MANAGEMENT COMMUNICATIONS

VILLAGE OF SISTER BAY, WISCONSIN

DECEMBER 31, 2013

VILLAGE OF SISTER BAY, WISCONSIN
December 31, 2013

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To the Village Board
Village of Sister Bay, Wisconsin

We have completed our audit of the basic financial statements of the Village of Sister Bay, Wisconsin (the "Village") for the year ended December 31, 2013. The Village's financial statements, including our report thereon dated April 8, 2014, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards

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

In planning and performing our audit, we considered the Village'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 Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Village's compliance with those requirements.

Planned Scope and Timing of the Audit

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

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Significant Audit Findings

Consideration of Internal Control

In planning and performing our audit of the financial statements of the Village as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 41 - 42 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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a 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 deficiency in the Village's internal control to be a significant deficiency:

Finding 2013-001 Preparation of Annual Financial Report

This finding is described in detail in the schedule of findings and responses on page 43 of the annual report.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no significant transactions entered into by the Village 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 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 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 liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The financial statements reflect all accounting adjustments proposed during our audit. Copies of the audit adjustments are available from management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 8, 2014. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

In addition, during our audit, we noted certain other matters that are presented for your consideration. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these matters in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized in the comments and observations section of this report.

This communication, which does not affect our report dated April 8, 2014 on the financial statements of the Village, is intended solely for the information and use of the Village Council, management, and others within the Village, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
April 8, 2014

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of the Village's governmental fund balances on December 31, 2013, including a comparison to the prior year. This information is provided for assessing financial results for 2013 and for indicating financial resources available for 2014 and subsequent years.

	2013	2012
Governmental Funds		
General Fund		
Nonspendable		
Inventories and prepaid items	$ 16,708	$ 14,907
Assigned for,		
Subsequent years' budget	148,714	-
Unassigned, reported in		
General fund	243,341	523,912
Total General Fund	408,763	538,819
Special Revenue Funds		
Committed		
Ice rink	13,524	15,020
Skate park	2,717	2,646
Total Special Revenue Funds	16,241	17,666
Debt Service Fund	(12,661)	(168,285)
Capital Projects Funds		
Nonspendable		
Long-term advance to other funds	779,334	815,017
Restricted for TID expenditures	377,476	592,986
Committed for capital projects	1,318,486	1,085,670
Total Capital Projects Funds	2,475,296	2,493,673
Total Governmental Fund Balances	$ 2,887,639	$ 2,881,873

The Village's current general fund unassigned fund balance of $243,341 represents approximately 15% of the 2014 budgeted general fund expenditures. The current unassigned fund balance is less than the minimum unassigned fund balance calculated in accordance with the Village policy of $409,476. This amount represents 25% of the 2014 general fund expenditures.

Additional information on the capital projects fund is presented in comment No. 2.

2. Capital Projects Fund

A summary of the revenues, expenditures and changes in fund balance of the capital projects fund for 2013 and 2012 is presented below:

	2013	2012
Revenues		
Taxes	$ 180,000	$ -
State grant	-	15,457
Interest on investments	9,587	3,847
Total Revenues	189,587	19,304
Expenditures		
As budgeted:		
Sports Complex Play Apparatus	-	11000
Trees	-	260
Various parks projects	-	7,287
Vehicle replacement	-	20,289
Parks equipment	4,709	5,862
Garbage containers	-	1,757
Picnic tables and benches	-	4,197
Redevelopment area planning	50	-
Tablet PC's for meetings	2,717	-
Baseball field improvements	5,357	-
Coastal Byways Kiosk	-	16,731
Canterbury/Maple Road	3,697	-
By budget amendment:		
Waterfront Development (TID project)	-	22,176
Consulting	362	-
From debt proceeds:		
Sports complex development	-	2,344
Total Expenditures	16,892	91,903
Excess of Revenues Over (Under) Expenditures	172,695	(72,599)
Other Financing Sources (Uses)		
Repayment of advance from utility fund	-	(180,000)
Transfer in from other funds	198,700	240,988
Transfer out to debt service fund	(138,579)	(160,000)
Total Other Financing Sources (Uses)	60,121	(99,012)
Net Change in Fund Balance	232,816	(171,611)
Fund Balance - January 1	1,085,670	1,257,281
Fund Balance - December 31	$ 1,318,486	$ 1,085,670

3. Water Department Operations

A comparative analysis of the water department's income account for the years ended December 31, 2013 and 2012 follows:

	2013	2012
Operating Revenues		
General customers	$ 251,497	$ 255,573
Public fire protection	94,501	93,451
Miscellaneous	32,170	27,788
Total Operating Revenues	378,168	376,812
Operating Expenses		
Operation and maintenance	290,796	196,546
Depreciation	100,947	100,380
Taxes	7,176	7,610
Total Operating Expenses	398,919	304,536
Operating Income (Loss)	(20,751)	72,276
Nonoperating Revenues (Expenses)		
Interest income (estimated allocation)	4,558	3,263
Impact fees	57,946	55,166
Interest on long-term debt (estimated allocation)	(12,712)	(13,811)
Miscellaneous	63	1,005
Total Nonoperating Revenues (Expenses)	49,855	45,623
Net Income (Loss) before Contributions	$ 29,104	$ 117,899

The Water Utility had an operating loss of $20,751 in 2013 compared to an operating income of $72,276 in 2012. The change was primarily due to the increase in maintenance expenses due to the painting of the water standpipe. As a result, no rate of return was generated in 2013. The rate of return calculation is a formula established by the Public Service Commission (PSC) which regulates and sets the Water Utility rates. The rate of return authorized by the PSC is 5%.

