

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL AND OTHER
REQUIRED COMMUNICATIONS**

VILLAGE OF ASHWAUBENON, WISCONSIN

DECEMBER 31, 2013

VILLAGE OF ASHWAUBENON, WISCONSIN

December 31, 2013

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Honorable President and Members of the Village Board
Village of Ashwaubenon, Wisconsin

We have completed our audit of the basic financial statements of Village of Ashwaubenon, Wisconsin (the "Village") for the year ended December 31, 2013. The Village's financial statements, including our report thereon dated June 26, 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.

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 opinion 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 consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our audit did not note any significant deficiencies or material weaknesses in the Village's internal control.

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 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 depreciable life 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 incurred, but not reported (IBNR) insurance reserves are based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. We evaluated the key factors and assumptions used to develop the reserves 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. The adjustments included various end of year payable, receivable and reclassification entries. These entries are considered routine in nature and normally do not vary significantly from year to year. 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 auditor's 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 June 26, 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 letter.

This communication, which does not affect our report dated June 26, 2014 on the financial statements of the Village, is intended solely for the information and 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,



Certified Public Accountants
Green Bay, Wisconsin
June 26, 2014

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable President and Members of the Village Board
Village of Ashwaubenon, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ashwaubenon, Wisconsin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village of Ashwaubenon, Wisconsin's basic financial statements, and have issued our report thereon dated June 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Ashwaubenon, Wisconsin's internal control over financial reporting (internal control) to determine the 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 Village of Ashwaubenon, Wisconsin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Ashwaubenon, Wisconsin's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Ashwaubenon, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Village of Ashwaubenon, Wisconsin's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Ashwaubenon, Wisconsin's internal control and on compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
June 26, 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 to assist management in assessing financial results for 2013 and for determining financial resources available at the start of the 2014 budget year.

	2013	2012
Governmental Funds		
General Fund		
Non-spendable		
Inventories and prepaid items	\$ 159,223	\$ 227,860
Long-term advance to TIF # 3	1,810,401	-
Restricted		
Bridge repairs	127,605	127,605
Public safety grants and forfeitures	35,177	22,862
Developer escrow funds	45,374	23,549
Assigned		
Public safety radios	-	80,493
Village road construction	-	808,195
Public safety software	50,000	-
Finance department ERP software upgrade	50,000	-
Smart comprehensive plan upgrade	50,000	-
Village land sale/acquisition	280,279	-
Unassigned	2,908,844	4,809,748
Total General Fund	<u>5,516,903</u>	<u>6,100,312</u>
Special Revenue Funds		
Restricted		
Park development	176,857	157,153
Donation	9,560	4,620
K-9 Program	50,000	-
Committed		
Street beautification	221	145
Total Special Revenue Funds	<u>236,638</u>	<u>161,918</u>
Debt Service Fund		
Restricted for debt service	<u>6,890</u>	<u>4,685</u>
Capital Project Funds		
Restricted		
Tax Incremental District No. 3	524,146	478,537
Tax Incremental District No. 4	209,487	26,400
Street construction	-	17,201
Committed		
Street construction	332,026	-
Village buildings	246,240	495,172
Parks and recreation projects	16,236	9,737
Unassigned		
Computer replacement	(56,474)	(38,360)
Land sales and acquisition	(68,027)	-
Tax Incremental District No. 3	(2,897,029)	(1,818,950)
Tax Incremental District No. 4	(897,350)	(668,207)
Total Capital Project Funds	<u>(2,590,745)</u>	<u>(1,498,470)</u>
Total Governmental Fund Balances	<u>\$ 3,169,686</u>	<u>\$ 4,768,445</u>

1. Governmental Fund Balances (Continued)

Additional observations and comments on the Village's general fund and Tax Incremental District Nos. 3 and 4 follow.

General Fund

The Village's general fund balance decreased \$583,409 during 2013. In addition, because the general fund has advanced funds to cover cash shortfalls of TID # 3, \$1,810,401 of the general fund was reported as nonspendable because of the long-term advance.

