

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, 2016

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, 2016, 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.

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

Altoona, Wisconsin
May 30, 2017

MATERIAL WEAKNESSES

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 should be performed timely by someone independent of the tax collection process.

MATERIAL WEAKNESSES (cont.)

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 provide your organization with the ability to process and record accurate monthly and year-end transactions and 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 the 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.

MATERIAL WEAKNESSES (cont.)

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

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

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.

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.
- 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?

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

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 or 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 RECOMMENDATIONS AND INFORMATIONAL
POINTS TO MANAGEMENT THAT ARE NOT MATERIAL
WEAKNESSES OR SIGNIFICANT DEFICIENCIES**

RECOMMENDATIONS

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 for 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 2017 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 and ambulance). 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 2016 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.

RECOMMENDATIONS (cont.)

PARKS AND RECREATION DEPARTMENT CHECKING ACCOUNTS

During a prior year audit, we noted that the Parks and Recreation Department had been maintaining several checking accounts that were not recorded in the city's main accounting system. These accounts were part of the overall city financial reporting entity and should have been complying 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.

STATUS AS OF DECEMBER 31, 2016

During the 2016 audit, we noted that these bank accounts have been removed from the Parks and Recreation Department and now belong to entities outside of the city.

PROFESSIONAL STANDARDS UPDATE / INFORMATIONAL POINTS

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, and aquatic center.

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.

PROFESSIONAL STANDARDS UPDATE/INFORMATIONAL POINTS (cont.)

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 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.

WISCONSIN RETIREMENT SYSTEM AND GASB No. 68

As you begin your second year reporting your pension activity under the requirements of GASB Statement No. 68, let's review how this information affects your financial statements.

Wisconsin Retirement System (WRS) pension information is reported on a one year lag in your financial statements, so current year balances are the WRS amounts reported for the plan year ended December 31, 2015. The following is a summary of the status of the WRS for the current and previous year (amounts are in billions).

	<u>Current Year 2015</u>	<u>Previous Year 2014</u>	<u>Change</u>
Total Pension Liability	\$ 90.1	\$ 89.7	\$ 0.4
Net Assets Available for Benefits	<u>88.5</u>	<u>92.1</u>	<u>(3.6)</u>
Net Pension Liability (Asset)	<u>\$ 1.6</u>	<u>\$ (2.4)</u>	<u>\$ 4.0</u>

PROFESSIONAL STANDARDS UPDATE/INFORMATIONAL POINTS (cont.)

WISCONSIN RETIREMENT SYSTEM AND GASB No. 68 (cont.)

As noted above, for the current year, WRS reports a net pension liability compared to a net pension asset for the previous year. Although 2015 contributions to WRS from employers and employees was consistent with the 2014 amounts, net investment income for 2015 decreased from \$4.9 billion to a net loss of \$0.7 billion, a \$5.6 billion swing. This decrease in net investment income was primarily due to declines in investment returns and market values as a result of the 2015 market closing at its lowest point since 2008. In addition, benefit payments increased \$0.3 billion or 6.3% from 2014 to 2015 partially as a result of an additional 6,200 retirees receiving benefits. Your government's proportionate share of the current year net pension liability is reported in your government-wide financial statements.

It should be noted that since the net pension liability (asset) is heavily dependent upon the market value of the net assets available for benefits, increases and decreases in the market can and will significantly change the amounts reported on your financial statements in the future.

PROCUREMENT RULES FOR EXPENDITURES UNDER FEDERAL GRANTS NOW IN EFFECT

In December 2013, the US Office of Management and Budget (OMB) issued comprehensive grant reform rules titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." With that issuance, there were important updates made to various areas of federal grants management. Procurement is one of the areas that had significant changes for some entities. In order to allow time for implementation, the procurement rules were given a two year grace period, which had now expired. However, the OMB recently issued an amendment to the Uniform Guidance to allow a grace period of one additional fiscal year for non-federal entities to implement changes to their procurement policies and procedures. Therefore, you must be compliant with the new guidelines for your 2018 federal awards.