4. Wastewater Department Operation

A comparative analysis of the wastewater treatment plant and wastewater collection activities for the year ended December 31, 2013 and 2012 follows:

Treatment Plant

	2013	2012
Operating Revenues		
General customers	$ 349,155	$ 376,539
Service to other systems	64,075	63,741
Other sewage service	76,750	98,621
Miscellaneous	2,264	2,541
Total Operating Revenues	492,244	541,442
Operating Expenses		
Operation and maintenance	395,455	363,224
Depreciation	261,846	261,421
Taxes	9,869	9,681
Total Operating Expenses	667,170	634,326
Operating Income (Loss)	(174,926)	(92,884)
Nonoperating Revenues (Expenses) and Transfers		
Interest income (estimated allocation)	14,326	13,412
Impact fees	28,712	28,242
Interest on long-term debt (estimated allocation)	(27,541)	(29,775)
Miscellaneous	(1,727)	2,000
Gain on sale of land	175,455	-
Total Nonoperating Revenues (Expenses)	189,225	13,879
Net Income (Loss) before Contributions	$ 14,299	$ (79,005)

The above operating loss for the treatment plant resulted from not recovering sufficient revenues from customers to fund annual depreciation expense of $261,846 from the Wastewater Treatment Plant. However, the utility is generating positive cash flows as depreciation is not a current cash use and the principal payment on long-term debt for 2013 was $136,900. See the cash flow statement on page 15 of the financial statements.

4. Wastewater Department Operation (Continued)

Collection System

	2013	2012
Operating Revenues		
General customers	229,396	189,840
Service to other systems	2,094	2,031
Miscellaneous	5,091	3,488
Total Operating Revenues	236,581	195,359
Operating Expenses		
Operation and maintenance	103,689	85,298
Depreciation	66,745	66,464
Taxes	3,112	3,044
Total Operating Expenses	173,546	154,806
Operating Income	63,035	40,553
Nonoperating Revenues (Expenses) and Transfers		
Interest income (estimated allocation)	7,721	9,856
Connection fees	3,947	5,444
Impact fees	22,116	22,291
Interest on long-term debt (estimated allocation)	(13,436)	(14,601)
Miscellaneous	1,802	2,555
Total Nonoperating Revenues (Expenses)	22,150	25,545
Net Income before Contributions	$ 85,185	$ 66,098

5. **Marina Operations**

An analysis of the Marina operations for the year ended December 31, 2013 follows:

	2013	2012
Operating Revenues		
Charges for services		
Docking and launch charges	$ 534,610	$ 510,201
Marina services	389	465
Product and vending sales	3,189	7,999
Other operating revenues		
Rental income	10,243	20,000
Marina fest	8,910	8,209
Other revenues	157	2,940
Total Operating Revenues	557,498	549,814
Operating Expenses		
Operation and maintenance	216,309	170,776
Administrative and general	46,955	61,855
Depreciation	214,205	225,577
Taxes	6,135	7,197
Total Operating Expenses	483,604	465,405
Operating Income	73,894	84,409
Nonoperating Revenues (Expenses)		
Interest income	1,353	2,212
Interest on long-term debt	(98,133)	(102,141)
Total Nonoperating Revenues (Expenses)	(96,780)	(99,929)
Net Loss before Transfers	(22,886)	(15,520)
Transfer out for property tax equivalent	(161,905)	(158,376)
Change in Net Position	(184,791)	(173,896)
Net assets - January 1	1,956,056	2,129,952
Net Assets - December 31	$ 1,771,265	$ 1,956,056

6. Restricted Cash and Investments - Water and Wastewater Department

Detail of restricted cash and investments of the Water and Wastewater Utility on December 31, 2013 follows:

Fund Type	12/31/12 Balance	Adjust-ments	Used in 2013	2013 Interest Net of Fees	2013 Additions	12/31/13 Balance
Replacement Funds:						
Water System	$ 228,331	$ -	$ (103,880)	$ 540	$ 42,068	$ 167,059
DNR WWTP	841,153	-	(21,202)	11,203	76,024	907,178
Collection System	97,436	-	(2,400)	230	6,065	101,331
Bay Shore Drive Relay	866,081	-	(300,000)	6,208	-	572,289
Total Replacement Funds	2,033,001	-	(427,482)	18,181	124,157	1,747,857
Impact Fees:						
Wastewater Treatment Plant	-	-	(28,712)	-	28,712	-
Water Tower	158,860	-	-	1,649	43,202	203,711
Downtown Utilities - Water	6,529	-	-	37	14,744	21,310
Downtown Utilities - Sewer	10,121	-	-	56	22,116	32,293
Total Impact Fees	175,510	-	(28,712)	1,742	108,774	257,314
WWTP Land Sale	-	-	-	554	250,130	250,684
Total Utility Department Restricted Cash and Investments	$ 2,208,511	$ -	$ (456,194)	$ 20,477	$ 483,061	$ 2,255,855