The Village's unassigned fund balance of \$2,908,844 is 20% of the general fund expenditures in 2013. We believe the unassigned fund balance is necessary to allow the Village to maintain current operations, finance unplanned contingencies, and provide additional cash flow due to the lag in receiving tax revenues and state aids due the Village. In addition, an unassigned fund balance can be used to stabilize the Village's tax rate.

Tax Incremental District No. 3 Capital Projects Fund

In 2008, the Village established Tax Incremental District No. 3 (TID) as a capital projects fund and began the construction phase of the TID. At December 31, 2013 the net unreimbursed project costs totaled \$9,807,883 and consisted of the following:

Future maturities of principal on outstanding general obligation debt	
incurred for financing TID No. 3 projects	\$ 7,435,000
Add: Fund deficit in TID No. 3 capital projects fund	2,372,883
Net Unreimbursed Project Costs	<u>\$ 9,807,883</u>

Summary Comment: Included in the fund deficit of (\$2,372,883) is \$524,146 of remaining debt proceeds restricted for capital improvements related to the project plan, leaving an unassigned deficit of \$2,897,029. TID No. 3 has not generated significant positive tax increments and, based on debt issued as of December 31, 2013, has annual principal and interest of approximately \$1.1 million with only \$28,688 of tax increment. As a result, the Village will need to temporarily finance these debt payments from a cash flow perspective.

Tax Incremental District No. 4 Capital Projects Fund

During 2009, the Village established Tax Incremental District No. 4 (TID) as a capital projects fund and began the construction phase of the TID. At December 31, 2013, the net unreimbursed project costs totaled \$2,147,863 and consisted of the following:

Future maturities of principal on outstanding general obligation debt	
incurred for financing TID No. 4 projects	\$ 1,460,000
Add: Fund deficit in TID No. 4 capital projects fund	687,863
Net Unreimbursed Project Costs	<u>\$ 2,147,863</u>

Summary Comment: Included in the fund deficit of (\$687,863) is \$209,487 of remaining debt proceeds restricted for capital improvements related to the project plan, leaving an unassigned deficit of \$897,350. TID No. 4 has generated tax increments with \$549,486 due in 2014, based on debt issued as of December 31, 2013, has annual principal and interest of approximately \$300 thousand. From a cash flow perspective, the District is starting to cash flow its debt service maturities but does have an overall fund deficit, which needs to be monitored when evaluating when project plan expenditures are incurred.

2. Water Utility Enterprise Fund

Presented below are financial analyses to assist management in reviewing water utility operations for 2013.

Comparative Income Statements

Comparative income statements for the years ended December 31, 2013 and 2012 follows:

	2013	2012
Operating Revenues		
Metered sales	\$ 3,790,050	\$ 3,980,344
Fire protection	486,887	482,978
Other	380,297	348,957
Total Operating Revenues	<u>4,657,234</u>	<u>4,812,279</u>
Operating Expenses		
Operation and maintenance	3,192,931	3,131,835
Depreciation and amortization	867,269	866,600
Total Operating Expenses	<u>4,060,200</u>	<u>3,998,435</u>
Operating Income	<u>597,034</u>	<u>813,844</u>
Nonoperating Revenues (Expenses)		
Interest income	47,269	52,510
Interest expense	(221,006)	(396,087)
Gain on sale of capital assets	-	743
Total Nonoperating Revenues (Expenses)	<u>(173,737)</u>	<u>(342,834)</u>
Income Before Contributions and Transfers	423,297	471,010
Capital contributions	118,229	1,267,253
Transfers out - property tax equivalent	<u>(492,182)</u>	<u>(465,321)</u>
Change in Net Position	<u>\$ 49,344</u>	<u>\$ 1,272,942</u>

Operating income decreased due to lower sales of water, primarily by residential customers, which accounted for the reduction in rate of return noted below.

