

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, 2018

CITY OF BLACK RIVER FALLS

TABLE OF CONTENTS

	<u>Page No.</u>
Required Communication of Internal Control Related Matters Identified in the Audit to Those Charged with Governance	1
Internal Control Environment	2 – 3
Internal Control Over Financial Reporting	3
Other Communications to Those Charged with Governance	
Two Way Communication Regarding Your Audit	4 – 5
Communication of Other Recommendations and Informational Points to Management that are not Material Weaknesses or Significant Deficiencies	
Recommendations	6
Professional Standards Update / Informational Points	7 – 11
Required Communications by the Auditor to Those Charged with Governance	12 – 15
Adjusting Journal Entries	
Management Representations with Summary of Uncorrected Financial Statement Misstatements	

**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 (the “city”) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered 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 Report on Internal Control was issued to the Utility Commission. The information contained in that report is not included with this report.

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 a 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 of Black River Falls’ internal control to be material weaknesses, as discussed further on the following pages:

- > Internal Control Environment
- > Internal Control over Financial Reporting

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

Eau Claire, Wisconsin
May 29, 2019

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.

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 will perform preliminary audit work during the months 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 6-10 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 2019 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 2018 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.

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.

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.

TAX FILINGS RELATED TO DEBT ISSUES

During the 2018 audit, we noted that tax Form 8038-G was not filed timely related to the issuance of the 2018 \$359,000 Promissory Note. The Internal Revenue Service requires that this form be filed for all tax-exempt government debt issues with an issue price of \$100,000 or more. The form is required to be filed on or before the 15th day of the 2nd calendar month after the close of the calendar quarter in which the debt is issued. The form has since been filed by management. Form 8038-G was properly filed for three out of the four tax-exempt loans issued by the City during 2018.

PROFESSIONAL STANDARDS UPDATE/INFORMATIONAL POINTS (cont.)

CYBER SECURITY MANAGEMENT

The sources of cyber threats continue to grow in number and sophistication. We have seen social engineering, including email phishing, and ransomware attacks cause disruption and monetary losses in the government landscape. Cybersecurity controls are imperative and may be of several different types:

- > Preventative – activities that make attacks more difficult such as user access and password controls
- > Detective – activities conducted to discover security incidents such as automated or manual reviews of firewall and server logs
- > Responsive – activities performed once an incident has been identified such as a communication plan

Step one in determining which types of controls are best suited for your government is completing a data classification. This process includes identifying what types of data exist, determining data location, and measuring costs associated with the loss of data (i.e. – operational downtime, regulatory fines, or civil lawsuits). This information will help management and those charged with governance be able to evaluate the cost-benefit of control implementation. Even if your government has chosen to obtain cyber liability insurance to mitigate risk, the data classification remains an important exercise to help evaluate the policy coverage, pricing, and what, if any, exposure remains outside of your policy.

Data classification is only one piece of a sustainable cyber security management plan. We have professionals dedicated to cyber security and information technology risk to assist with your cyber security questions, assessments, and programs.

INFORMATION FOR TIF AUDITS

The city presently has six Tax Incremental Financing (TIF) Districts which are reported as capital projects fund in the financial statements. In addition to the annual financial statement audit coverage, each district is also required by state statutes to have separate TIF compliance audits throughout their lifetimes. You are required to have a detailed audit within 12 months of:

1. 30% of project expenditures are made.
2. The end of the expenditure period (100% audit).
3. The termination of the district.

In addition to being in compliance with state statutes, timely periodic compliance audits are important due to records retention. Many of our clients follow a policy of destroying old records, some after seven or ten years, depending on the type of record. Since a 100% TIF audit may not be required until a later date, this could cause audit problems. To make the audit process go as smooth as possible, you will need to keep your general ledger and related journals and supporting documents until each of the compliance audits is complete. As a best practice, we recommend keeping a TIF file with all of the official documents (i.e. project plans, amendments, notices, resolutions, etc.) and financial records for each TIF.

TIF #1 is scheduled for a closeout audit during 2019. Currently, TIF #3 is overdue for a 30% audit and TIF #4 is overdue for a 100% audit.

PROFESSIONAL STANDARDS UPDATE/INFORMATIONAL POINTS (cont.)

