to county accounts to actual.					
A06	12/31/2015	PETTY CASH	100-00-11111-000-000 100		575.00
A06	12/31/2015	CITY HALL OTHER	100-00-51600-200-000 100	575.00	
To adjust petty cash to actual at year end (per Kelly).					
A07	12/31/2015	LAW ENFORCEMENT GRANTS	100-00-43521-000-000 100	18,485.00	
A07	12/31/2015	CONNECTING HIGHWAY AID	100-00-43533-000-000 100		18,485.00
To reclassify highway safety federal grant to correct account.					
A08	12/31/2015	TREASURE'S CASH	100-00-11100-000-000 100	23,651.00	
A08	12/31/2015	ACCTS RECEIVABLE/SUNDRY	100-00-13100-000-000 100		23,651.00
A08	12/31/2015	SHARED-RIDE TAXI TREAS CASH	215-00-11100-000-000 215		23,651.00



**City of Black River Falls**

Year End: December 31, 2015

Adjusting journal entries

Date: 1/1/2015 To 12/31/2015

Account No: A01 To X10

**TB. 2-1**

<b>Prepared by</b> KAF 4/19/2016	<b>In-Charge</b>	<b>Manager</b> CP 4/12/2016
<b>Partner</b>	<b>Pre-issuance</b>	<b>Reviewed by</b>

Number	Date	Name	Account No	Debit	Credit
A08	12/31/2015	SHARED-RIDE TAXI REVENUE	215-00-48605-000-000 215	23,651.00	
		To reverse client entry #1942 recording receivable in fund 100 and revenue in fund 215 for 4th quarter taxi payment. REVERSE IN 2016.			
A09	12/31/2015	ACCOUNTS RECEIVABLE	215-00-13100-000-000 215	23,651.00	
A09	12/31/2015	SHARED-RIDE TAXI REVENUE	215-00-48605-000-000 215		23,651.00
		To record receivable for 4th quarter taxi payment. REVERSE IN 2016.			
A10	12/31/2015	ALLOWANCE-UNCOLLECTIBLE ACCTS	100-00-13106-000-000 100		1,875.00
A10	12/31/2015	SUNDRY UNCLASSIFIED OTHER	100-00-51980-200-000 100	1,875.00	
		To record expenditure and allowance for uncollectible attorney fees paid during the year for Lallapooza.			
A11	12/31/2015	DEFERRED REV - LALLAPALOOZA	400-00-26602-000-000 400	52,500.00	
A11	12/31/2015	DEFERRED REV - LALLAPALOOZA	400-00-26602-100-000 400		52,500.00
		To adjust for 2014 audit journal entry #14 that was made to the incorrect account.			
A12	12/31/2015	REHABILITATION CASH	299-00-10000-000-000 299	33,185.00	
A12	12/31/2015	LOANS RECEIVABLE	299-00-14510-000-000 299		36,901.00
A12	12/31/2015	DEFERRED REV - RES REHAB ACT	299-00-26101-000-000 299	36,901.00	
A12	12/31/2015	GRANT REVENUE	299-00-43000-000-000 299		
A12	12/31/2015	LOAN PAYMENTS	299-00-48000-000-000 299		39,041.00
A12	12/31/2015	INTEREST INCOME	299-00-48100-000-000 299		82.00
A12	12/31/2015	NEW LOANS	299-00-56900-000-000 299	2,140.00	
A12	12/31/2015	ADMINISTRATION FEES	299-00-56901-000-000 299	3,798.00	
		To record current year residential rehabilitation loan activity.			
A13	12/31/2015	PRINCIPAL L/T DEBT	300-00-58100-610-000 300	404.00	
A13	12/31/2015	INTEREST L/T DEBT	300-00-58200-620-000 300		404.00
A13	12/31/2015	PRINCIPAL L/T DEBT	400-00-58100-610-000 400		653.00
A13	12/31/2015	INTEREST L/T DEBT	400-00-58200-620-000 400	653.00	
A13	12/31/2015	PRINCIPAL L/T DEBT	404-00-58100-610-000 404	39.00	
A13	12/31/2015	INTEREST L/T DEBT	404-00-58200-620-000 404		39.00
		To adjust principal and interest payment splits based on activity detail obtained from banks.			
A14	12/31/2015	PREPAID INSURANCE	100-00-16000-000-000 100		129,582.00
A14	12/31/2015	PROPERTY/LIABILITY INSURANCE	100-00-51933-200-000 100	27,914.00	
A14	12/31/2015	PROPERTY/LIABILITY INSURANCE	100-00-51933-200-000 100	18,806.00	
A14	12/31/2015	WORKMAN'S COMP INSURANCE	100-00-51934-200-000 100	69,225.00	
A14	12/31/2015	WORKMAN'S COMP INSURANCE	100-00-51934-200-000 100	5,361.00	
A14	12/31/2015	AUTOMOBILE FLEET INSURANCE	100-00-51935-200-000 100	7,178.00	
A14	12/31/2015	AUTOMOBILE FLEET INSURANCE	100-00-51935-200-000 100	1,098.00	