Rate of Return

The Public Service Commission (PSC) of Wisconsin determines rates charged customers by calculating a rate of return on the water utility's rate base. Rate of return for the years ended December 31, 2013 and 2012 follows:

	2013	2012
Rate Base	<u>\$ 11,797,780</u>	<u>\$ 12,194,792</u>
Operating Income	\$ 597,034	\$ 813,844
Less: Property tax equivalent	(492,182)	(465,321)
Add: Depreciation on contributed plant and other adjustments	276,876	280,466
PSC Operating Income	<u>\$ 381,728</u>	<u>\$ 628,989</u>
Rate of Return	<u>3.24%</u>	<u>5.16%</u>

Summary Comment: The water utility continues to be in strong financial position, with unrestricted cash and investments of \$9,838,268; however, decreases in the operating results should be closely monitored in 2014 along with future capital needs to determine if a rate application would be warranted.

3. Sewer Utility Enterprise Fund

Presented below is a financial analysis to assist management in reviewing sewer utility operations for 2013.

Comparative Income Statements

Comparative income statements for the years ended December 31, 2013 and 2012 follows:

	2013	2012
Operating Revenues		
Charges for services	\$ 4,258,416	\$ 4,070,705
Other	55,739	28,142
Total Operating Revenues	4,314,155	4,098,847
Operating Expenses		
Operation and maintenance	3,893,547	3,772,707
Depreciation	356,795	333,610
Total Operating Expenses	4,250,342	4,106,317
Operating Income (Loss)	63,813	(7,470)
Nonoperating Revenues (Expenses)		
Interest income	23,924	24,640
Interest expense	(20,542)	(23,440)
Total Nonoperating Revenues (Expenses)	3,382	1,200
Income (Loss) Before Contributions and Transfers	67,195	(6,270)
Capital contributions	100,805	502,697
Transfers out - property tax equivalent	(12,759)	(12,591)
Change in Net Assets	\$ 155,241	\$ 483,836

Comparative Cash Flows

Comparative cash flow statements for the years ended December 31, 2013 and 2012 follows:

	2013	2012
Cash Flows from Operating Activities		
Operating income (loss)	\$ 63,813	\$ (7,470)
Depreciation	356,795	333,610
Changes in assets and liabilities	73,489	(345,344)
Net Cash Provided (Used) by Operating Activities	494,097	(19,204)
Cash Flows from Noncapital Financing Activities		
Repayment of advance to other funds	64,012	61,997
Transfers out - property tax equivalent	(12,759)	(12,591)
Net Cash Provided by Noncapital Financing Activities	51,253	49,406
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(110,091)	(3,784)
Principal and interest paid on capital debt	(120,255)	(120,257)
Net Cash Used for Capital and Related Financing Activities	(230,346)	(124,041)
Cash Flows from Investing Activities		
Interest received	23,924	24,640
Change in Cash and Cash Equivalents	338,928	(69,199)
Cash and Cash Equivalents - January 1	2,370,846	2,440,045
Cash and Cash Equivalents - December 31	\$ 2,709,774	\$ 2,370,846

Summary Comment: At December 31, 2013, available cash and investments totaled \$2,709,774. Because the sewer utility's costs are heavily dependent on treatment costs, which have significantly increased in recent years, the Village annually reviews its sewer rates in relation to operating costs.

4. Health and Dental Self Funded Internal Service Funds

The Village maintains two separate internal service funds to finance employee health and dental claims. A summary of 2013 transactions, including a comparison to the prior year, for each fund follows:

	Health		Dental	
	2013	2012	2013	2012
Operating Revenues				
Premiums	\$ 1,745,245	\$ 1,909,339	\$ 115,012	\$ 133,552
Insurance refunds	25,771	28,107	-	-
Total Operating Revenues	<u>1,771,016</u>	<u>1,937,446</u>	<u>115,012</u>	<u>133,552</u>
Operating Expenses				
Insurance claims and premiums	1,650,505	1,592,454	103,047	108,059
Administration	273,032	266,675	-	-
Total Operating Expenses	<u>1,923,537</u>	<u>1,859,129</u>	<u>103,047</u>	<u>108,059</u>
Changes in Net Position	(152,521)	78,317	11,965	25,493
Net Position - January 1	<u>1,335,317</u>	<u>1,257,000</u>	<u>412,871</u>	<u>387,378</u>
Net Position - December 31	<u>\$ 1,182,796</u>	<u>\$ 1,335,317</u>	<u>\$ 424,836</u>	<u>\$ 412,871</u>

Health Self-Funded Insurance Fund

Insurance claims and administrative costs increased in 2013, along with a decrease in premium revenue resulting in a decrease of \$152,521 in the fund's net position. The net position balance represents approximately 72% of 2013 claims.