GASB UPDATES

The Government Accounting Standard Board (GASB) has been very active in recent years, issuing new standards at a fast pace. Over the next few years, your government will have many new standards to evaluate and implement. Here are the standards which may impact you in the next year:

- > GASB 83 provides accounting and financial reporting for asset retirement obligations, effective for reporting periods beginning on or after June 15, 2018
- > GASB 84 improves guidance regarding the identification of fiduciary activities and how they should be reported, effective for reporting periods beginning on or after December 15, 2018
- > GASB 88 improves certain disclosures related to debt, including direct borrowings and placements, effective for reporting periods beginning on or after June 15, 2018
- > GASB 90 clarifies accounting and financial reporting for majority equity interests, effective for reporting periods beginning on or after December 15, 2018

Other GASB pronouncements on the horizon, while the implementation dates is in the near term these are anticipated to have significant impacts on many government financial statements:

- > GASB 87 improves accounting and financial reporting for leases, effective for reporting periods beginning on or after December 15, 2019
- > GASB 89 provides guidance for accounting for interest cost incurred before the end of a construction period, effective for reporting periods beginning on or after December 15, 2019

Looking even further ahead, the Technical Agenda, below, outlines significant areas GASB is currently working on:

- > Conceptual Framework
 - Disclosure
 - Recognition
- > Major Projects
 - Financial Reporting Model
 - Revenue and Expense Recognition
 - Public-Private Partnerships
- > Practice Issues
 - Conduit Debt
 - Deferred Compensation Plans
 - Secured Overnight Financing Rate
 - Subscription-Based IT arrangements
 - Implementation Guidance
- > Pre-Agenda Research
 - Going Concern
 - Compensated Absences
 - Prior-Period Adjustments, Accounting Changes and Error Corrections

Through our firm involvement on AICPA committees, Baker Tilly follows these developments closely so that we can help you prepare for the changes as they evolve. This participation also allows us to share with GASB the experiences and perspectives of our clients to potentially influence the direction of future projects.

Full lists of projects, as well as many resources, are available on GASB's website which is located at www.gasb.org.

PROFESSIONAL STANDARDS UPDATE/INFORMATIONAL POINTS (cont.)

NEW REPORTING REQUIREMENTS FOR FIDUCIARY ACTIVITIES

In January 2017, the Governmental Accounting Standards Board (GASB) issued new guidance to address how governments report fiduciary activities which is effective for fiscal years ending on or after December 31, 2019. Statement No. 84, *Fiduciary Activities*, supersedes reporting of agency funds and replaces it with a newly coined custodial fund, and requires several additional reporting requirements for fiduciary funds.

Under current guidance, Statement 34 requires that governments report fiduciary activities in fiduciary funds, but that statement does not provide a clear definition of what constitutes a fiduciary activity. GASB sought to reduce inconsistencies in reporting and provide a clear foundation for future reporting. The new guidance will impact a significant amount of local governments. Many local governments have activities that may be considered fiduciary, including:

- > Tax collection funds
- > Circuit court fund of a municipality or county
- > Cemetery trust funds
- > Postemployment benefit plans

Under the recently issued Statement 84, governments will need to apply specific criteria to determine if a fiduciary activity exists. The criteria focuses on determining if a government is controlling the assets of the potential fiduciary activity and determining who the beneficiaries are. A few of the major changes that will impact many governments include:

- > Pension/OPEB Plans as Fiduciary Component Units: Pension and other postemployment benefit (OPEB) plans will need to be evaluated to determine if they meet the fiduciary component unit criteria.
- > Other Fiduciary Activities: There are various other types of assets that a government controls which will need to be evaluated under the new standard. Part of this evaluation will include identification of the beneficiary of the funds, consideration of how the assets are derived and the extent of administrative or direct financial involvement with the assets.

The following is a summary of two significant changes in the reporting requirements:

- > The standard requires that governments recognize a liability to the beneficiaries in a fiduciary fund only when an event has occurred that compels the government to disburse fiduciary resources.
- > Presentation of additions and deductions on the statement of changes in fiduciary net position for all fiduciary funds, including custodial funds

The time to start assessing your government's fiduciary activities is now. We have an archived webinar to explain the requirements, which can be found at <https://bakertilly.com/insights/fiduciary-activities-changes-affecting-existing-agency-funds/>. Along with the presentation, there is a fiduciary activities tool for you to download. These resources will give you an understanding of the new criteria and requirements and help you identify the fiduciary reporting changes that will impact your financial statements. Also, be on the lookout for the Implementation Guide to be issued by GASB in 2019.