**City of Black River Falls**

Year End: December 31, 2015

Adjusting journal entries

Date: 1/1/2015 To 12/31/2015

Account No: A01 To X10

TB. 2-2

<b>Prepared by</b> KAF 4/19/2016	<b>In-Charge</b>	<b>Manager</b> CP 4/12/2016
<b>Partner</b>	<b>Pre-issuance</b>	<b>Reviewed by</b>

Number	Date	Name	Account No	Debit	Credit
To reverse prepaid amount set up for insurance (was 11/2014 - 11/2015 coverage).					
A15	12/31/2015	TREASURE'S CASH	100-00-11100-000-000 100		2,467,029.00
A15	12/31/2015	GENERAL FUND TRUST	100-00-11112-000-000 100	2,467,029.00	
To adjust the General Fund savings account to actual at year-end.					
A16	12/31/2015	ACCTS RECEIVABLE/WDF	100-00-13102-000-000 100		2,950.00
A16	12/31/2015	INTEREST INCOME	100-00-48100-000-000 100	2,950.00	
A16	12/31/2015	ACCRUED INTEREST RECEIVABLE	202-00-13103-000-000 202		504.00
A16	12/31/2015	INTEREST INCOME	202-00-48100-000-000 202	504.00	
A16	12/31/2015	LUNDA PARK ACCTS RECEIV/SUNDRY	209-00-13100-000-000 209		168.00
A16	12/31/2015	LUNDA PARK INTEREST INCOME	209-00-48100-000-000 209	168.00	
To reverse remaining accrued interest receivable from 12/31/14 (prior year AJE was for net change to receivable).					
A17	12/31/2015	TIF #1 IND PARK TREAS CASH	401-00-11100-000-000 401		9,306.00
A17	12/31/2015	TIF #1 IND PARK TREAS CASH	401-00-11100-000-000 401		9,160.00
A17	12/31/2015	GENERAL PROPERTY TAX	401-00-41110-000-000 401	9,160.00	
A17	12/31/2015	TRANSFER OUT	401-00-59000-000-000 401	9,306.00	
A17	12/31/2015	TIF #3 MC FOUR TREASURE'S CASH	403-00-11100-000-000 403	24,607.00	
A17	12/31/2015	TIF #3 MC FOUR TREASURE'S CASH	403-00-11100-000-000 403	24,817.00	
A17	12/31/2015	GENERAL PROPERTY TAX	403-00-41110-000-000 403		24,817.00
A17	12/31/2015	Transfer In	403-00-49000-000-000 403		24,607.00
A17	12/31/2015	TIF #4 GROSS/CULVER TREAS CASH	404-00-11100-000-000 404	156.00	
A17	12/31/2015	TIF #4 GROSS/CULVER TREAS CASH	404-00-11100-000-000 404	247.00	
A17	12/31/2015	GENERAL PROPERTY TAX	404-00-41110-000-000 404		247.00
A17	12/31/2015	Transfer In	404-00-49000-000-000 404		156.00
A17	12/31/2015	TIF #5 BR DEVELOP TREAS CASH	405-00-11100-000-000 405		15,457.00
A17	12/31/2015	TIF #5 BR DEVELOP TREAS CASH	405-00-11100-000-000 405		15,904.00
A17	12/31/2015	GENERAL PROPERTY TAX	405-00-41110-000-000 405	15,904.00	
A17	12/31/2015	Transfer Out	405-00-59000-000-000 405	15,457.00	
To adjust TIF district balances as a result of 2013 and 2014 incorrect TIF increment allocations.					
A18	12/31/2015	TREASURE'S CASH	100-00-11100-000-000 100		1,422.00
A18	12/31/2015	S/A 2011 - 2012 RECEIVABLE	100-00-12605-000-000 100		229.00
A18	12/31/2015	S/A 2013 - 2014 RECEIVABLE	100-00-12607-000-000 100	229.00	
A18	12/31/2015	S/A 2014 - 2015 RECEIVABLE	100-00-12608-000-000 100	15,018.00	
A18	12/31/2015	DEF REV 2010/2011 TAX YEAR	100-00-26005-000-000 100	479.00	
A18	12/31/2015	DEF REV 2012/2013 TAX YEAR	100-00-26008-000-000 100	291.00	
A18	12/31/2015	DEF REV 2012/2013 TAX YEAR	100-00-26008-000-000 100	238.00	
A18	12/31/2015	DEF REV 2013/2014 TAX YEAR	100-00-26009-000-000 100	250.00	
A18	12/31/2015	DEF REV 2014/2015 TAX YEAR	100-00-26010-000-000 100		279.00
A18	12/31/2015	Special Assessments	100-00-42100-000-000 100		479.00
A18	12/31/2015	Special Assessments	100-00-42100-000-000 100		291.00
A18	12/31/2015	Special Assessments	100-00-42100-000-000 100		250.00
A18	12/31/2015	Special Assessments	100-00-42100-000-000 100		238.00
A18	12/31/2015	Special Assessments	100-00-42100-000-000 100		14,359.00
A18	12/31/2015	Special Assessments	100-00-42100-000-000 100	1,422.00	
A18	12/31/2015	OTHER PUBLIC CHRGS / PUB FEES	100-00-46900-000-000 100		380.00

