MARATHON COUNTY

Wausau, Wisconsin

COMMUNICATION TO THOSE CHARGED
WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2013

MARATHON COUNTY

TABLE OF CONTENTS

REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN THE AUDIT TO THOSE CHARGED WITH GOVERNANCE

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To the Marathon County Board of Supervisors and the
Finance and Property Committee and Management
Marathon County
Wausau, Wisconsin

In planning and performing our audit of the financial statements of Marathon County 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 its internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

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 material weakness and other deficiencies that we consider to be significant deficiencies.

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

- Internal Control Over Financial Reporting

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

- Internal Control Environment
- Decentralized Activities

Marathon County's written response to the significant deficiencies and material weakness identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the county board, and others within the organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 20, 2014

Auditing standards require that we perform procedures to obtain an understanding of your government and its internal control environment as part of the annual audit. This includes an analysis of significant transaction cycles and an analysis of the county's year-end financial reporting process and preparation of your financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Properly designed systems of internal control provides your organization with the ability to process and record monthly and year end transactions and prepare annual financial reports.

Our audit includes a review and evaluation of the county's internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout and at the end of the year.
- Staff is properly trained and knowledgeable to perform all financial reporting functions.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements including footnotes are prepared.
- Financial reports are reviewed by an individual who is not the preparer for completeness and accuracy.

Our evaluation of the county's internal controls relating to financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of complete and accurate financial statements and footnotes, adjusting journal entries to correct misstatements, and an independent review by someone other than the preparer.

As a result of these deficiencies, management is unable to prepare financial statements that are in conformity with generally accepted accounting principles. Management should consider what resources and changes are necessary to address and resolve the control deficiencies identified.

Management's Response

The County has implemented procedures for county personnel that prepare the financial statements to review transactions and accounts so that the financial statements would be free of any material errors. The County reviewed transactions and accounts that met transaction dollar limits, reviewed transactions during the year and completed additional pre-audit work to verify all transactions were appropriate. The County takes the accuracy of its financial reporting very seriously and will continue to strive to create financial statements that are free of material misstatement.

If in the future, if staffing capacity allows, the County will attempt to have additional resources within the department review the final financial transactions and entries and development the comprehensive annual financial report in house.

INTERNAL CONTROL ENVIRONMENT

A properly designed system of internal control includes adequate staffing as well as policies and procedures to properly segregate duties. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in the county's accounting processes would be discovered by your staff in a timely manner.

There are also key controls that are not currently in place at the county related to significant transaction cycles. These key controls are important in reducing the risk of errors or irregularities in the county's accounting processes.

ENTITY-WIDE CONTROLS

A formal fraud risk evaluation process should be in place. This is a control process that should exist and be performed by a newly created audit committee, the finance committee, or similar organization.

CONTROLS OVER CASH

Bank reconciliations for the County's general checking account are being performed by someone who is independent of processing transactions flowing through the checking account. However, this bank reconciliation is not being independently reviewed and documented as such.

Current Year Status

These comments are still valid. The absence of these key controls is considered to be a significant deficiency because without these key controls, errors or irregularities could occur as part of the financial process that may not be discovered by the county. Achieving adequate segregation of duties may not be cost beneficial to attain in all situations. However, it is very important that management and the governing body provide the appropriate level of financial oversight to the County's day-to-day activities. We recommend that the County consider the benefits of implementing additional policies and procedures to address key controls related to its significant transaction cycles, as noted above.

Management's Response

ENTITY-WIDE CONTROLS

> The Finance and Property Committee does review the CAFR, Communication to Those Charged with Governance, the Management Response and Single Audit Report.

> If in the future, if staffing capacity allows, the County will attempt to have additional resources within the County to designate staff to review potential entity-wide internal controls and implement necessary changes.

CONTROLS OVER CASH

The County does verify decentralized bank accounts by someone independent of the processing transactions. We have started to initiate a similar procedure for the County's general checking account as well. The June and November 2013 were reviewed by the Finance Director. This procedure will be enhanced to become a part of the monthly bank reconciliation process for the County's bank account as of the June 2014 reconciliation.

