

City of De Pere, Wisconsin
MANAGEMENT COMMUNICATIONS

December 31, 2018

City of De Pere, Wisconsin

DECEMBER 31, 2018

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To the City Council
City of De Pere, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of De Pere, Wisconsin (the "City") as of and for the year ended December 31, 2018. The City's financial statements, including our report thereon dated September 5, 2019, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITIES UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

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

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

SIGNIFICANT AUDIT FINDINGS

Consideration of Internal Control

FINANCIAL STATEMENTS

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of 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 the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 84 - 85 of the annual 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 deficiencies that we consider to be significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the City's internal control to be significant deficiencies:

Finding 2018-001	Preparation of Annual Financial Report
Finding 2018-002	Adjustments to the City's Financial Records

These findings are described in detail in the schedule of findings and responses on pages 91 - 92 of the annual report.

The City's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 3.I. to the financial statements, the City changed accounting policies related to postemployment benefits by adopting Statement of Governmental Accounting Standards Board (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of activities. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

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

- ▶ Management's estimate of the other postemployment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other postemployment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the fair value of the investments is based on ending market values as of December 31, 2018 as reported by the investment managers. We evaluated the key factors and assumptions used in valuing the investments in determining that they are reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of accumulated sick leave is based upon analysis of the employees sick leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- ▶ Management's estimate of the net pension liability (asset) and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability (asset) and related deferred outflows/inflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the self-insurance claims incurred but not reported is based on the historical data and claim lag study. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. The following material misstatements detected as a result of the audit procedures were corrected by management.

- ▶ Recorded depreciation expense and current year disposals for Sewer Utility
- ▶ Recorded correction of principal payments on short-term note
- ▶ Recorded reclassification of issuance costs and premiums for 2018A Bonds
- ▶ Recorded additional allocation of project 18-02 for GBMSD portion of sanitary sewer
- ▶ Recorded capital contribution adjustments for Water Utility for projects 18-04, 18-02 and 18-11

Management did not identify and we did not notify them of any uncorrected financial statement misstatements

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 5, 2019. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants. We were informed by management that there were no consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

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

We were engaged to report on the supplementary information, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated September 5, 2019.

Restriction on Use

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin
September 5, 2019

Summary Financial Information

GOVERNMENTAL FUND BALANCES

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

	<u>12/31/18</u>	<u>12/31/17</u>
General Fund		
Nonspendable for		
Inventories and prepaid items	\$ 166,996	\$ 147,989
Special assessments held by County	56,892	32,304
Advances to other funds	27,821	27,821
Restricted for		
Recreation scholarship	24,655	24,649
Fire UTV fund	630	3,947
Property tax relief and economic development	832,862	1,061,905
Committed for		
Non-lapsing funds	232,405	173,263
Unassigned	6,205,996	6,124,124
Total General Fund Balance	<u>7,548,257</u>	<u>7,596,002</u>
Debt Service Fund		
Restricted for debt service	<u>1,506,754</u>	<u>2,783,701</u>
Special Revenue Funds		
Restricted for		
Loans	931,168	861,073
Park land acquisition	71,487	68,892
Committed for		
Subsequent years' expenditures		
Dog Park	12,493	9,040
Riverwalk pier	1,172	1,172
Southwest Park equipment	14,517	26,767
Unassigned		
Cable Access	(30,333)	(167,117)
Total Special Revenue Funds	<u>1,000,504</u>	<u>799,827</u>

Capital Projects Funds

Restricted for

TID No. 5	463,094	484,160
TID No. 6	9,252	18,278
TID No. 8	696,941	667,537
TID No. 10	494,627	-
TID No. 12	803,014	632,626
TID No. 13	752,992	-

Committed for

Subsequent years' expenditures

Public Improvements	76,882	133,647
Capital Equipment	154,001	93,528
Community Center	7,376	5,521
Police/Fire Expansion	2,932	2,932

Unassigned

TID No. 7	(739,731)	(227,601)
TID No. 9	(393,413)	(325,526)
TID No. 10	-	(66,497)
TID No. 11	(300,706)	(1,169,997)
TID No. 13	-	(155,463)
TID No. 14	(6,750)	-

Total Capital Projects Funds

<u>2,020,511</u>	<u>93,145</u>
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Total Governmental Fund Balances

<u>\$ 12,076,026</u>	<u>\$ 11,272,675</u>
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Comments on specific accounts and funds included in the above governmental funds are presented in the following comments.

General Fund

In total, the City's general fund decreased \$47,745 in 2018.

Overall, the City's general fund balance continues to remain in stable financial condition entering the 2019 budget year. Additional information on various components of the City's general fund balance follows.