**City of Black River Falls**

Year End: December 31, 2015

Adjusting journal entries

Date: 1/1/2015 To 12/31/2015

Account No: A01 To X10

**TB. 2-3**

<b>Prepared by</b> KAF 4/19/2016	<b>In-Charge</b>	<b>Manager</b> CP 4/12/2016
<b>Partner</b>	<b>Pre-issuance</b>	<b>Reviewed by</b>

Number	Date	Name	Account No	Debit	Credit
A18	12/31/2015	CAPITAL PROJECTS TREAS CASH	400-00-11100-000-000 400	1,422.00	
A18	12/31/2015	S/A - LALLAPALOOZA	400-00-12602-000-000 400		1,269.00
A18	12/31/2015	DEFERRED REV - LALLAPALOOZA	400-00-26602-000-000 400	1,269.00	
A18	12/31/2015	SPECIAL ASSESSMNT-LALLAPALOOZA	400-00-42002-000-000 400		1,404.00
A18	12/31/2015	INTEREST ON SPECIAL ASSESSMNTS	400-00-48130-000-000 400		18.00
<p>To record revenue and remove deferred revenue for delinquent special assessments held by county that were received from the County during 2015.</p>					
A19	12/31/2015	DUE FROM ELECTRIC DEPARTMENT	100-00-15100-000-000 100	21,958.00	
A19	12/31/2015	DUE FROM WATER DEPARTMENT	100-00-15101-000-000 100	6,749.00	
A19	12/31/2015	DUE FROM SEWER DEPARTMENT	100-00-15102-000-000 100	8,200.00	
A19	12/31/2015	PROPERTY/LIABILITY INSURANCE	100-00-51933-200-000 100		23,467.00
A19	12/31/2015	WORKMAN'S COMP INSURANCE	100-00-51934-200-000 100		10,729.00
A19	12/31/2015	AUTOMOBILE FLEET INSURANCE	100-00-51935-200-000 100		2,711.00
<p>To record receivable for portion of utility receipt related to November and December insurance. REVERSE IN 2015.</p>					
A20	12/31/2015	BALL PARK TRUST	100-00-15013-000-000 100	4,659.00	
A20	12/31/2015	INTEREST INCOME	100-00-48100-000-000 100		4,659.00
<p>To correct city's entry JE-1919 that was made backwards (it was recording interest for the year related to the ball park CD &amp; checking account).</p>					
A21	12/31/2015	DEF REV - DUE FROM HALDEMAN	400-00-26200-000-000 400	105,000.00	
A21	12/31/2015	HALDEMAN BANKRUPTCY REVENUE	400-00-42003-000-000 400		105,000.00
<p>To record revenue from Haldeman and adjust deferred revenue as 2015 payment was received on January 22, 2016.</p>					
A22	12/31/2015	LICENSE PLATES TRUST	214-00-15017-000-000 214	142.00	
A22	12/31/2015	LICENSE PLATES TRUST	214-00-15017-000-000 214	98.00	
A22	12/31/2015	LICENSE PLATES INTEREST INCOME	214-00-48100-000-000 214		240.00
<p>To record 2015 interest for license plate checking account and adjust it to actual at year end.</p>					
A23	12/31/2015	ALLOWANCE - DOUBTFUL S/A	400-00-12702-000-000 400	52,500.00	
A23	12/31/2015	DEFERRED REV - LALLAPALOOZA	400-00-26602-100-000 400		52,500.00
<p>To adjust allowance for Haldeman receivable to actual based on 2015 payment received in January of 2016.</p>					
A24	12/31/2015	DUE FROM ELECTRIC DEPARTMENT	100-00-15100-000-000 100		357,818.00
A24	12/31/2015	DUE FROM WATER DEPARTMENT	100-00-15101-000-000 100		138,825.00
A24	12/31/2015	TAXES-MUNICIPAL UTILITIES	100-00-41310-000-000 100	496,643.00	
<p>To reverse prior year due from utility account balances.</p>					
A25	12/31/2015	DUE FROM ELECTRIC DEPARTMENT	100-00-15100-000-000 100	361,473.00	