PROFESSIONAL STANDARDS UPDATE/INFORMATIONAL POINTS (cont.)

UPCOMING LEASE STANDARD

In June 2017, the Governmental Accounting Standards Board (GASB) issued new guidance to establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This standard is effective for fiscal years ending on or after December 31, 2020. Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognize as inflows of resources or outflow of resources based on the payment provisions of the contract.

Under the new standard, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Control is defined by: 1) the right to obtain the present service capacity from the use of the underlying asset, and 2) the right to determine the nature and manner of use of the underlying asset. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this statement. Leases include contracts that, although not explicitly identified as leases, meet the above definition of a lease.

There are some exemptions outlined in the standard including, intangible assets, service concession arrangements and supply contracts.

We recommend the City review this standard and start planning how this will affect your financial reporting. An inventory of all contracts that might meet the definition of a lease should be started. The contract listing should include key terms of the contracts such as:

- > Description of contract
- > Underlying asset
- > Contract term
- > Options for extensions and terminations
- > Service components, if any
- > Dollar amount of lease

In addition, City should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

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 (the “city”) for the year ended December 31, 2018, and have issued our report thereon dated May 29, 2019. 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 the City Council 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, the objective of our tests was not to provide an opinion on compliance with such provisions.

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 23, 2018.

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 2018. 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 liability and the deferred outflows and deferred 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 Wisconsin Public Service Commission (PSC) as part of the rate case process.
- > Management's estimate of the landfill liability is based on estimates of future monitoring and related operating and maintenance costs.

We evaluated the key factors and assumptions used to develop these 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.

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 auditors' 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, 2018, 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 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

Eau Claire, Wisconsin
May 29, 2019

ADJUSTING JOURNAL ENTRIES

City of Black River Falls
Year End: December 31, 2018
Normal adjusting journal entr
Date: 1/1/2018 To 12/31/2018
Account No: A01 To A14

Completed by	Reviewed by	Reviewed by	Partner Review
AS18219 4/1/2019		NG12452 5/1/2019	

310

Number	Date	Name	Account No	Debit	Credit
A01	12/31/2018	DUE FROM D & S	202-00-14505-000-000 202	73.00	
A01	12/31/2018	DEFERRED REVENUES	202-00-26000-000-000 202	7,929.00	
A01	12/31/2018	INTEREST INCOME	202-00-48100-000-000 202		73.00
A01	12/31/2018	EDF LOAN PAYBACK	202-00-49000-000-000 202		7,929.00

To record revenue for the January through March EDF loan payment and record the June EDF interest payment.

A02	12/31/2018	DEBT SERVICE TREASURE'S CASH	300-00-11100-000-000 300	1,682.00	
A02	12/31/2018	DEBT SERVICE TREASURE'S CASH	300-00-11100-000-000 300		1,682.00
A02	12/31/2018	DUE FROM GOLF COURSE	300-00-15107-000-000 300	8.00	
A02	12/31/2018	DUE FROM GOLF COURSE	300-00-15107-000-000 300		39,937.00
A02	12/31/2018	DUE FROM GOLF COURSE	300-00-15107-000-000 300		1,670.00
A02	12/31/2018	SHORT TERM DEBT PAYABLE	300-00-21200-000-000 300	50,461.00	
A02	12/31/2018	DEF REV - GOLF COURSE LOAN	300-00-26100-000-000 300		8.00
A02	12/31/2018	DEF REV - GOLF COURSE LOAN	300-00-26100-000-000 300	39,937.00	
A02	12/31/2018	DEF REV - GOLF COURSE LOAN	300-00-26100-000-000 300	1,670.00	
A02	12/31/2018	DONATIONS	300-00-48500-000-000 300		1,682.00
A02	12/31/2018	PRINCIPAL L/T DEBT	300-00-58100-610-000 300	1,670.00	
A02	12/31/2018	PRINCIPAL L/T DEBT	300-00-58100-610-000 300		50,461.00
A02	12/31/2018	INTEREST L/T DEBT	300-00-58200-620-000 300	12.00	

To adjust Golf Course Loan payments to actual during the year and remove principal amount paid out of expense account and against short-term debt payable liability.