General Fund Minimum Fund Balance Policy

The City Council adopted a minimum unassigned general fund balance policy of 25% of the subsequent year General Fund budgeted expenditures. The purpose of the minimum fund balance amount is to ensure there are available cash funds for operating purposes and to segregate that portion of the general fund that is not available for current transfer or appropriation. On December 31, 2018, the City's unassigned general fund balance totaled \$6,205,996 and was higher than 25% of the 2019 budgeted expenditures which totaled \$4,426,600. Furthermore, the Council approved a policy whereby the unassigned reserve account should maintain a balance between 25% and 35% of the subsequent year General Fund budgeted expenditures; 35% of 2019 budgeted expenditures amounted to \$6,197,300.

Debt Service Fund

At December 31, 2018, the City has available resources of \$1,506,754. This amount is restricted to retire future debt.

TAX INCREMENTAL DISTRICTS

The City maintains separate accounting funds for each Tax Incremental Districts (TID) created in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was "frozen" and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. Information on the City's ten tax incremental districts on December 31, 2018 is presented below:

	<u>TID 5</u>	<u>TID 6</u>	<u>TID 7</u>	<u>TID 8</u>	<u>TID 9</u>
Date created	8/27/1996	3/3/1998	10/17/2006	8/21/2007	8/7/2012
Latest termination year	2023	2021	2033	2027	2039
			East		West
		West Side	Downtown	West Side	Downtown
		Industrial	Business	al	Business
Location	West Side	Park	District	Development	District
Status	Recipient	Donor	-	-	-
Fund balance at year end	\$ 463,094	\$ 9,252	\$ (739,731)	\$ 696,941	\$ (393,413)
Net unreimbursed cost	2,709,771	(828,742)	4,006,564	1,913,689	779,604
2018 Tax increment	596,084	1,671,926	19,767	194,387	221,118
2019 Tax increment	757,570	1,793,690	135,823	293,367	35,056
Outstanding debt due	399,850	4,102,519	1,184,000	2,545,867	690,000
Advances from (to) City	2,773,015	(4,922,009)	2,082,833	64,763	(303,809)
	<u>TID 10</u>	<u>TID 11</u>	<u>TID 12</u>	<u>TID 13</u>	<u>TID 14</u>
Date created	8/7/2012	9/1/2015	9/1/2015	7/18/2017	9/19/2018
Latest termination year	2032	2035	2035	2037	2038
		East Side	West Side	West Side	West Side
		Industrial	Industrial	Industrial	Main
Location	Park	Park	Park	Avenue	Irwin
Status	-	-	-	-	-
Fund balance at year end	\$ 494,627	\$ (300,706)	\$ 803,014	\$ 752,992	\$ (6,750)
Net unreimbursed cost	1,925,709	600,706	(603,014)	2,352,008	6,750
2018 Tax increment	206,690	11,831	408	-	-
2019 Tax increment	200,385	40,691	-	-	-
Outstanding debt due	2,730,000	300,000	200,000	3,105,000	-
Advances from (to) City	(309,664)	-	-	-	-

Wisconsin Statutes require periodic compliance audits of tax incremental districts to be completed over the life of the TID.

EMPLOYEES MEDICAL SELF-INSURANCE FUNDS

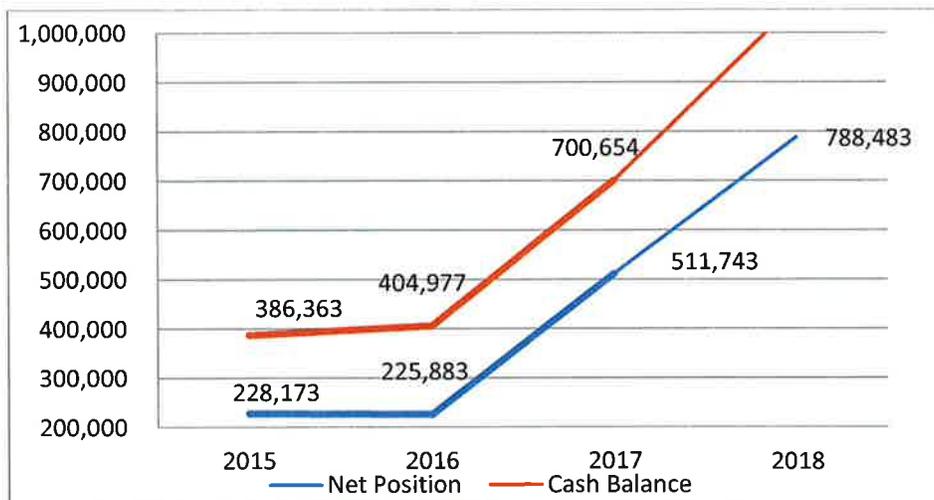
The City utilizes two separate self-insurance internal service funds to account for health and dental claims of City employees. The funds are financed from monthly insurance premiums charged to City employees. During 2018 and in prior years the monthly health insurance premiums were generally financed at 85% by the City with City employees contributing the remaining 15%. Presented below is a summary of each fund’s financial transactions for 2018 including comparative totals of the health and dental funds for 2017.