Dental Self-Funded Insurance Fund

Operating expenses and premiums decreased in 2013, along with a decrease in premium revenue resulting in an \$11,965 increase in the fund's net position. The net position balance represents approximately 412% of 2013 claims. The Village should review the 2014 premiums based on the fund's current financial position.

Because insurance claims can fluctuate annually, municipalities generally try to maintain a net position balance between 20% and 50% of their annual operating expenses depending on the level of risk assumed by the plan.

5. Community Development Authority

The Community Development Authority is a component unit of the Village. A summary of 2013 transactions, including a comparison to the prior year, is presented below:

	2013	2012
Revenues		
Lease revenue	\$ 3,005,234	\$ 2,243,045
Donations and other miscellaneous revenues	4,380	5,940
Total Revenues	<u>3,009,614</u>	<u>2,248,985</u>
Expenditures		
Current		
General government	22,519	8,785
Debt service		
Principal	1,935,000	620,000
Interest and fiscal charges	1,064,534	2,108,045
Total Expenditures	<u>3,022,053</u>	<u>2,736,830</u>
Other Financing Sources		
Refunding lease revenue bonds issued	-	35,660,000
Payment to current lease revenue bond holder	-	(35,175,000)
Total Other Financing Sources	<u>-</u>	<u>485,000</u>
Net Change in Fund Balance	(12,439)	(2,845)
Fund Balance - January 1	<u>181,718</u>	<u>184,563</u>
Fund Balance - December 31	<u>\$ 169,279</u>	<u>\$ 181,718</u>

COMMENTS AND RECOMMENDATIONS

Administrative Cost Allocation to TIF No. 3 and 4

The Village's has two tax incremental districts incurring project plan expenditures as of December 31, 2013. Each District is allocated administrative costs from the Village's general fund based on the Village's approved budget.

While the allocation of administrative costs appear reasonable in discussions with Village personnel, records detailing hours spent on implementing each District's project plan will be required during a financial and compliance audit of the District. Without adequate support, it is possible that these costs could be excluded from costs recoverable from District revenues during a statutory audit of District transactions. Because audits are only required three times during the life of a District, it is possible these costs could be significant.

We therefore recommend the Village develop procedures to document estimated time spent by Village personnel in implementing the District 's project plan and retain this support for future TID audits.

APPENDIX

Village of Ashwaubenon

FINANCE OFFICE

2155 Holmgren Way
Ashwaubenon, Wisconsin 54304-4605
Fax (920) 492-2341 www.ashwaubenon.com

Finance Director

Gregory B. Wenholz
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June 26, 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 Ashwaubenon, Wisconsin which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, 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 June 26, 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 November 6, 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.
 - 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 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 Village 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 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 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.
24. 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.

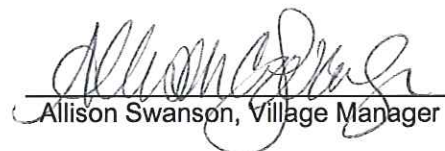
25. The Village has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in the annual financial report.
26. The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
27. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
28. 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.
29. The financial statements properly classify all funds and activities.
30. 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.
31. 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.
32. 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.
33. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
34. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
35. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
36. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
37. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.
38. 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.
39. 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.

40. We acknowledge our responsibility for presenting 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.
41. 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.
42. 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.
43. 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.
44. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
45. 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*.
46. 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:


Greg Wenholtz, Finance Director

Signed:


Allison Swanson, Village Manager