VILLAGE OF SISTER BAY, WISCONSIN
TAX INCREMENTAL FINANCING DISTRICT NO. 1
ANNUAL REPORT
For Year Ended December 31, 2013

Date Created: September 4, 2008

Latest Possible Termination Date: September 4, 2028

	Current Year	From Creation through 12/31/12	Cumulative Total
Expenditures			
Planning and Administration	$ 67,880	$ 139,625	$ 207,505
Project costs paid by TID fund	204,612	3,444,788	3,649,400
Project costs paid by Capital Projects fund	-	295,729	295,729
Project costs paid by Utility fund	401,861	52,572	454,433
Interest on debt paid by Debt Service fund	146,717	210,422	357,139
Interest on debt paid by Marina fund	-	33,598	33,598
Interest on debt paid by TID fund	-	58,045	58,045
Total Expenditures	$ 821,070	$ 4,234,779	5,055,849
Revenues			
State aid - Stewardship Grant	$ -	$ 1,495,995	1,495,995
Other revenues	21,300	76,965	98,265
Total Revenues	$ 21,300	$ 1,572,960	1,594,260
Net Unreimbursed Costs at December 31, 2013			$ 3,461,589

Reconciliation to TID Fund Balance at December 31, 2013		
Outstanding Debt		$ 3,445,000
Add: Principal of Debt paid by Debt Service Fund		32,500
Net Unreimbursed Costs at December 31, 2013 (above)	$ 3,461,589	
Less: Projects Costs paid by other funds	1,140,899	
Net Costs Charged to TID fund		(2,320,690)
TID Fund Balance at December 31, 2013		$ 1,156,810

During our current audit we reviewed the financial transactions and current status of the Village's Tax Incremental District No. 1 (TID). We also assisted the Village in completing the statutorily required TID annual reports required to be sent to each overlying taxing district by May 1.

It is important to note that the Village is responsible for making sure that all eligible TID costs are identified to ensure that all costs of the TID can be recovered through future incremental tax revenue.

COMMENTS AND OBSERVATIONS

<u>Acknowledging Collections Received at the Office</u>

The Village office collects various amounts for utility bills and other Village revenues. Under present procedures, Village personnel do not always issue receipts or update the general ledger for utility collections on a timely basis. For internal control purposes, collections received should be documented and entered into the accounting system, at a minimum, the same day received. Reportedly, at various times, receipts or general ledger updates for utility collections are not issued or completed until the day a deposit is made.

Accordingly, we recommend the Village revise procedures to provide for the issuance of receipts or entering into the general ledger on the day the collections are received. The implementation of this procedure will provide additional internal control by providing information to assist in the review and monitoring of daily accounting transactions.

APPENDIX

April 8, 2014

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

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

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

We confirm, to the best of our knowledge and belief, as of April 8, 2014, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 29, 2013, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.

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. 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.

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- No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

4. 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.

5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

6. Significant assumptions we used in making accounting estimates are reasonable.

7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

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

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

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

Information Provided

12. We have provided you with:

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

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

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

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

13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:

    a. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

i. Management,

ii. Employees who have significant roles in internal control, or

iii. Others where the fraud could have a material effect on the financial statements.

b. We have no knowledge of any allegations of fraud or suspected fraud affecting the Village's financial statements communicated by employees, former employees, regulators, or others.

15. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

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

17. We have disclosed to you the identity of the Village's related parties and all the related party relationships and transactions of which we are aware.

Government - specific

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

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

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

21. 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.

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

23. The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.

24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

25. 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.

26. As part of your audit, you assisted with preparation of the financial statements and related notes, state financial report, and Public Service Commission annual report. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those

financial statements and related notes, state financial report, and Public Service Commission annual report.

27. In regards to the capital asset depreciation and reconciliation services performed by you, we have –

    a. Made all management decisions and performed all management functions.

    b. Designated an individual with suitable skill, knowledge, or experience to oversee the services.

    c. Evaluated the adequacy and results of the services performed.

    d. Accepted responsibility for the results of the services.

28. The Village 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.

29. The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

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

31. 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.

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

33. 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.

34. 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.

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

36. 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.

37. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

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

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

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

41. We have appropriately disclosed the Village's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position were properly recognized under the policy.

42. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements and supporting schedules (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

43. 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 Village's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.

44. 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.

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

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

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

48. Expenditures of federal awards were below the $500,000 threshold in the year ended December 31, 2013, and we were not required to have an audit in accordance with *OMB Circular A-133*.

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

Signed: ______________________
Zeke Jackson, Village Administrator

Signed: *Juliana Neuman*
Juliana Neuman, Finance Director