DECENTRALIZED ACTIVITIES

Central Wisconsin Airport

The Central Wisconsin Airport (CWA) invoices throughout the year for items such as terminal space leasing, fuel sales, hangar lease, and other items. Payments are sent directly to CWA and deposited by CWA staff once per month. Deposited amounts are approximately $160,000 to $170,000 per month. We recommend the County and CWA determine if payments could be sent directly to the County Treasurer's office for daily deposit. If this is not possible the collections at CWA should be deposited on a more frequent basis.

Current Year Status

This comment is still valid. The absence of these key controls is considered to be a significant deficiency.

Management's Response

The County changed the Accounts Receivable billing practices in the 4th quarter of 2013 to have payments directed to the County Treasurer's office. At this time CWA is still billing and having its invoices come back to CWA. The County Treasurer and Finance Director will work with CWA to have CWA create monthly invoices in a timely manner and determine how we can change the process to have monthly rental payments sent directly to the Treasurer's office.

OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

   > Identify types of potential misstatements.
   > Consider factors that affect the risks of material misstatement.
   > Design tests of controls, when applicable, and substantive procedures.

   We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

d. We address the significant risks or material noncompliance, whether due to fraud or error, through our detailed audit procedures.

e. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material noncompliance related to the federal and state awards whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of the federal and state awards and to determine whether they have been implemented. We will use such knowledge to:

   > Identify types of potential noncompliance.
   > Consider factors that affect the risks of material noncompliance.
   > Design tests of controls, when applicable, and other audit procedures.

Our audit will be performed in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, OMB Circular A-133, and the *State Single Audit Guidelines.*

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards,* OMB Circular A-133 and the *State Single Audit Guidelines*, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

f. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for reporting material noncompliance while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the entity's federal and state awards. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material noncompliance, whether caused by error or fraud, is detected.

g. Your financial statements contain components, as defined by auditing standards generally accepted in the United States of America, certain components which we also audit.

h. In connection with our audit, we intend to place reliance on the audit of the financial statements of the North Central Health Care, a component unit of Marathon County, as of December 31, 2013 and for the year then ended completed by WIPFLI, LLP. All necessary conditions have been met to allow us to make reference to the component auditor.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.
b. We understand that the county board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
e. Have you had any significant communications with regulators or grantor agencies?
f. Are there other matters that you believe are relevant to the audit of the financial statements or the federal or state awards?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the County concerning:

a. The County's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?

b. The detection or the possibility of fraud?

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. We usually perform preliminary audit work during the months of October-December. Our final fieldwork is scheduled during April and May to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our audit procedures at our office and issue drafts of our reports for your review. Final copies of your report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

COMMUNICATION OF OTHER CONTROL DEFICIENCIES, RECOMMENDATIONS AND INFORMATIONAL POINTS TO MANAGEMENT THAT ARE NOT MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES

CURRENT YEAR POINTS

Decentralized Activities – Library

The library maintains a checking account for deposits related to fines and other services that the library collects funds for. Annually, funds collected are then paid over to the Treasurer's office. Currently, there is not an independent review of the activity in this account which could result in irregularities or fraudulent transactions occurring without being detected. We recommend the county determine if existing centralized bank accounts could be utilized for these same collections and if so, close the decentralized library account. If this is not possible, we recommend the county implement an independent review of the monthly activity in the account.

Management Response

The County Treasurer and Finance Department staff will work with the library to analyze whether or not there is a pressing business need to keep the library checking account open and if there is then the County will formalize procedures that require an independent review of County checking accounts on a monthly basis.

Procurement Card Transactions

We noted during our testing of procurement card (P-card) transactions that not all supervisors are indicating their review and approval of P-card transactions. For the three months tested, several department summary pages tested did not have signatures indicating approval. We recommend that supervisors review and document their approval of monthly P-card transactions.

Management Response

The procedure at this time is that procurement card transactions should be approved by a supervisor in the department. The Finance Department collects all of the information from each department and will need to specifically audit the documentation to make sure the appropriate approvals are in place on the monthly transaction summary page.