The procurement sections of the Uniform Guidance can be found online in 2 CFR 200.318. Some of the highlights include:

- > Written conflict of interest policies are required.
- > The organization must document the procurement steps and activities required to be completed, which includes the basis for the type of procurement, contract type and basis for the contractor selection.
- > Procurement must be done in a manner that prohibits the use of geographical preference, except in certain cases.
- > The five methods of procurement outlined are:
 - Micro-purchase – purchases where the aggregate dollar amount does not exceed \$3,000 (adjusted by the Federal Acquisition Regulation). No competitive quotes are required if management determines that the price is reasonable. When practical, the entity should distribute micro-purchases equitably among qualified suppliers.
 - Small purchase – includes purchases up to the Simplified Acquisition Threshold, which starts out at \$150,000 but is periodically adjusted for inflation. Price or rate quotes must be obtained from an adequate number of sources.

PROFESSIONAL STANDARDS UPDATE/INFORMATIONAL POINTS (cont.)

PROCUREMENT RULES FOR EXPENDITURES UNDER FEDERAL GRANTS NOW IN EFFECT (CONT.)

- Sealed bids – used for purchases over the Simplified Acquisition Threshold. Formal solicitation is required and the fixed price is awarded to the responsible bidder who conformed to all material terms and is the lowest in price.
- Competitive proposals – used for purchases over the Simplified Acquisition Threshold when sealed bids are not appropriate. Contracts should be awarded to the responsible firm whose proposal is most advantageous to the program, with price being one of the various factors.
- Noncompetitive proposals (also known as sole-source procurement) – used only when specific criteria are met. Examples include when a public emergency does not allow time for a competitive proposal process, an item is only available from one source, competition is deemed inadequate after a number of attempts were made, or the federal awarding agency authorizes noncompetitive proposals.

If your organization has not yet evaluated and/or revised your procurement policies for compliance with the requirements under Uniform Guidance, we recommend that you do so as soon as possible. A high level of formal documentation is required to meet the standards. As always, you will need to consider compliance with state requirements as well.

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 (city) for the year ended December 31, 2016, and have issued our report thereon dated May 30, 2017. 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 was 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 25, 2016.

To the City Council
City of Black River Falls

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING POLICIES

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. No new accounting policies were adopted and the application of existing policies was not changed during 2016. 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) liability 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 collectability of individual accounts.
- > Management's estimate of allowances for uncollectible residential rehabilitation revolving loans receivable are based on an analysis of the collectability of certain individual accounts.
- > The depreciable lives for capital assets are based on management's estimate of the useful life of each asset. For the electric and water utilities, standard depreciation rates are provided by the PSC as part of the rate case process.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the notes to 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.)

A summary of uncorrected financial statement misstatements follows this required communication. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Also, 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.

Relating to our audit of the financial statements of the City of Black River Falls for the year ended December 31, 2016, 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*.

To the City Council
City of Black River Falls

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 of 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 the City Council and management 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