**City of Black River Falls**

Year End: December 31, 2015

Adjusting journal entries

Date: 1/1/2015 To 12/31/2015

Account No: A01 To X10

TB. 2-4

Prepared by KAF 4/19/2016	In-Charge	Manager CP 4/12/2016
Partner	Pre-issuance	Reviewed by

Number	Date	Name	Account No	Debit	Credit
A25	12/31/2015	DUE FROM WATER DEPARTMENT	100-00-15101-000-000 100	177,265.00	
A25	12/31/2015	TAXES-MUNICIPAL UTILITIES	100-00-41310-000-000 100		538,738.00
To record the 2015 property tax equivalent transferred from utilities.					
A26	12/31/2015	TREASURE'S CASH	100-00-11100-000-000 100		11,050.00
A26	12/31/2015	SUNDRY UNCLASSIFIED OTHER	100-00-51980-200-000 100	7,688.00	
A26	12/31/2015	TRANSFER OUT	100-00-59000-200-000 100	3,362.00	
To adjust pooled cash to actual at year end.					
A27	12/31/2015	ACCTS RECEIVABLE/AMBULANCE	100-00-13101-000-000 100		48,596.00
A27	12/31/2015	FEDERAL W/H TAX DEDUCTIONS	100-00-21501-000-000 100	48,596.00	
To reverse social security backpay owed to the federal government by the Ambulance Fund.					
A28	12/31/2015	S/A 2014 - 2015 RECEIVABLE	100-00-12608-000-000 100		1,404.00
A28	12/31/2015	DEF REV 2014/2015 TAX YEAR	100-00-26010-000-000 100	1,404.00	
To reverse client entry #1893.					
A29	12/31/2015	ACCTS RECEIVABLE/AMBULANCE	100-00-13101-000-000 100	463.00	
A29	12/31/2015	ACCTS RECEIVABLE/AMBULANCE	100-00-13101-000-000 100		5.00
A29	12/31/2015	AMBULANCE OTHER	100-00-52202-200-000 100		463.00
A29	12/31/2015	AMBULANCE OTHER	100-00-52202-200-000 100	5.00	
To reverse a portion of the client journal entry EOM201512 to set up payable from EMS to City and get rid of the beginning balance in the due from EMS account.					
A30	12/31/2015	S/A - RYE BLUFF ROAD/WATER	400-00-12624-000-000 400	740.00	
A30	12/31/2015	S/A - RYE BLUFF	400-00-12625-000-000 400		988.00
A30	12/31/2015	DEFER REV - RYE BLUFF RD/WA	400-00-26624-000-000 400		740.00
A30	12/31/2015	DEFER REV - RYE BLUFF RD/WA	400-00-26624-000-000 400		740.00
A30	12/31/2015	DEFERRED REVENUE - RYE BLUFF	400-00-26625-000-000 400	988.00	
A30	12/31/2015	SPECIAL ASSESSMENTS	400-00-42000-000-000 400		
A30	12/31/2015	SPECIAL ASSESSMENTS- RYE BLUFF	400-00-42001-000-000 400		1,793.00
A30	12/31/2015	SPECIAL ASSESSMENTS- RYE BLUFF	400-00-42001-000-000 400		
A30	12/31/2015	RYE BLUFF LOT SALES	400-00-48000-000-000 400	10,829.00	
A30	12/31/2015	INTEREST ON SPECIAL ASSESSMNTS	400-00-48130-000-000 400		9,036.00
To adjust Rye Bluff special assessments to actual.					
A31	12/31/2015	CONNECTING HIGHWAY AID	400-00-43533-000-000 400		325.00
A31	12/31/2015	N WATER STREET PROJECT	400-00-57351-200-000 400	216.00	
A31	12/31/2015	MAIN STREET PROJECT	400-00-57352-200-000 400	109.00	
To reclassify receipt #40147 and #40146 out of an expenditure account and into a revenue account.					