	Health Self-Insurance		Dental Self-Insurance	
	2018	2017	2018	2017
Revenues				
Charges for employees medical and dental insurance premiums	\$ 2,473,024	\$ 2,419,602	\$ 163,201	\$ 145,204
Expenses				
Employees health and dental claims	1,759,689	1,742,158	144,684	147,331
Administrative fees	439,149	392,713	10,523	10,575
Total Expenses	2,198,838	2,134,871	155,207	157,906
Operating Income (Loss)	274,186	284,731	7,994	(12,702)
Nonoperating Revenues				
Interest revenue	2,554	1,129	-	-
Change in Net Position	276,740	285,860	7,994	(12,702)
Net Position - January 1	511,743	225,883	3,903	16,605
Net Position - December 31	\$ 788,483	\$ 511,743	\$ 11,897	\$ 3,903

Specific comments applicable to the above self-insurance funds follow:

The "key" component of an internal service fund is operating income since operating revenues should approximate operating expenses on an annual basis. For 2018, the health self-insurance fund showed operating income of \$274,186 compared to an operating income of \$284,731 in 2017. The dental insurance fund showed an operating income of \$7,994 in 2018 compared to an operating loss of \$12,702 in 2017. The health self-insurance net position at year end is 47% of health claims for 2018, which is in the range of the recommended amount for self-insurance funds. The dental self-insurance fund had an operating income in 2018 compared to a loss in the prior two years, leading to an increase in net position as of year-end for 2018.

Below is a chart illustrating the change in net position and cash in the Health Self-Insurance fund over the past 4 years.



WATER UTILITY

The Water Utility reported an increase in net position of \$814,585 for the year ended December 31, 2018 compared to a decrease of \$29,287 for the year ended December 31, 2017.

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Metered sales	\$ 4,471,526	\$ 4,415,407
Fire protection	1,390,768	1,399,249
Other	348,524	333,325
Total Operating Revenues	<u>6,210,818</u>	<u>6,147,981</u>
Operating Expenses		
Operation and maintenance	5,180,589	5,040,274
Depreciation	648,497	570,582
Taxes	46,647	38,924
Total Operating Expenses	<u>5,875,733</u>	<u>5,649,780</u>
Operating Income	<u>335,085</u>	<u>498,201</u>
Nonoperating Revenues (Expenses)		
Interest revenue	1,681	656
Interest and fiscal charges	<u>(64,910)</u>	<u>(78,241)</u>
Total Nonoperating Revenues (Expenses)	<u>(63,229)</u>	<u>(77,585)</u>
Income before Contributions and Transfers	271,856	420,616
Capital contributions	1,010,345	-
Transfers out	<u>(467,616)</u>	<u>(449,903)</u>
Change in Net Position	<u>\$ 814,585</u>	<u>\$ (29,287)</u>

The last water rate increase implemented in 2011 established a rate of return of 6.5%. In 2018, the City's rate of return calculated to 0.33%. The City has submitted a rate case with the Wisconsin PSC to request a rate increase.

WASTEWATER UTILITY

The Wastewater Utility reported an increase in net position of \$1,366,760 for the year ended December 31, 2018 compared to an increase of \$1,413,207 for the year ended December 31, 2017.

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Measured sales	\$ 7,030,726	\$ 6,255,901
Other	3,024,268	3,249,827
Total Operating Revenues	<u>10,054,994</u>	<u>9,505,728</u>
Operating Expenses		
Operation and maintenance	7,813,024	7,398,887
Depreciation	716,763	702,000
Total Operating Expenses	<u>8,529,787</u>	<u>8,100,887</u>
Operating Income	1,525,207	1,404,841
Nonoperating Expenses		
Interest and fiscal charges	<u>(37,050)</u>	<u>(43,101)</u>
Income before Contributions and Transfers	1,488,157	1,361,740
Capital contributions	147,857	-
Transfers in	-	320,970
Transfers out	<u>(269,253)</u>	<u>(269,503)</u>
Change in Net Position	<u>\$ 1,366,761</u>	<u>\$ 1,413,207</u>

Below is a summarized cash flow for the year ended December 31, 2018 for the Wastewater Utility:

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities	\$ 2,677,277	\$ 2,307,648
Transfer in (out) from the general fund	<u>(269,253)</u>	<u>51,467</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(1,619,949)	(981,266)
Principal payments on long-term debt	(365,000)	(357,500)
Interest payments on long-term debt	(52,018)	(55,968)
Net Cash Flows from Capital and Related Financing Activities	<u>(2,036,967)</u>	<u>(1,394,734)</u>
Change in Cash prior to interfund cash balance adjustment	371,057	964,381
Change in amount due to general fund	<u>-</u>	<u>(509,237)</u>
Net Change in Cash for Year Ended December 31	<u>\$ 371,057</u>	<u>\$ 455,144</u>

The City has increased rates each year with the last rate increase implemented in 2018, effective in the first quarter of 2019.