Altoona, Wisconsin
May 30, 2017

ADJUSTING JOURNAL ENTRIES

City of Black River Falls

TB. 2

Year End: December 31, 2016

Adjusting journal entries

Date: 1/1/2016 To 12/31/2016

Account No: A01 To X99

Number	Date	Name	Account No	Debit	Credit
A01	12/31/2016	DEFERRED REVENUES	202-00-26000-000-000 202	30,747.00	
A01	12/31/2016	EDF LOAN PAYBACK	202-00-49000-000-000 202		30,747.00
<p>To record economic development loan payments received and adjust deferred revenue.</p>					
A03	12/31/2016	TREASURE'S CASH	100-00-11100-000-000 100		250,304.00
A03	12/31/2016	DEF REV 2015/2016 TAX YEAR	100-00-26011-000-000 100		245.00
A03	12/31/2016	GENERAL PROPERTY TAX	100-00-41110-000-000 100	250,304.00	
A03	12/31/2016	GENERAL PROPERTY TAX	100-00-41110-000-000 100	2,725.00	
A03	12/31/2016	Special Assessments	100-00-42100-000-000 100		2,480.00
A03	12/31/2016	DEBT SERVICE TREASURE'S CASH	300-00-11100-000-000 300	140,304.00	
A03	12/31/2016	GENERAL PROPERTY TAX	300-00-41110-000-000 300		140,304.00
A03	12/31/2016	CAPITAL PROJECTS TREAS CASH	400-00-11100-000-000 400	110,000.00	
A03	12/31/2016	GENERAL PROPERTY TAX	400-00-41110-000-000 400		110,000.00
A03	12/31/2016	TIF #1 IND PARK TREAS CASH	401-00-11100-000-000 401		9,169.00
A03	12/31/2016	GENERAL PROPERTY TAX	401-00-41110-000-000 401	9,169.00	
A03	12/31/2016	TIF #3 MC FOUR TREASURE'S CASH	403-00-11100-000-000 403	24,484.00	
A03	12/31/2016	GENERAL PROPERTY TAX	403-00-41110-000-000 403		24,484.00
A03	12/31/2016	TIF #4 GROSS/CULVER TREAS CASH	404-00-11100-000-000 404	100.00	
A03	12/31/2016	GENERAL PROPERTY TAX	404-00-41110-000-000 404		100.00
A03	12/31/2016	TIF #5 BR DEVELOP TREAS CASH	405-00-11100-000-000 405		15,415.00
A03	12/31/2016	GENERAL PROPERTY TAX	405-00-41110-000-000 405	15,415.00	
A03	12/31/2016	TAXES RECEIVABLE	800-00-12100-000-000 800	254.00	
A03	12/31/2016	DUE TO COUNTY	800-00-24210-000-000 800		254.00
<p>To adjust property tax revenues to actual, to move mowing/weed special assessment revenue from the prior year tax roll, and adjust taxes receivable and due to county accounts to actual.</p>					
A04	12/31/2016	ACCTS RECEIVABLE/SUNDRY	100-00-13100-000-000 100	5,612.00	
A04	12/31/2016	Due From Other Government	100-00-14000-000-000 100	6,500.00	
A04	12/31/2016	MOBILE HOME FEES	100-00-41140-000-000 100		5,612.00
A04	12/31/2016	PAYMENT IN LIEU OF TAXES	100-00-48900-000-000 100		6,500.00
<p>To record 2016 mobile home fees due from Black River Falls estates and PILOT payment due from WHEDA.</p>					
A05	12/31/2016	S/A 2011 - 2012 RECEIVABLE	100-00-12605-000-000 100	229.00	
A05	12/31/2016	S/A 2013 - 2014 RECEIVABLE	100-00-12607-000-000 100		229.00
<p>To reverse entry that was recorded during the 2015 audit at AJE 18.</p>					
A06	12/31/2016	S/A 2012 - 2013 RECEIVABLE	100-00-12606-000-000 100		1.00
A06	12/31/2016	S/A 2014 - 2015 RECEIVABLE	100-00-12608-000-000 100	179.00	
A06	12/31/2016	S/A 2015 - 2016 RECEIVABLE	100-00-12609-000-000 100		179.00
A06	12/31/2016	S/A 2015 - 2016 RECEIVABLE	100-00-12609-000-000 100	9,052.00	
A06	12/31/2016	DEF REV 2010/2011 TAX YEAR	100-00-26005-000-000 100	221.00	
A06	12/31/2016	DEF REV 2013/2014 TAX YEAR	100-00-26009-000-000 100	279.00	
A06	12/31/2016	DEF REV 2015/2016 TAX YEAR	100-00-26011-000-000 100		629.00
A06	12/31/2016	DEF REV 2015/2016 TAX YEAR	100-00-26011-000-000 100	45.00	
A06	12/31/2016	Special Assessments	100-00-42100-000-000 100		221.00
A06	12/31/2016	Special Assessments	100-00-42100-000-000 100	1.00	
A06	12/31/2016	Special Assessments	100-00-42100-000-000 100		279.00