**City of Black River Falls**

Year End: December 31, 2015

Adjusting journal entries

Date: 1/1/2015 To 12/31/2015

Account No: A01 To X10

**TB. 2-5**

<b>Prepared by</b> KAF 4/19/2016	<b>In-Charge</b>	<b>Manager</b> CP 4/12/2016
<b>Partner</b>	<b>Pre-issuance</b>	<b>Reviewed by</b>

Number	Date	Name	Account No	Debit	Credit
A32	12/31/2015	Allowance for Uncollectible Revolving Loans	299-00-14511-000-000 299		192,567.00
A32	12/31/2015	Allowance for Uncollectible Rev. Loan - Def. Rev.	299-00-26102-000-000 299	192,567.00	
<p>To record allowance on revolving loans receivable. Rhonda, both of the accounts in this entry will need to be created new this year (both are balance sheet accounts).</p>					
A33	12/31/2015	LIBRARY HISTORY ROOM ACCOUNTS	100-00-15021-000-000 100	1,476.00	
A33	12/31/2015	LIBRARY INVESTMENTS	100-00-15022-000-000 100	25,363.00	
A33	12/31/2015	LIBRARY BRF AREA FOUNDATION	100-00-15026-000-000 100		690.00
A33	12/31/2015	LIBRARY - GRANTS & DONATIONS	100-00-45111-000-000 100		31,873.00
A33	12/31/2015	INTEREST INCOME	100-00-48100-000-000 100		421.00
A33	12/31/2015	LIBRARY MISCELLANEOUS	100-00-55110-200-000 100	6,145.00	
<p>To record library cash activity for the year.</p>					
A34	12/31/2015	TREASURE'S CASH	100-00-11100-000-000 100		7,196.00
A34	12/31/2015	Special Assessments	100-00-42100-000-000 100	14,768.00	
A34	12/31/2015	MANAGED FOREST LAND TAX	100-00-43650-000-000 100		274.00
A34	12/31/2015	SUNDRY UNCLASSIFIED OTHER	100-00-51980-200-000 100		7,688.00
A34	12/31/2015	SUNDRY UNCLASSIFIED OTHER	100-00-51980-200-000 100	390.00	
A34	12/31/2015	SHARED-RIDE TAXI TREAS CASH	215-00-11100-000-000 215	15,000.00	
A34	12/31/2015	SHARED-RIDE TAXI PROPERTY TAX	215-00-41110-000-000 215		15,000.00
A34	12/31/2015	CAPITAL PROJECTS TREAS CASH	400-00-11100-000-000 400	15,000.00	
A34	12/31/2015	GENERAL PROPERTY TAX	400-00-41110-000-000 400		15,000.00
<p>To record fund 215 and 400 property tax revenue, adjust special assessment revenue to actual, and adjust cash to actual.</p>					
A35	12/31/2015	FUND BALANCE - UNDESIGNATED	100-00-34000-000-000 100		251,995.00
A35	12/31/2015	FUND BALANCE - DESIGNATED	100-00-34001-000-000 100	251,995.00	
<p>To adjust designated fund balance to actual (agree to specific bank account balances at year-end).</p>					
A36	12/31/2015	LOANS RECEIVABLE	299-00-14510-000-000 299	124,992.00	
A36	12/31/2015	DEFERRED REV - RES REHAB ACT	299-00-26101-000-000 299		124,992.00
<p>To record the Black River Run (Solsrud) revolving loan back on the City's books until it is formally approved to be written off.</p>					
C01	12/31/2015	CLERK INSURANCE	100-00-51420-132-000 100		320.00
C01	12/31/2015	ADMIN ASSIST INSURANCE	100-00-51525-132-000 100	320.00	
<p>Entry provided by Kelly to correct expenditure account coding. Kelly, please make the entry for exactly \$319.61.</p>					
C02	12/31/2015	STREET DEPT REVENUE	100-00-46327-000-000 100	8,225.00	
C02	12/31/2015	INSURANCE RECOVERIES - STREETS	100-00-48430-000-000 100		8,225.00
<p>Entry from Brad to move insurance proceeds relating to the repair of a street light to the proper account.</p>					