PRIOR YEAR POINTS

Decentralized Activities - Library

The Marathon County Public Library collects fines and other funds from services provided. These collections are maintained in either the cash register or one of the several cash boxes at various service areas. When amounts collected are closed out and brought over to the county treasurer for deposit, the library is not able to generate a report from their system that can be used to reconcile to the collections being deposited. We recommend library personnel work with their vendor of the library management system to determine if a report is available that could be used to balance to collections. If this report is not possible, we recommend library personnel, not involved in the collection process, closely monitor collection activity on a regular basis and investigate any unusual fluctuations.

In addition, the library currently reports a substantial balance for receivables related primarily to overdue items. These items should be reviewed for collectability and a determination made if any should be written off as uncollectible.

Current Year Status

The library implemented a new software system in early 2013 that allows for improved financial reporting and related controls. In addition, collection efforts of outstanding receivables is underway and consideration of write-offs is being evaluated. This comment is considered resolved.

DECENTRALIZED ACTIVITIES – CONSERVATION, PLANNING, AND ZONING DEPARTMENT

One individual in the conservation, planning and zoning department is responsible for invoicing approximately $300,000 per year, collecting those funds, receipting, monitoring receivables, and preparing the daily collections for deposit with the County Treasurer's office. The combination of these financial responsibilities residing with one person results in a weakness in internal controls. We recommend the County determine how to further segregate these responsibilities.

Current Year Status

This situation did not change until October of 2013. At that point, finance began to prepare the invoices and all payments were directed to the treasurer's office. We continue to recommend this segregation of invoicing and collections. This comment is resolved.

INFORMATION TECHNOLOGY

As part of our 2013 audit, we evaluated information technology controls as they relate to financially significant applications. Our procedures primarily focused on documenting and evaluating general computer controls, including:

- Logical access to data and applications
- Change and incident management
- System development and deployment
- Data backup and recovery

From our review, we have identified the following areas where we recommend controls be reviewed and potentially strengthened.

Logical and Physical Access Security

During our audit we noted that the County does not formally review access levels on a regular basis for certain systems and /or applications. Those include Active Directory (Network), the Land Record System (application), and Social Services (application). We recommend that access rights be reviewed at least once a year by management for all systems and applications to ensure users do not have access beyond their job responsibilities and segregation of duties is maintained. This review should be documented.

The iSeries passwords do not provide adequate security for the applications as simple passwords can be used that have the tendency to be easily guessed. Password complexity should be enabled on the iSeries.

The application logs are enabled but only reviewed when an issue arises. The operating system, database, and applications should be monitored to identify any security violations. The county should proactively monitor both internal access on the network and financial applications, as well as external access. In addition, there should be a procedure to resolve or escalate any security violations.

Change Management

For the social services application, one change tested did not have documentation of the change including the need for the change, approved by the IT manager or the date of implementation. A central repository should be used to retain information for each change and verified before any change is implemented.

INFORMATION TECHNOLOGY (cont.)

Management's Response

Logical and Physical Access Security

The appropriate County staff will work with the City County Information Technology Commission to determine how to formally review access levels for the applications listed in the letter (Active Directory-network, Land Records System-application and the Social Services-application) on an annual basis.

Change Management

The CCITC staff has worked to streamline the Change Management Process so that all IT changes go through Change Management. CCITC stated that even "break fixes" will be forwarded to Change Management at the next scheduled weekly Monday meeting.

DEPARTMENTAL CONTROLS

As part of our annual audit process, we focus our efforts on the primary accounting systems, internal controls, and procedures used by the County. This is in keeping with our goal to provide an audit opinion which states that the financial statements of the County are correct in all material respects.

In some cases, the primary system of accounting procedures and controls of the County are supported by smaller systems which are decentralized, and reside within a department or location. In many cases, those systems are as simple as handling cash collections and remitting those collections to the County treasurer. (For example, this would be the case in a typical municipal swimming pool.) In other cases, the department may send invoices or statements of amounts due, and track collections of those amounts in a standalone accounts receivable system. (For example, this would be the case in a typical municipal court.)

Generally, the more centralized a function is, the easier it is to design and implement accounting controls that provide some level of checks and balances. That is because you are able to divide certain tasks over the people available to achieve some segregation of duties. For those tasks that are decentralized, it is usually very difficult to provide for proper segregation of duties. Therefore, with one person being involved in most or all aspects of a transaction, you lose the ability to rely on the controls to achieve the safeguarding of assets and reliability of financial records.