City of Black River Falls

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Year End: December 31, 2016

Adjusting journal entries

Date: 1/1/2016 To 12/31/2016

Account No: A01 To X99

Number	Date	Name	Account No	Debit	Credit
A06	12/31/2016	Special Assessments	100-00-42100-000-000 100		8,423.00
A06	12/31/2016	Special Assessments	100-00-42100-000-000 100		45.00
<p>To record revenue and remove deferred revenue for delinquent special assessments held by county that were received from the County during 2016. You will have to make a new account #100-00-26011-000-000.</p>					
A07	12/31/2016	S/A - RYE BLUFF	400-00-12625-000-000 400	6,081.00	
A07	12/31/2016	DEFERRED REVENUE - RYE BLUFF	400-00-26625-000-000 400		6,081.00
<p>To adjust Rye Bluff special assessments receivable and deferred revenue to actual as of 12/31/2016.</p>					
A08	12/31/2016	TREASURE'S CASH	100-00-11100-000-000 100		19,811.00
A08	12/31/2016	GENERAL FUND TRUST	100-00-11112-000-000 100	19,811.00	
A08	12/31/2016	GENERAL FUND TRUST	100-00-11112-000-000 100		3,027.00
A08	12/31/2016	DUE TO OTHER FUNDS	100-00-25000-000-000 100	1.00	
A08	12/31/2016	Special Assessments	100-00-42100-000-000 100	3,027.00	
A08	12/31/2016	Special Assessments	100-00-42100-000-000 100	3,362.00	
A08	12/31/2016	TRANSFER IN	100-00-48920-000-000 100		3,363.00
A08	12/31/2016	CAPITAL PROJECTS TREAS CASH	400-00-11100-000-000 400	19,811.00	
A08	12/31/2016	SPECIAL ASSESSMENTS- RYE BLUFF	400-00-42001-000-000 400		19,142.00
A08	12/31/2016	INTEREST ON SPECIAL ASSESSMNTS	400-00-48130-000-000 400		669.00
<p>To adjust special assessment revenue to actual.</p>					
A11	12/31/2016	DUE FROM SEWER DEPARTMENT	100-00-15102-000-000 100	60,983.00	
A11	12/31/2016	SEWER MAIN MAINTENANCE	100-00-47400-000-000 100		60,983.00
<p>To record sewer main maintenance receivable and revenue for 2016. REVERSE IN 2017.</p>					
A12	12/31/2016	REHABILITATION CASH	299-00-10000-000-000 299		9,919.00
A12	12/31/2016	REHABILITATION CASH	299-00-10000-000-000 299	162.00	
A12	12/31/2016	LOANS RECEIVABLE	299-00-14510-000-000 299	2,607.00	
A12	12/31/2016	DEFERRED REV - RES REHAB ACT	299-00-26101-000-000 299		2,607.00
A12	12/31/2016	GRANT REVENUE	299-00-43000-000-000 299		
A12	12/31/2016	LOAN PAYMENTS	299-00-48000-000-000 299		41,114.00
A12	12/31/2016	INTEREST INCOME	299-00-48100-000-000 299		126.00
A12	12/31/2016	NEW LOANS	299-00-56900-000-000 299	43,721.00	
A12	12/31/2016	ADMINISTRATION FEES	299-00-56901-000-000 299	7,438.00	
A12	12/31/2016	ADMINISTRATION FEES	299-00-56901-000-000 299		162.00
<p>To record current year residential rehabilitation loan activity.</p>					
A13	12/31/2016	ACCOUNTS RECEIVABLE	215-00-13100-000-000 215	17,853.00	
A13	12/31/2016	SHARED-RIDE TAXI REVENUE	215-00-48605-000-000 215		17,853.00
<p>To record 4th quarter taxi operating receivable and revenue. REVERSE IN 2017.</p>					
A14	12/31/2016	ALLOWANCE - DOUBTFUL S/A	400-00-12702-000-000 400	82,500.00	
A14	12/31/2016	DEFERRED REV - LALLAPALOOZA	400-00-26602-100-000 400		82,500.00