**City of Black River Falls**

**TB. 2-6**

Year End: December 31, 2015

Adjusting journal entries

Date: 1/1/2015 To 12/31/2015

Account No: A01 To X10

<b>Prepared by</b> KAF 4/19/2016	<b>In-Charge</b>	<b>Manager</b> CP 4/12/2016
<b>Partner</b>	<b>Pre-issuance</b>	<b>Reviewed by</b>

Number	Date	Name	Account No	Debit	Credit
X01	12/31/2015	Capital Assets	200-30000-000 200	136,372.00	
X01	12/31/2015	Budget Outlay	200-57700-000 200		105,020.00
X01	12/31/2015	Budget Outlay	200-57700-000 200		31,352.00
To record current year capital asset additions for Rescue #2 and lifepack15.					
X02	12/31/2015	Compensated Absences - One Yr.	200-25100-000 200		443.00
X02	12/31/2015	Ambulance/Wages	200-52300-100 200	443.00	
To adjust accrued sick and vacation to actual at year-end.					
X03	12/31/2015	Accumulated depreciation	200-35000-000 200		60,858.00
X03	12/31/2015	Depreciation expense	200-57250-000 200	60,858.00	
To record current year depreciation expense.					
X04	12/31/2015	Accounts Receivable	200-12000-000 200		65,117.00
X04	12/31/2015	Allowance for Doubtful Account	200-12500-000 200		48,408.00
X04	12/31/2015	BAD DEBT EXPENSES	200-54500-000 200	113,525.00	
To adjust EMS receivables and allowance to actual at year end.					
X05	12/31/2015	Money Market Account	200-11300-000 200		3,594.00
X05	12/31/2015	Accounts Receivable	200-12000-000 200	7,335.00	
X05	12/31/2015	Retained Earnings	200-34100-000 200		3,741.00
Adjust opening equity for entry made to 2014 book after audit.					
X06	12/31/2015	DUE TO CITY	200-24800-000 200	48,596.00	
X06	12/31/2015	Full Time EMT	200-53250-000 200		48,596.00
To reverse social security backpay owed to the federal government by the Ambulance Fund.					
X07	12/31/2015	Capital Assets	200-30000-000 200		23,449.00
X07	12/31/2015	Accumulated depreciation	200-35000-000 200	21,949.00	
X07	12/31/2015	Accumulated depreciation	200-35000-000 200		10,696.00
X07	12/31/2015	VK created acct - loss on sale of asset	200-90000-000 200	1,500.00	
X07	12/31/2015	VK created acct - loss on sale of asset	200-90000-000 200	10,696.00	
Retire the 3 old cardiac monitors that were scrapped in 2015.					
X08	12/31/2015	Restricted Net Pension Asset	200-16500-000 200	72,552.00	
X08	12/31/2015	Deferred Outflow - GASB68	200-29953-000 200	16,312.00	
X08	12/31/2015	Retained Earnings	200-34100-000 200		88,864.00
To record beginning balances (GASB 68).					