A03	12/31/2018	TAXES RECEIVABLE	100-00-12101-000-000 100		6,315.00
A03	12/31/2018	TAXES RECEIVABLE	100-00-12101-000-000 100		375.00
A03	12/31/2018	S/A 2016 - 2017 RECEIVABLE	100-00-12610-000-000 100		53.00
A03	12/31/2018	S/A 2017 - 2018 RECEIVABLE	100-00-12611-000-000 100	7,729.00	
A03	12/31/2018	SIDEWALKS S/A	100-00-12613-000-000 100		60.00
A03	12/31/2018	DEFERRED REVENUE - SUNDRY	100-00-26000-000-000 100		1,445,786.00
A03	12/31/2018	DEFERRED REVENUE - TAX ROLL	100-00-26001-000-000 100	1,445,786.00	
A03	12/31/2018	DEFERRED REVENUE - TAX ROLL	100-00-26001-000-000 100	5,409.00	
A03	12/31/2018	DEF REV 2014/2015 TAX YEAR	100-00-26010-000-000 100	279.00	
A03	12/31/2018	DEF REV 2015/2016 TAX YEAR	100-00-26011-000-000 100	324.00	
A03	12/31/2018	DEF REV 2016/2017 TAX YEAR	100-00-26012-000-000 100	348.00	
A03	12/31/2018	DEF REV 2017/2018 TAX YEAR	100-00-26013-000-000 100		1,807.00
A03	12/31/2018	GENERAL PROPERTY TAX	100-00-41110-000-000 100		5,409.00
A03	12/31/2018	SPECIAL ASSESSMENTS	100-00-42000-000-000 100		505.00
A03	12/31/2018	MISC REVENUE GENERAL GOVT	100-00-46100-000-000 100	375.00	
A03	12/31/2018	MISC REVENUE GENERAL GOVT	100-00-46100-000-000 100	60.00	
A03	12/31/2018	S/A - RYE BLUFF	400-00-12625-000-000 400	7,518.00	
A03	12/31/2018	DEFERRED REVENUE - S/A	400-00-26000-000-000 400		114,592.00
A03	12/31/2018	DEFERRED REVENUE - TAX ROLL	400-00-26001-000-000 400	114,592.00	
A03	12/31/2018	DEFERRED REVENUE - RYE BLUFF	400-00-26625-000-000 400		7,518.00

To adjust special assessments receivable, taxes receivable, deferred revenue, and 2018 revenue to

City of Black River Falls

Year End: December 31, 2018

Normal adjusting journal entry

Date: 1/1/2018 To 12/31/2018

Account No: A01 To A14

Completed by	Reviewed by	Reviewed by	Partner Review
AS18219 4/1/2019		NG12452 5/1/2019	

310-1

Number	Date	Name	Account No	Debit	Credit
actual. 100-00-26103-000-000 IS A NEW ACCOUNT THIS YEAR.					
A04	12/31/2018	DEBT SERVICE TREASURE'S CASH	300-00-11100-000-000 300	26,639.00	
A04	12/31/2018	PRINCIPAL L/T DEBT	300-00-58100-610-000 300		24,000.00
A04	12/31/2018	INTEREST L/T DEBT	300-00-58200-620-000 300		2,639.00
A04	12/31/2018	CAPITAL PROJECTS TREAS CASH	400-00-11100-000-000 400		26,639.00
A04	12/31/2018	PRINCIPAL L/T DEBT	400-00-58100-610-000 400	24,000.00	
A04	12/31/2018	INTEREST L/T DEBT	400-00-58200-620-000 400	2,639.00	
To record 2017 Street Project note principle and interest payment in capital projects fund.					
A05	12/31/2018	FUND BALANCE - UNDESIGNATED	100-00-34000-000-000 100	29,801.00	
A05	12/31/2018	FUND BALANCE - DESIGNATED	100-00-34001-000-000 100		29,801.00
To adjust designated fund balance to actual (to agree to specific bank account balances at year-end).					
A06	12/31/2018	LIBRARY HISTORY ROOM ACCOUNTS	100-00-15021-000-000 100		1,152.00
A06	12/31/2018	LIBRARY INVESTMENTS	100-00-15022-000-000 100		3,129.00
A06	12/31/2018	LIBRARY BRF AREA FOUNDATION	100-00-15026-000-000 100		1,733.00
A06	12/31/2018	LIBRARY - GRANTS & DONATIONS	100-00-45111-000-000 100		9,644.00
A06	12/31/2018	INTEREST INCOME	100-00-48100-000-000 100	923.00	
A06	12/31/2018	LIBRARY	100-00-55110-200-000 100	14,735.00	
To record current year cash activity in the Library.					
A07	12/31/2018	JACKSON CTY NEW ARENA REVENUE	208-00-48527-000-000 208	6,120.00	
A07	12/31/2018	JACKSON CTY NEW ARENA DONATION	208-00-48528-000-000 208		6,120.00
To move Figure Skating Club user fee revenue to the same account as Youth Hockey user fee revenue.					
A08	12/31/2018	LLEB GL ACCOUNT	214-00-11200-000-000 214		390.00
A08	12/31/2018	LICENSE PLATES EXPENSE	214-00-52101-200-000 214	390.00	
To adjust cash to actual per bank statement.					
A09	12/31/2018	TREASURE'S CASH	206-00-11100-000-000 206	4,750.00	
A09	12/31/2018	JC FAIR PARK DONATION	206-00-48526-000-000 206		4,750.00
A09	12/31/2018	TREASURE'S CASH	208-00-11100-000-000 208		4,750.00
A09	12/31/2018	JACKSON CTY NEW ARENA DONATION	208-00-48528-000-000 208	4,750.00	
To move a portion of the reversal of entry JE-2405 to the account where the revenue was receipted to.					
A10	12/31/2018	ACCTS RECEIVABLE/SUNDRY	100-00-13100-000-000 100	9,138.00	
A10	12/31/2018	SUNDRY ACCOUNTS PAYABLE	100-00-21100-000-000 100		8,416.00