City of Black River Falls

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Year End: December 31, 2016

Adjusting journal entries

Date: 1/1/2016 To 12/31/2016

Account No: A01 To X99

Number	Date	Name	Account No	Debit	Credit
To adjust allowance for Haldeman receivable to actual based on 2016 payment.					
A15	12/31/2016	DUE FROM ELECTRIC DEPARTMENT	100-00-15100-000-000 100		361,473.00
A15	12/31/2016	DUE FROM WATER DEPARTMENT	100-00-15101-000-000 100		177,265.00
A15	12/31/2016	TAXES-MUNICIPAL UTILITIES	100-00-41310-000-000 100	538,738.00	
To reverse prior year due from utility account balances.					
A16	12/31/2016	INSURANCE RECOVERIES - STREETS	100-00-48430-000-000 100		15,394.00
A16	12/31/2016	STREET SIGNS OTHER	100-00-53306-200-000 100	15,394.00	
Move insurance proceeds out of expense account and into revenue account (for salt shed & traffic light).					
A17	12/31/2016	LIBRARY HISTORY ROOM ACCOUNTS	100-00-15021-000-000 100		411.00
A17	12/31/2016	LIBRARY INVESTMENTS	100-00-15022-000-000 100		5,103.00
A17	12/31/2016	LIBRARY BRF AREA FOUNDATION	100-00-15026-000-000 100	1,229.00	
A17	12/31/2016	LIBRARY - GRANTS & DONATIONS	100-00-45111-000-000 100		16,866.00
A17	12/31/2016	INTEREST INCOME	100-00-48100-000-000 100		1,987.00
A17	12/31/2016	LIBRARY MISCELLANEOUS	100-00-55110-200-000 100	23,138.00	
To record library cash activity for the year.					
A18	12/31/2016	LOANS RECEIVABLE	299-00-14510-000-000 299	33,225.00	
A18	12/31/2016	DEFERRED REV - RES REHAB ACT	299-00-26101-000-000 299		33,225.00
Adjust loans receivable and deferred revenues to agree to Cedar Corp's listing.					
A20	12/31/2016	DUE FROM GOLF COURSE	300-00-15107-000-000 300	1,171.00	
A20	12/31/2016	DEF REV - GOLF COURSE LOAN	300-00-26100-000-000 300		1,171.00
A20	12/31/2016	DONATIONS	300-00-48500-000-000 300		
A20	12/31/2016	PRINCIPAL L/T DEBT	300-00-58100-610-000 300		1,171.00
A20	12/31/2016	INTEREST L/T DEBT	300-00-58200-620-000 300	1,171.00	
To record activity for golf course loan.					
A21	12/31/2016	DUE FROM RURAL FIRE	300-00-15108-000-000 300		100,000.00
A21	12/31/2016	DEFERRED REV - FIRE DEPT LOAN	300-00-26101-000-000 300	100,000.00	
A21	12/31/2016	DONATIONS	300-00-48500-000-000 300		100,000.00
A21	12/31/2016	PRINCIPAL L/T DEBT	300-00-58100-610-000 300	100,000.00	
To adjust activity related to the 2016 loan to the fire department to actual.					
A22	12/31/2016	DEBT SERVICE TREASURE'S CASH	300-00-11100-000-000 300	25,972.00	
A22	12/31/2016	DONATIONS	300-00-48500-000-000 300		1,652.00
A22	12/31/2016	PRINCIPAL L/T DEBT	300-00-58100-610-000 300		23,666.00
A22	12/31/2016	INTEREST L/T DEBT	300-00-58200-620-000 300		654.00
A22	12/31/2016	CAPITAL PROJECTS TREAS CASH	400-00-11100-000-000 400		25,972.00
A22	12/31/2016	PRINCIPAL L/T DEBT	400-00-58100-610-000 400	24,861.00	