**City of Black River Falls**  
 Year End: December 31, 2015  
 Adjusting journal entries  
 Date: 1/1/2015 To 12/31/2015  
 Account No: A01 To X10

**TB. 2-7**

<b>Prepared by</b> KAF 4/19/2016	<b>In-Charge</b>	<b>Manager</b> CP 4/12/2016
<b>Partner</b>	<b>Pre-issuance</b>	<b>Reviewed by</b>

Number	Date	Name	Account No	Debit	Credit
X09	12/31/2015	Restricted Net Pension Asset	200-16500-000 200		28,553.00
X09	12/31/2015	Deferred Outflow - GASB68	200-29953-000 200	11,975.00	
X09	12/31/2015	Full Time EMT	200-53250-000 200	16,578.00	
To record deferred outflows/inflows, pension expense, and adjust net pension asset/liability (GASB68).					
X10	12/31/2015	Deferred Outflow - GASB68	200-29953-000 200	21,554.00	
X10	12/31/2015	Full Time EMT	200-53250-000 200		21,554.00
To record employer pension payments subsequent to the measurement date (GASB68).					
				<b>5,574,044.00</b>	<b>5,574,044.00</b>

**Net Income (Loss) (7,336,909.00)**

## **MANAGEMENT REPRESENTATIONS**





# BLACK RIVER FALLS, WISCONSIN

*A Fine Place to Raise Your Family • A Dynamic Location for Your Business*



Baker Tilly Virchow Krause, LLP  
2519 N. Hillcrest Parkway  
Suite 103  
Altoona, WI 54720

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the City of Black River Falls as of December 31, 2015 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, 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 of the City of Black River Falls and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

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 the 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, 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.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other 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.
7. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
8. We believe the effects of the uncorrected financial statement misstatements listed here are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. Multiple Parks and Recreation Department checking accounts are not recorded in the city's general ledger. Recording the total balances in these accounts as of December 31, 2015 would result in the assets and liabilities of the city's agency funds each increasing by \$24,661. Also, certain revolving housing loans reported as of December 31, 2015 are likely uncollectible. The projected balance of overall loans that may not be collectible would result in the assets and liabilities of the nonmajor governmental funds each decreasing by \$186,303 and the governmental activities' assets decreasing, expenses increasing, and net position decreasing by \$186,303. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
9. There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
10. Guarantees, whether written or oral, under which the City 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 financial records and related data, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. We have not completed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. 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 where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
15. We have no knowledge of 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, except for those disclosed in the financial statements.

16. There are no known related parties or related party relationships and transactions of which we are aware.

*Other*

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

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

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

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

21. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

22. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local 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.

23. There are no:

a. Violations or possible violations of budget ordinances, federal, state, and local laws or 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, except those already disclosed in the financial statement, if any.

b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

e. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

24. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

a. Financial statement preparation

b. Adjusting journal entries and GASB 34 conversion entries (including preparation of account reconciliations and depreciation schedules)

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

25. The City of Black River Falls 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 City of Black River Falls has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
27. 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, if any.
28. The financial statements properly classify all funds and activities.
29. All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 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.
30. 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.
31. The City of Black River Falls has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
32. Provisions for uncollectible receivables, if any, 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 and general revenues.
35. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
36. Deposits and investment securities are properly classified as to risk, and investments are properly valued. Collateralization agreements with financial institutions, if any, have been properly disclosed.
37. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
38. We believe that the estimate made for the pollution remediation liability is in accordance with GASB 49 and reflects all known available facts at the time it was recorded.
39. Tax-exempt bonds issued have retained their tax-exempt status.
40. We have appropriately disclosed the City of Black River Falls' 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 are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
41. 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.

42. With respect to the supplementary information, (SI):

- a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, 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 SI 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.
- b. If the SI 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 auditor's report thereon.


43. We agree with the restatement presented in the current year's financial statements.

44. We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.

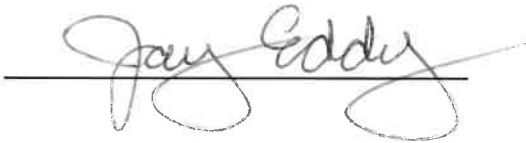
Sincerely,

City of Black River Falls

Signed: \_\_\_\_\_



Signed: \_\_\_\_\_



Date: \_\_\_\_\_

5/25/16