STORMWATER UTILITY

The Stormwater Utility reported an increase in net position of \$782,384 for the year ended December 31, 2018 compared to an increase of \$581,148 for the year ended December 31, 2017.

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Charges for services	\$ 1,624,661	\$ 1,519,144
Operating Expenses		
Operation and maintenance	861,522	778,339
Depreciation	457,957	410,051
Total Operating Expenses	<u>1,319,479</u>	<u>1,188,390</u>
Operating Income	305,182	330,754
Nonoperating Revenue		
Nonoperating grants	94,612	-
Capital contributions	<u>382,590</u>	<u>250,394</u>
Change in Net Position	<u>\$ 782,384</u>	<u>\$ 581,148</u>

At year end, available cash of the Stormwater Utility totaled \$825,448. The Stormwater Utility purchased \$1,231,685 of capital assets in 2018.

APPENDIX

CITY OF DE PERE

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De Pere, WI 54115
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September 5, 2019

CliftonLarsonAllen LLP
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Green Bay, WI 54305-3819

This representation letter is provided in connection with your audit of the financial statements of City of De Pere, Wisconsin, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of September 5, 2019, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 20, 2018, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

6. In regards to accounting estimates:
 - The measurement processes used by management in determining accounting estimates is appropriate and consistent.
 - The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - The disclosures related to accounting estimates are complete and appropriate.
 - No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
7. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
8. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements
9. We have not identified or been notified of any uncorrected financial statement misstatements. In addition, you have proposed adjusting journal entries that have been posted to the City's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
12. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
13. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.
14. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
15. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

16. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
17. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
18. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

8. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
9. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
10. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
12. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
13. 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.
14. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
15. We have a process to track the status of audit findings and recommendations.
16. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
17. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
18. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.
19. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to City of De Pere, including tax or debt limits and debt contracts; including legal and contractual provisions for reporting specific activities in separate funds.
20. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
21. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
22. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

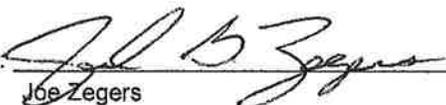
23. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
24. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
25. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
26. Provisions for uncollectible receivables have been properly identified and recorded.
27. 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.
28. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
29. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
30. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
31. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
32. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.
33. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
34. 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.
35. We are following our established accounting 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. That policy determines the fund balance classifications for financial reporting purposes.

36. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual statements, and supporting schedules (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
37. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
38. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 84, *Fiduciary Activities*, and No. 87, *Leases*, as discussed in Note 4.E. The City is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and the results of its operations when the Statements are adopted.
39. We have evaluated and classified any subsequent events as recognized or non-recognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
40. We agree with the findings of specialists in evaluating the other postemployment benefits, pension benefits, and incurred but not reported claims and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialist.
41. Tax abatement agreements have been properly disclosed in the notes to the financial statements.
42. With respect to federal and state award programs:
 - a. We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Department of Health Services Audit Guide* issued by the Wisconsin Department of Health Services including requirements relating to preparation of the schedules of expenditures of federal and state awards and the schedule of settlement of DHS cost reimbursement award (the "schedules").

- b. We acknowledge our responsibility for presenting the schedules and related notes in accordance with the requirements of Uniform Guidance and the *Department of Health Services Audit Guide*, and we believe schedules, including their form and content, are fairly presented in accordance with Uniform Guidance and the *Department of Health Services Audit Guide*. The methods of measurement and presentation of the schedules have not changed from those used in the prior period (or, if they have changed, the reasons for such change), and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the schedules.
- c. We have identified and disclosed to you all of our government programs and related activities subject to Uniform Guidance and the *Department of Health Services Audit Guide*, and included in the schedules expenditures made during the audit period for all federal and state awards provided by federal and state agencies in the form of federal or state awards, federal or state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance. The total federal awards expended for all programs is less than \$750,000. An audit in accordance with the Uniform Guidance is not required.
- d. We are responsible for understanding and complying with, and have complied with, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major federal and state program.
- e. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.
- f. We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.
- g. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- h. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement* and *Department of Health Services Audit Guide*, relating to federal and state awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal and state awards.
- i. We have disclosed to you any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance

requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

- j. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and *Department of Health Services Audit Guide*.
- l. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- n. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- p. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- q. The copies of federal and state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.
- r. We have charged costs to federal and state awards in accordance with applicable cost principles.
- s. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

Signature:  Title: Finance Director
Joe Zegers

Signature:  Title: Clerk
Carey Danen