City of Black River Falls

TB. 2-3

Year End: December 31, 2016

Adjusting journal entries

Date: 1/1/2016 To 12/31/2016

Account No: A01 To X99

Number	Date	Name	Account No	Debit	Credit
A22	12/31/2016	INTEREST L/T DEBT	400-00-58200-620-000 400	1,111.00	
A22	12/31/2016	PRINCIPAL L/T DEBT	404-00-58100-610-000 404	49.00	
A22	12/31/2016	INTEREST L/T DEBT	404-00-58200-620-000 404		49.00
<p>To adjust principal and interest payment splits based on activity detail obtained from banks and to correct principal and interest payments to the proper funds.</p>					
A23	12/31/2016	LOANS RECEIVABLE	299-00-14510-000-000 299		156,128.00
A23	12/31/2016	ALLOWANCE-UNCOLLECTIBLE LOANS	299-00-14511-000-000 299	156,128.00	
A23	12/31/2016	DEFERRED REV - RES REHAB ACT	299-00-26101-000-000 299	156,128.00	
A23	12/31/2016	ALLOW-UNCOLLECTBL LOANS DEF REV	299-00-26102-000-000 299		156,128.00
<p>Write off uncollectible revolving loans.</p>					
A24	12/31/2016	ALLOWANCE-UNCOLLECTIBLE LOANS	299-00-14511-000-000 299		175,094.00
A24	12/31/2016	ALLOW-UNCOLLECTBL LOANS DEF REV	299-00-26102-000-000 299	175,094.00	
<p>Set up allowance for revolving loans.</p>					
A25	12/31/2016	DUE FROM ELECTRIC DEPARTMENT	100-00-15100-000-000 100	366,250.00	
A25	12/31/2016	DUE FROM WATER DEPARTMENT	100-00-15101-000-000 100	190,060.00	
A25	12/31/2016	TAXES-MUNICIPAL UTILITIES	100-00-41310-000-000 100		556,310.00
<p>To record the 2016 property tax equivalent transferred from utilities. REVERSE IN 2017.</p>					
A26	12/31/2016	FUND BALANCE - UNDESIGNATED	100-00-34000-000-000 100		39,983.00
A26	12/31/2016	FUND BALANCE - DESIGNATED	100-00-34001-000-000 100	39,983.00	
<p>To adjust designated fund balance to actual (agree to specific bank account balances at year-end).</p>					
A27	12/31/2016	TREASURE'S CASH	100-00-11100-000-000 100		29.00
A27	12/31/2016	TRANSFER OUT	100-00-59000-200-000 100	29.00	
A27	12/31/2016	FIELD OF HONOR TREASURE'S CASH	210-00-11100-000-000 210	29.00	
A27	12/31/2016	TRANSFER IN	210-00-49001-000-000 210		29.00
<p>Transfer in to zero out the Field of Honor fund balance.</p>					
A28	12/31/2016	ACCTS RECEIVABLE/SUNDRY	100-00-13100-000-000 100	4,000.00	
A28	12/31/2016	MOTEL TAXES	100-00-41210-000-000 100		4,000.00
<p>To record a receivable and revenue for the 4th quarter room tax due from the Town of Brockway. REVERSE IN 2017 IF YOU HAVEN'T ALREADY.</p>					
A29	12/31/2016	DUE FROM ELECTRIC DEPARTMENT	100-00-15100-000-000 100		1,069.00
A29	12/31/2016	STREET MARKINGS OTHER	100-00-53305-200-000 100	16.00	
A29	12/31/2016	STREET LIGHTING	100-00-53420-200-000 100	1,053.00	
<p>To record amounts owed to the electric utility for changing city light fixtures and bulbs and for the city's share of</p>					