As auditors, we are required to communicate with you on a variety of topics. Since there is now more emphasis on internal controls and management's responsibilities, we believe it is appropriate to make sure that you are informed about the lack of segregation of duties that may occur at departments or locations that handle cash or do miscellaneous billing. Examples in your County that fit this situation may include the following:

Clerk of Courts	Solid Waste
Parks Department	Airport
Register of Deeds	Health Department
Sheriffs Department	Highway

As you might expect, similar situations are common in most governments.

Departmental Controls (cont.)

As auditors, we are required to focus on the financial statements at a highly summarized level and our audit procedures support our opinion on those financial statements. Departments or locations that handle relatively smaller amounts of money are not the primary focus of our audit. Yet, because of the lack of segregation of duties, the opportunity for loss is higher there than in centralized functions that have more controls.

Because management is responsible for designing and implementing controls and procedures to detect and prevent fraud, we believe that is important for us to communicate this information to you. We have no knowledge of any fraud that has occurred or is suspected to have occurred within the departments mentioned above that you are not already aware of. However, your role as the governing body is to assess your risk areas and determine that the appropriate level of controls and procedures are in place. As always, the costs of controls and staffing must be weighed against the perceived benefits of safeguarding your assets.

Without adding staff or splitting up the duties, your own day-to-day contact and knowledge of the operation are also important mitigating factors.

Current Year Status

This comment is still valid.

Management's Response

One issue that is listed in the 2013 Letter states that, "the lack of segregation of duties that may occur at departments or locations that handle cash or do miscellaneous billing."

Evaluating and documenting the internal control procedures in each department will assist in providing management the opportunity to create additional segregation of duties. The County management will continue to look at ways we can mitigate the risk posed by the lack of segregation of duties in the departments identified in your letter.

Internal Service Funds

The purpose of Internal Service Funds is to account for operations being managed on a cost reimbursement basis. Because the intent of these funds is to facilitate cost allocation, accumulation of resources or deficits over the long term is considered inappropriate. Theoretically, internal service funds would come close to breaking even each year.

The County has two Internal Service Funds, the Property Casualty Insurance fund, and the Employee Benefits Insurance fund. Each of these funds has accumulated significant retained earnings. When we first reported this to you in 2010, the Employee Benefits Insurance fund had $10,034,985 of retained earnings at year end, which was about 10 months of expenses. Considering that the County is no longer self-insured for health insurance, the County may want to consider options for these accumulated resources. The Property Casualty Insurance fund had retained earnings in the amount of $6,259,471 at December 31, 2010. This represented approximately ten years' worth of what the average ($606,735) expenses were for this fund over the previous five years. Based on the significant retained earnings balances at that time, we recommended the County determine if the rates being charged to other funds was appropriate or if they should be adjusted to more accurately represent the cost of providing these services.

PRIOR YEAR POINTS (cont.)

INTERNAL SERVICE FUNDS (cont.)

Current Year Status

The Property Casualty Insurance fund had an increase in its net position of $396,548 for 2013 and the net position is now $7,895,379. The Employee Benefits Insurance fund had a decrease in its net position of $3,026,931 and the net position is now $ 5,075,881. This comment is still valid.

Management's Response

Even though the County has chosen to use Group Health Trust to pool its health insurance risk, the County still has the option to self-insure its health insurance in future years. In 2013, the County has applied over $1,637,000 of its Employee Benefits Retained Earning to offset health insurance premium and fully fund the County's HRA for the health plan. For the 2014 health insurance rates, the County applied $80,000 to offset the premiums. For the 2014 Budget, the County applied over $76,500 to offset dental premiums. The 2013 Worker's Compensation liability increase by $530,000, the County funds this amount with reserves from the Employee Benefits Fund. The County continues to use accumulated retained earning s to offset premiums or reserve for liabilities.

For 2014, the County allocated reserves to cover a portion of the increase in property and casualty insurance and will continue to use reserves when appropriate to offset increases in premiums in the future.

