MANAGEMENT COMMUNICATIONS

VILLAGE OF SISTER BAY, WISCONSIN

DECEMBER 31, 2014

VILLAGE OF SISTER BAY, WISCONSIN
December 31, 2014

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Schenck
CPAs AND SO MUCH MORE.

To the Village Board
Village of Sister Bay, 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 Village of Sister Bay, Wisconsin (the "Village") for the year ended December 31, 2014. The Village's financial statements, including our report thereon dated March 31, 2015 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 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 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. 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.

Significant Audit Findings

Consideration of Internal Control

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 Village as of and for the year ended December 31, 2014, 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 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 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 43 - 44 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 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 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 2014-001 Preparation of Annual Financial Report

This finding is described in detail in the schedule of findings and responses on page 45 of the annual report.

The Village's written response to the significant deficiency 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 it.

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 2014. We noted no 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.

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 known and likely misstatements identified during the audit, other than those that are clearly 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, 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 March 31, 2015. 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 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.

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 Village'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.

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, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized in the comments and observations section of this report.

Other Matters

We were engaged to report on supplementary information, which accompany the financial statements but are not required supplementary information. 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.

Restriction on Use

This information is intended solely for the use of the Village Board, 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
March 31, 2015

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of the Village's governmental fund balances on December 31, 2014, including a comparison to the prior year. This information is provided for assessing financial results for 2014 and for indicating financial resources available for 2015 and subsequent years.

	2014	2013
Governmental Funds		
General Fund		
Nonspendable		
Inventories and prepaid items	$ 22,993	$ 16,708
Committed for		
Future development	435,750	-
Assigned for,		
Subsequent years' budget	46,522	148,714
Unassigned, reported in		
General fund	243,186	243,341
Total General Fund	748,451	408,763
Special Revenue Funds		
Committed		
Ice rink	9,818	13,524
Skate park	2,804	2,717
Total Special Revenue Funds	12,622	16,241
Debt Service Fund	13,545	(12,661)
Capital Projects Funds		
Nonspendable		
Long-term advance to other funds	742,938	779,334
Restricted for TID expenditures	311,708	377,476
Committed for capital projects	1,402,972	1,318,486
Total Capital Projects Funds	2,457,618	2,475,296
Total Governmental Fund Balances	$ 3,232,236	$ 2,887,639

The Village's current general fund unassigned fund balance of $243,186 represents approximately 15% of the 2015 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 $387,286. This amount represents 25% of the 2015 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 2014 and 2013 is presented below:

	2014	2013
Revenues		
Taxes	$ -	$ 180,000
State grant	15,077	-
Interest on investments	3,614	9,587
Total Revenues	18,691	189,587
Expenditures		
As budgeted:		
Streets resurfacing	111,328	-
Old FS Demolition/Upgrades	32,305	-
Various parks projects	1,272	-
Parks equipment	759	4,709
Redevelopment area planning	-	50
Tablet PC's for meetings	-	2,717
Baseball field improvements	-	5,357
Trackless replacement	26,815	-
Information/Technology upgrade	14,138	-
Cash receipting software	3,700	-
Canterbury/Maple Road	30,352	3,697
By budget amendment:		
Consulting	-	362
Total Expenditures	220,669	16,892
Excess of Revenues Over (Under) Expenditures	(201,978)	172,695
Other Financing Sources (Uses)		
Transfer in from other funds	346,700	198,700
Transfer to marina	(25,000)	-
Transfer out to debt service fund	(35,236)	(138,579)
Total Other Financing Sources (Uses)	286,464	60,121
Net Change in Fund Balance	84,486	232,816
Fund Balance - January 1	1,318,486	1,085,670
Fund Balance - December 31	$ 1,402,972	$ 1,318,486

3. Marina Operations

An analysis of the Marina operations for the year ended December 31, 2014 follows:

	2014	2013
Operating Revenues		
Charges for services		
Docking and launch charges	$ 511,738	$ 534,610
Marina services	228	389
Product and vending sales	2,739	3,189
Other operating revenues		
Rental income	13,291	10,243
Marina fest	5,869	8,910
Other revenues	347	157
Total Operating Revenues	534,212	557,498
Operating Expenses		
Operation and maintenance	138,081	216,309
Administrative and general	40,031	46,955
Depreciation	202,311	214,205
Taxes	5,536	6,135
Total Operating Expenses	385,959	483,604
Operating Income	148,253	73,894
Nonoperating Revenues (Expenses)		
Interest income	812	1,353
Interest on long-term debt	(93,972)	(98,133)
Total Nonoperating Revenues (Expenses)	(93,160)	(96,780)
Net Income (Loss) before Transfers	55,093	(22,886)
Transfer in	25,000	-
Transfer out for property tax equivalent	(161,905)	(161,905)
Total Transfers	(136,905)	(161,905)
Change in Net Position	(81,812)	(184,791)
Net Position - January 1	1,771,265	1,956,056
Net Position - December 31	$ 1,689,453	$ 1,771,265