City of Black River Falls

TB. 2-4

Year End: December 31, 2016

Adjusting journal entries

Date: 1/1/2016 To 12/31/2016

Account No: A01 To X99

Number	Date	Name	Account No	Debit	Credit
digger tickets. REVERSE IN 2017.					
X01	12/31/2016	Capital Assets	200-30000-000 200	99,036.00	
X01	12/31/2016	Capital Assets	200-30000-000 200	16,899.00	
X01	12/31/2016	Budget Outlay	200-57700-000 200		115,935.00
Capitalize EMS's portion of the Squad One purchase.					
X02	12/31/2016	Compensated Absences - One Yr.	200-25100-000 200	1,188.00	
X02	12/31/2016	Ambulance/Wages	200-52300-100 200		1,188.00
To adjust accrued sick and vacation to actual at year-end.					
X03	12/31/2016	Accumulated depreciation	200-35000-000 200		70,103.00
X03	12/31/2016	Depreciation expense	200-57250-000 200	70,103.00	
To record current year depreciation expense.					
X04	12/31/2016	Accounts Receivable	200-12000-000 200		94,411.00
X04	12/31/2016	Allowance for Doubtful Account	200-12500-000 200		4,159.00
X04	12/31/2016	BAD DEBT EXPENSES	200-54500-000 200	98,570.00	
To adjust EMS receivables and allowance to actual at year end.					
X05	12/31/2016	DUE TO CITY	200-24800-000 200		13,287.00
X05	12/31/2016	Miscellaneous Expenses	200-54000-000 200	13,287.00	
To record for a BAB Rebate that is owed to the utilities fund. REVERSE IN 2017					
X06	12/31/2016	Accounts Payable	200-21100-000 200	6,394.00	
X06	12/31/2016	Miscellaneous Expenses	200-54000-000 200		6,394.00
To clear out balances left in the accounts payable from 2015.					
X07	12/31/2016	Restricted Net Pension Asset	200-16500-000 200		12.00
X07	12/31/2016	Deferred Outflow - GASB 68	200-19952-000 200		601.00
X07	12/31/2016	Deferred Outflow - GASB 68	200-19952-000 200	49,841.00	
X07	12/31/2016	Deferred Inflow - GASB68	200-29953-000 200		49,841.00
X07	12/31/2016	Full Time EMT	200-53250-000 200	613.00	
Adjustment to beginning of year pension amounts for implementation of GASB 82.					
X08	12/31/2016	Restricted Net Pension Asset	200-16500-000 200		80,063.00
X08	12/31/2016	Deferred Outflow - GASB 68	200-19952-000 200		21,554.00
X08	12/31/2016	Deferred Outflow - GASB 68	200-19952-000 200	154,801.00	
X08	12/31/2016	Deferred Outflow - GASB 68	200-19952-000 200		8,581.00

City of Black River Falls
Year End: December 31, 2016
Adjusting journal entries
Date: 1/1/2016 To 12/31/2016
Account No: A01 To X99

TB. 2-5

Number	Date	Name	Account No	Debit	Credit
X08	12/31/2016	Deferred Outflow - GASB 68	200-19952-000 200		
X08	12/31/2016	Deferred Outflow - GASB 68	200-19952-000 200	20,563.00	
X08	12/31/2016	Deferred Inflow - GASB68	200-29953-000 200		75,921.00
X08	12/31/2016	Deferred Inflow - GASB68	200-29953-000 200		
X08	12/31/2016	Deferred Inflow - GASB68	200-29953-000 200		
X08	12/31/2016	Deferred Inflow - GASB68	200-29953-000 200		
X08	12/31/2016	Full Time EMT	200-53250-000 200	22,737.00	
X08	12/31/2016	Full Time EMT	200-53250-000 200	8,581.00	
X08	12/31/2016	Full Time EMT	200-53250-000 200		20,563.00
		To record entries related to GASB68.			
X09	12/31/2016	Due from General Fund - BT Created	200-15000-000 200		10,461.00
X09	12/31/2016	Full Time EMT	200-53250-000 200	10,461.00	
		To move payment from the City for WRS credit (received in March 2016) to reduce the receivable from the City.			
				3,400,880.00	3,400,880.00

**MANAGEMENT REPRESENTATIONS WITH SUMMARY OF
UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS**



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, 2016 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, each major fund, and the aggregate discretely presented component unit and 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 summarized in the attached schedule are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. 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 statements, 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 statements 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 investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
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 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 was 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 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: 5/30/2017

CITY OF BLACK RIVER FALLS

**SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS
December 31, 2016**

	Financial Statements Effect - Debit (Credit) to Financial Statement Total								Total Net Position/ Fund Balances	Total Revenues	Total Expenses/ Expenditures	Change in Net Position/ Fund Balances
	Current Assets	Noncurrent Assets	Deferred Outflows	Total Assets/ Deferred Outflows	Current Liabilities	Noncurrent Liabilities	Deferred Inflows	Total Liabilities/ Deferred Inflows				
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (141,868)	\$ (141,868)
General fund	32,499	-	-	32,499	-	-	-	-	(32,499)	(32,499)	-	(32,499)
Nonmajor funds	15,779	-	-	15,779	-	-	-	-	(15,779)	(15,779)	-	(15,779)
Electric utility	-	-	-	-	(23,377)	-	-	(23,377)	23,377	-	23,377	23,377