INFORMATIONAL POINTS

The following is a schedule of GASB projects:

Task or Event	Effective Date	Impact
GASB No. 67 – Financial Reporting for Pension Plans	For fiscal years beginning after June 15, 2013. For the Wisconsin Retirement System this will be for the year ending December 31, 2014	This standard is applicable to the Wisconsin Retirement System (WRS) or the plan itself. This will not have a direct impact on the county
GASB No. 68 – Accounting and Financial Reporting for Pensions	December 31, 2015	The county belongs to the Wisconsin Retirement System (WRS). The WRS is a cost-sharing, multiple-employer, defined-benefit, public employee retirement system. WRS has represented that it will provide the information necessary for the employers to implement GASB No. 68. The county's share of the net pension liability / asset will be reported in its full-accrual funds and the government-wide financial statements. The footnote disclosures will have significant changes.
GASB No. 69 – Government Combinations and Disposals of Government Operations	December 31, 2014	This standard provides the guidance necessary for government combinations and disposals of government operations.

INFORMATIONAL POINTS (cont.)

Task or Event	Effective Date	Impact
GASB No. 70 – Accounting and Financial Reporting For Nonexchange Financial Guarantees	December 31, 2015	This standard provides guidance for non-exchange financial guarantees that the county would become involved in.
GASB No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68	December 31, 2015	The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB No. 68 in the accrual-basis financial statements of the county. This will be addressed with the implementation of GASB No. 68.
Current Agenda Topic: Conceptual Framework - Measurement	The GASB Board is scheduled to issue a final Concepts Statement in March 2014	The objective of this project is to consider the measurement concepts that should be used in governmental financial statements. A measurement approach determines whether an asset or liability presented in a financial statement should be (1) reported at an amount that reflects a value at the date that the asset was acquired or the liability was incurred or (2) remeasured and reported at an amount that reflects a value at the date of the financial statements.
Current Agenda Project: Fair Value Measurement	The GASB Board is scheduled to issue an Exposure Draft in May 2014	The objective of this project is to review and consider alternatives for the further development of the definition of fair value, the methods used to measure fair value and the applicability of fair value guidance to investments and other items currently reported at fair value, and the potential disclosures about fair value.
Current Agenda Project: Fiduciary Responsibilities	The GASB Board is expected to issue an Exposure Draft on this project in September 2014	This project is to assess what additional guidance should be developed regarding the application of the fiduciary responsibility criteria in deciding whether and how governments should report fiduciary activities in their financial reports.
Current Agenda Project: Leases	The GASB Board is scheduled to issue an Exposure Draft in November 2014	The objective of this project is to reexamine issues associated with lease accounting, consider improvements to existing guidance, and provide a basis for the GASB Board to consider whether the current guidance is appropriate based on the definitions of assets and liabilities.
Current Agenda Project: Postemployment Benefits Accounting and Financial Reporting: Other Postemployment Benefits Accounting and Financial Reporting	During the first part of 2014, the GASB Board will review remaining issues before issuing Exposure Drafts on employer and plan OPEB accounting and financial reporting and pensions not within the scope of Statement 68	The Board will consider the possibility of modifications to the existing standards of accounting and financial reporting for other postemployment benefits (OPEB) by state and local governmental employers and by the trustees, administrators, or sponsors of OPEB plans. GASB has stated that their objectives are to increase financial reporting transparency and to improve the usefulness of information to the various users of the financial statements.

INFORMATIONAL POINTS (cont.)

The GASB has two other projects which are on hold. They include the conceptual framework for recognition and economic condition reporting – financial projections.

The GASB revisits GASB standards ten (10) years after issuance. The GASB is currently revisiting GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, as well as reporting model-related pronouncements including Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments; Omnibus*, No. 41, *Budgetary Comparison Schedules – Perspective Differences*, and No. 46, *Net Assets Restricted by Enabling Legislation*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. The GASB has indicated that they are revisiting the following major provisions of these standards: management's discussion and analysis, government-wide financial statements, fund financial statements, capital asset reporting, budgetary comparisons, special purpose government reporting, and related notes to financial statements. We will share updates with you as they become available.

A full list of projects as well as many resources are available on GASB's website which is located at www.gasb.org.