4. Water Department Operations

A comparative analysis of the water department's income account for the years ended December 31, 2014 and 2013 follows:

	2014	2013
Operating Revenues		
General customers	$ 261,659	$ 251,497
Public fire protection	95,107	94,501
Miscellaneous	28,363	32,170
Total Operating Revenues	385,129	378,168
Operating Expenses		
Operation and maintenance	213,050	290,796
Depreciation	102,768	100,947
Taxes	7,051	7,176
Total Operating Expenses	322,869	398,919
Operating Income (Loss)	62,260	(20,751)
Nonoperating Revenues (Expenses)		
Interest income (estimated allocation)	4,057	4,558
Impact fees	56,720	57,946
Interest on long-term debt (estimated allocation)	(11,349)	(12,712)
Miscellaneous	2,198	63
Total Nonoperating Revenues (Expenses)	51,626	49,855
Net Income before Contributions	$ 113,886	$ 29,104

The Water Utility had an operating income of $62,260 in 2014 compared to an operating loss of $20,751 in 2013. The change was primarily due to the decrease in maintenance expenses due to the painting of the water standpipe in 2013. The utility generated a rate of return of 8.29%. 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%.

5. Wastewater Department Operations

A comparative analysis of the wastewater treatment plant and wastewater collection activities for the year ended December 31, 2014 and 2013 follows:

Treatment Plant

	2014	2013
Operating Revenues		
General customers	$ 402,848	$ 382,317
Service to other systems	64,890	64,075
Other sewage service	74,304	76,750
Miscellaneous	2,256	2,264
Total Operating Revenues	544,298	525,406
Operating Expenses		
Operation and maintenance	406,722	395,455
Depreciation	261,846	261,846
Taxes	9,397	9,869
Total Operating Expenses	677,965	667,170
Operating Loss	(133,667)	(141,764)
Nonoperating Revenues (Expenses)		
Interest income (estimated allocation)	14,882	14,326
Impact fees	20,842	28,712
Interest on long-term debt (estimated allocation)	(24,925)	(27,541)
Miscellaneous	(297)	(1,727)
Gain on sale of land	-	175,455
Total Nonoperating Revenues (Expenses)	10,502	189,225
Net Income (Loss) before Contributions	$ (123,165)	$ 47,461

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 from operating activities as depreciation is not a current cash use and the principal payment on long-term debt for 2014 was $138,600. See the cash flow statement on page 15 of the financial statements.

5. Wastewater Department Operations (Continued)

Collection System

	2014	2013
Operating Revenues		
General customers	$ 206,478	$ 196,234
Service to other systems	1,621	2,094
Miscellaneous	4,002	5,091
Total Operating Revenues	212,101	203,419
Operating Expenses		
Operation and maintenance	105,930	103,689
Depreciation	67,290	66,745
Taxes	3,144	3,112
Total Operating Expenses	176,364	173,546
Operating Income	35,737	29,873
Nonoperating Revenues (Expenses) and Transfers		
Interest income (estimated allocation)	1,157	7,721
Connection fees	1,460	3,947
Impact fees	16,488	22,116
Interest on long-term debt (estimated allocation)	(11,935)	(13,436)
Miscellaneous	7,084	1,802
Total Nonoperating Revenues (Expenses)	14,254	22,150
Net Income before Contributions	$ 49,991	$ 52,023

6. Restricted Cash and Investments - Water and Wastewater Department

Detail of restricted cash and investments of the Water and Wastewater Utility on December 31, 2014 follows:

Fund Type	12/31/13 Balance	Used in 2014	2014 Interest Net of Fees	2014 Additions	12/31/14 Balance
Replacement Funds:					
Water System	$ 167,059	$ -	$ 174	$ 44,592	$ 211,825
DNR WWTP	907,178	(44,229)	11,857	76,026	950,832
Collection System	101,331	-	87	6,064	107,482
Bay Shore Drive Relay	572,289	(572,636)	347	-	-
Total Replacement Funds	1,747,857	(616,865)	12,465	126,682	1,270,139
Impact Fees:					
Water Tower	203,711	-	1,843	45,728	251,282
Downtown Utilities - Water	21,310	(13,092)	14	-	8,232
Downtown Utilities - Sewer	32,293	(19,963)	21	-	12,351
Total Impact Fees	257,314	(33,055)	1,878	45,728	271,865
WWTP Land Sale	250,684	-	929	-	251,613
Total Utility Department Restricted Cash and Investments	$ 2,255,855	$ (649,920)	$ 15,272	$ 172,410	$ 1,793,617