City of Black River Falls
Year End: December 31, 2018
Normal adjusting journal entry
Date: 1/1/2018 To 12/31/2018
Account No: A01 To A14

Completed by	Reviewed by	Reviewed by	Partner Review
AS18219 4/1/2019		NG12452 5/1/2019	

310-2

Number	Date	Name	Account No	Debit	Credit
A10	12/31/2018	MOTEL TAXES	100-00-41210-000-000 100		722.00
A10	12/31/2018	JC FAIR PARK SUNDRY A/R	206-00-12206-000-000 206	5,109.00	
A10	12/31/2018	JC FAIR PARK ROOM TAX REVENUE	206-00-46741-000-000 206		5,109.00
A10	12/31/2018	NEW ARENA SUNDRY A/R	208-00-12208-000-000 208	5,109.00	
A10	12/31/2018	JC NEW ARENA ROOM TAX REVENUE	208-00-46742-000-000 208		5,109.00
A10	12/31/2018	LUNDA PARK ACCTS RECEIV/SUNDRY	209-00-13100-000-000 209	3,406.00	
A10	12/31/2018	LUNDA PARK ROOM TAX REVENUE	209-00-46743-000-000 209		3,406.00
<p>To record the 4th quarter 2018 room tax receipts and subsequent payment to the Chamber of Commerce. REVERSE IN 2019!</p>					
A11	12/31/2018	ALLOWANCE - DOUBTFUL S/A	400-00-12702-000-000 400		7,250.00
A11	12/31/2018	DUE FROM HALDEMAN	400-00-13200-000-000 400	39,153.00	
A11	12/31/2018	DEF REV - DUE FROM HALDEMAN	400-00-26200-000-000 400		39,153.00
A11	12/31/2018	DEFERRED REV - LALLAPALOOZA	400-00-26602-100-000 400	7,250.00	
<p>To record additional receivable for interest due on bankruptcy agreement and adjust allowance for doubtful accounts.</p>					
A12	12/31/2018	REHABILITATION CASH	299-00-10000-000-000 299	13,555.00	
A12	12/31/2018	REHABILITATION CASH	299-00-10000-000-000 299		11,026.00
A12	12/31/2018	REHABILITATION CASH	299-00-10000-000-000 299		11,026.00
A12	12/31/2018	LOANS RECEIVABLE	299-00-14510-000-000 299		8,314.00
A12	12/31/2018	LOANS RECEIVABLE	299-00-14510-000-000 299		8,314.00
A12	12/31/2018	LOANS RECEIVABLE	299-00-14510-000-000 299		8,314.00
A12	12/31/2018	LOANS RECEIVABLE	299-00-14510-000-000 299		8,314.00
A12	12/31/2018	LOANS RECEIVABLE	299-00-14510-000-000 299		8,314.00
A12	12/31/2018	ALLOWANCE-UNCOLLECTIBLE LOANS	299-00-14511-000-000 299	7,904.00	
A12	12/31/2018	DEFERRED REV - RES REHAB ACT	299-00-26101-000-000 299		8,314.00
A12	12/31/2018	DEFERRED REV - RES REHAB ACT	299-00-26101-000-000 299	8,314.00	
A12	12/31/2018	DEFERRED REV - RES REHAB ACT	299-00-26101-000-000 299		8,314.00
A12	12/31/2018	DEFERRED REV - RES REHAB ACT	299-00-26101-000-000 299		8,314.00
A12	12/31/2018	ALLOW-UNCOLLCTBL LOANS DEF REV	299-00-26102-000-000 299		7,904.00
A12	12/31/2018	GRANT REVENUE	299-00-43000-000-000 299		
A12	12/31/2018	LOAN PAYMENTS	299-00-48000-000-000 299		
A12	12/31/2018	INTEREST INCOME	299-00-48100-000-000 299		
A12	12/31/2018	NEW LOANS	299-00-56900-000-000 299		
A12	12/31/2018	ADMINISTRATION FEES	299-00-56901-000-000 299		59.00
A12	12/31/2018	ADMINISTRATION FEES	299-00-56901-200-000 299		12,811.00
A12	12/31/2018	NEW LOANS	299-00-56902-200-000 299		12,811.00
A12	12/31/2018	NEW LOANS	299-00-56902-200-000 299	10,341.00	
<p>To record current year residential rehabilitation loan activity.</p>					
A13	12/31/2018	ACCTS RECEIVABLE/AMBULANCE	100-00-13101-000-000 100	531.00	
A13	12/31/2018	AMBULANCE CLEARING	100-00-52202-132-000 100		531.00

City of Black River Falls

Year End: December 31, 2018

Normal adjusting journal entry

Date: 1/1/2018 To 12/31/2018

Account No: A01 To A14

Completed by	Reviewed by	Reviewed by	Partner Review
AS18219 4/1/2019		NG12452 5/1/2019	

310-3

Number	Date	Name	Account No	Debit	Credit
To adjust the amount due from the Fire Department to the City to reflect the actual amount owed as of 12/31/2018.					
A14	12/31/2018	LALLAPALOOZA ATTORNEY A/R	100-00-13105-000-000 100		19,874.00
A14	12/31/2018	ALLOWANCE-UNCOLLECTIBLE ACCTS	100-00-13106-000-000 100	19,874.00	
To remove legal fees due and allowance for them. They were settled with the bankruptcy agreement and the City doesn't want to track them here any more.					
				1,930,293.00	1,930,293.00

Net Income (Loss) 220,653.00

City of Black River Falls

Year End: December 31, 2018

Normal adjusting journal entry

Date: 1/1/2018 To 12/31/2018

Account No: X01 To X07

Completed by	Reviewed by	Reviewed by	Partner Review
AS18219 4/1/2019		NG12452 5/1/2019	

310

Number	Date	Name	Account No	Debit	Credit
X01	12/31/2018	Restricted Net Pension Asset	200-16500-000 200	90,819.00	
X01	12/31/2018	Deferred Outflow - GASB 68	200-19952-000 200	50.00	
X01	12/31/2018	Deferred Outflow - GASB 68	200-19952-000 200	86,634.00	
X01	12/31/2018	Deferred Outflow - GASB 68	200-19952-000 200		37,759.00
X01	12/31/2018	Deferred Outflow - GASB 68	200-19952-000 200		5,884.00
X01	12/31/2018	Deferred Outflow - GASB 68	200-19952-000 200		781.00
X01	12/31/2018	Deferred Outflow - GASB 68	200-19952-000 200	16,508.00	
X01	12/31/2018	Deferred Inflow - GASB68	200-29953-000 200	17,698.00	
X01	12/31/2018	Deferred Inflow - GASB68	200-29953-000 200		161,745.00
X01	12/31/2018	Deferred Inflow - GASB68	200-29953-000 200		1,109.00
X01	12/31/2018	Deferred Inflow - GASB68	200-29953-000 200		16,508.00
X01	12/31/2018	Full Time EMT	200-53250-000 200	12,077.00	
To record current year GASB 68 activity.					
X02	12/31/2018	Compensated Absences - One Yr.	200-25100-000 200	13,747.00	
X02	12/31/2018	Ambulance/Wages	200-52300-100 200		13,747.00
To adjust accrued sick and vacation to actual at year-end.					
X03	12/31/2018	Accumulated depreciation	200-35000-000 200		98,034.00
X03	12/31/2018	Depreciation expense	200-57250-000 200	98,034.00	
To record current year depreciation expense.					
X04	12/31/2018	Accounts Receivable	200-12000-000 200	13,791.00	
X04	12/31/2018	Accounts ReceivableSub	200-12001-000 200		105,406.00
X04	12/31/2018	Allowance for Doubtful Account	200-12500-000 200		25,554.00
X04	12/31/2018	BAD DEBT EXPENSES	200-54500-000 200	11,763.00	
X04	12/31/2018	BAD DEBT EXPENSES	200-54500-000 200	105,406.00	
To adjust EMS receivables and allowance to actual at year end.					
X05	12/31/2018	Capital Assets	200-30000-000 200	46,985.00	
X05	12/31/2018	Capital Assets	200-30000-000 200	27,478.00	
X05	12/31/2018	Insurance	200-53600-000 200		27,478.00
X05	12/31/2018	Vehicle Outlay	200-57230-000 200		46,985.00
To capitalize the 2018 Custom John Deere 825i Off Road Rescue and Stryker Power Load System for the 2014 Ambulance.					
X06	12/31/2018	Accounts Payable	200-21100-000 200	1,435.00	