VILLAGE OF SISTER BAY, WISCONSIN
TAX INCREMENTAL FINANCING DISTRICT NO. 1
ANNUAL REPORT
For Year Ended December 31, 2014

Date Created: September 4, 2008

Latest Possible Termination Date: September 4, 2028

	Current Year	From Creation through 12/31/14	Cumulative Total
Expenditures			
Planning and Administration	$ 74,410	$ 207,505	$ 281,915
Project costs paid by TID fund	912,649	3,649,400	4,562,049
Project costs paid by Capital Projects fund	30,000	295,729	325,729
Project costs paid by Utility fund	905,091	454,433	1,359,524
Interest on debt paid by Debt Service fund	145,976	357,139	503,115
Interest on debt paid by Marina fund	-	33,598	33,598
Interest on debt paid by TID fund	-	58,045	58,045
Total Expenditures	$ 2,068,126	$ 5,055,849	7,123,975
Revenues			
State aid - Stewardship Grant	$ -	$ 1,495,995	1,495,995
State aid - Exempt Computer Aid	655	4,153	4,808
Tax increments	3,654	-	3,654
Donations	435,000	60,000	495,000
Other revenues	45,586	34,112	79,698
Total Revenues	$ 484,895	$ 1,594,260	2,079,155
Net Unreimbursed Costs at December 31, 2014			$ 5,044,820

Reconciliation to TID Fund Balance at December 31, 2014		
Outstanding Debt		$ 3,796,250
Add:		
Principal of Debt paid by Debt Service Fund		81,250
Less:		
Net Unreimbursed Costs at December 31, 2014 (above)	$ (5,044,820)	
Projects Costs paid by other funds	2,221,966	
Net Costs Charged to TID fund		(2,822,854)
TID Fund Balance at December 31, 2014		$ 1,054,646

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

Marina Policies and Procedures for Seasonal Slip Rentals

During our 2014 audit, we reviewed the procedures and controls for Marina collections and refunds. Marina revenues consist primarily of seasonal slip rentals, daily docking, commercial docking, and launch fees. The Marina currently has a refund policy for seasonal slip rentals which allow fees to be refunded at 75% if notification is received by March 15 and 50% if notification is received between May 1 and June 1. Fees will not be refunded after June 1. Dock slips may become available as a result of requested refunds. As part of our testing, we noted that the marina manager would set discounted rates for new slips from refunded rentals. Current procedures allow the discounted rates to be determined by the Marina Manager without any formal documentation or approval. Our review also disclosed that slips were not accounted for consistently as slip rentals were recorded at full price rentals, at amounts net of refunds, or at the manager approved discounted rates.

Accordingly, we recommend the Village approve additional policies and procedures in regard to revenues from seasonal slip rentals. In our opinion, the policies should consider the following:

- Review of Refund Policy - current policy does not address requested refunds between March 16 and April 30
- Consider Establishing Guidelines for Fee Reductions - for example, no reduction through May 30, 75% from June 1 to June 30, etc.
- Require that Fee Reductions Outside of Guidelines Need to be Approved by the Marina Committee
- Require that All Discounted Seasonal Slip Rentals be Reported to the Marina Committee
- Require that all Seasonal Slip Rentals be Accounted for at Amount Billed

Implementation of these procedures would assist in providing better controls over marina collections and more consistent recording of revenues, which would assist the Marina in monitoring budget to actual trends over periods of time.

APPENDIX

March 31, 2015

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, (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, 2014, 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 March 31, 2015, 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 8, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP 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, including those measured at fair value, 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 U.S. GAAP.

8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the 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 Village 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 no knowledge of 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. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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

20. 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.

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

22. 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.

23. 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 legal and contractual provisions for reporting specific activities in separate funds.

24. 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.

25. 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.

26. 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.

27. 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.

28. As part of your audit, you assisted with preparation of the financial statements and related notes, state financial report, and the Public Service Commission annual report. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, state financial report, and the Public Service Commission annual report.

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

    a. Assumed all management responsibilities.

    b. Designated an individual (within senior management) 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.

30. 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.

31. 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.

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

33. 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.

34. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.

35. 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.

36. 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.

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

38. 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.

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

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

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

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

43. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.

44. 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 is properly recognized under the policy.

45. 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.

46. 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.

47. 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.

48. 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.

49. 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.

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

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

52. 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