City of Black River Falls

Year End: December 31, 2018

Normal adjusting journal entry

Date: 1/1/2018 To 12/31/2018

Account No: X01 To X07

Completed by	Reviewed by	Reviewed by	Partner Review
AS18219 4/1/2019		NG12452 5/1/2019	

310-1

Number	Date	Name	Account No	Debit	Credit
X06	12/31/2018	New Hire Expense	200-53270-000 200		120.00
X06	12/31/2018	Office Supplies	200-53300-000 200		339.00
X06	12/31/2018	Postage & Shipping	200-53322-000 200		11.00
X06	12/31/2018	Computer Expenses	200-53627-000 200		23.00
X06	12/31/2018	Computer Expenses	200-53627-000 200		900.00
X06	12/31/2018	Computer Expenses	200-53627-000 200		15.00
X06	12/31/2018	Utilities	200-53700-000 200		15.00
X06	12/31/2018	Utilities	200-53700-000 200		12.00
<p>To correct the voiding of a check to Capital One on 4/27/2018 and the subsequent payment to Capital One on 5/7/2018.</p>					
X07	12/31/2018	Accounts Payable	200-21100-000 200		20,329.00
X07	12/31/2018	Insurance	200-53600-000 200	20,329.00	
<p>To record payable for powerload equipment for 2014 Ambulance. REVERSE IN 2019!!</p>					
				562,754.00	562,754.00

Net Income (Loss) 220,653.00

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

City of

BLACK RIVER FALLS, WISCONSIN

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



Baker Tilly Virchow Krause, LLP
3410 Oakwood Mall Drive, Suite 200
Eau Claire, WI 54701

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, 2018 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 aggregate 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 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. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and 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 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.
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 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. Component units have been properly presented as either blended or discrete.
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 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 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):

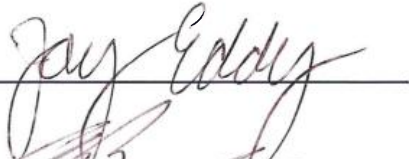
- a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United 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: _____

5/29/2019 

City of Black River Falls
SUMMARY OF UNCORRECTED FINANCIAL STATEMENT MISSTATEMENTS

December 31, 2018

	Financial Statements Effect - Debit (Credit) to Financial Statement Total									
	Current Assets	Noncurrent Assets	Total Assets/ Deferred Outflows	Current Liabilities	Noncurrent Liabilities	Total Liabilities/ Deferred Inflows	Total Net Position/ Fund Balances	Total Revenues	Total Expenses/ Expenditures	Change in Net Position/ Fund Balances
Governmental Activities	-	-	-	-	-	(125,982)	125,982	-	32,076	32,076
Business-Type Activities	-	-	-	-	-	(131,210)	131,210	-	34,031	34,031
Major Fund - General Fund	-	-	-	-	-	-	-	28,804	-	28,804
Electric Utility	-	-	-	-	(131,210)	(131,210)	131,210	-	34,031	34,031
Water Utility	-	-	-	-	(30,743)	(30,743)	30,743	-	7,974	7,974
Sewer Utility	-	-	-	-	(49,834)	(49,834)	49,834	-	29,295	29,295
Remaining Funds	-	-	-	-	-	(28,524)	28,524	-	7,398	7,398