OMB Issues Grant Reform Rules

The U.S. Office of Management and Budget (OMB) recently issued comprehensive grant reform rules titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." The new requirements consolidate what was previously in eight separate OMB Circulars into a new document being referred to as the "super circular" or "omni-circular".

The grant reform rules are intended to streamline the Federal government's guidance on administrative requirements, cost principles, and audit requirements for federal awards. The final guidance supersedes OMB Circulars A-21, A-50, A-87, A-89, A-102, A-110, A-122, and A-133.

Some of the most significant changes to the administrative requirements include a heightened focus on program performance results, use of technology, standardization of grant documents, and coordinated oversight. The cost principles consolidation includes changes to the definitions of direct and indirect costs, a provision for a de minimis indirect cost rate of 10%, changes to payroll time and effort reporting requirements, and some changes to the allowability of selected cost items. The new rules are expected to be implemented by federal agencies, and pushed out to grant recipients, over the upcoming year.

The reform raises the threshold for a single audit to $750,000, and also includes some changes to program risk assessments, audit coverage, and reporting of findings. The changes in audit requirements will take effect beginning with years ending December 31, 2015.

REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE

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To the Marathon County Board of Supervisors and the
Finance and Property Committee and Management
Marathon County
Wausau, Wisconsin

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed our audit of the financial statements of Marathon County for the year ended December 31, 2013 and have issued our report thereon dated June 20, 2014. This letter presents communications required by our professional standards.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America, Government Auditing Standards, OMB Circular A-133 and the State Single Audit Guidelines

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards,* OMB Circular A-133, and the State Single Audit Guidelines. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or those charged with governance of their responsibilities.

We will also consider the County'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. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal or major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Guidelines.

As part of obtaining reasonable assurance about whether Marathon County'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. Also, in accordance with OMB Circular A-133 and the State Single Audit Guidelines, we examined, on a test basis, evidence about Marathon County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the State Single Audit Guidelines applicable to each of its major federal and state programs for the purpose of expressing an opinion on Marathon County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Marathon County's compliance with those requirements.

We will issue a separate document which contains the results of our audit procedures to comply with OMB Circular A-133 and the State Single Audit Guidelines.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to our letter about planning matters dated June 28, 2013 and our meeting with you on July 8, 2013.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management has the responsibility for 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 Marathon County are described in Note I to the financial statements. As described in Note I.B. to the financial statements, the County changed accounting policies related to reporting certain items previously reported as assets and liabilities by adopting Statement No. 65, *Items Previously Reported as Assets and Liabilities* in 2013.

Accounting Estimates

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

1. Management's estimate of the landfill closure and long-term care liabilities are engineering estimates of closure and post closure costs.
2. Management's estimate of the self-insured dental and worker's compensation claim liability is based on annual actuarial evaluations of the individual employee benefits programs.
3. Management's estimate of the Other Postemployee Benefits (OPEBs) liability is based upon information provided to actuaries contracted with by the County.
4. Management's estimate of depreciation expense is based upon estimated useful lives of the related capital asset.

We evaluated the key factors and assumptions used to develop all of these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear.

To the Marathon County Board of Supervisors and the
Finance and Property Committee and Management
Marathon County

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatement identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

In the prior year, $466,945 was not allocated to the business-type activities from the GASB No. 34 conversion entries eliminating the internal service funds. For the current year, $627,255 was not eliminated. This causes the governmental activities change in net position to be understated and the business-type activities change in net position to be overstated by $160,310 for the current year. The governmental activities expenses are overstated by $160,310 and the business-type activities are understated by $160,310.

In the prior year, a long-term receivable in the amount of $1,223,487 was not recognized in the governmental activities. This understates current year expenses and opening net position for the governmental activities by this same amount.

In the prior year, the county's equity interest in the City-County Technology Commission in the amount of $329,611 was not recorded. This overstates governmental activities revenues and change in net position by this same amount.

In the current year, $52,477 of unamortized debt issuance costs in the Central Wisconsin Airport component unit was expensed. This overstates expenses and understates the change in net position by this same amount. In addition, $48,128 of contributed capital was recorded in this same fund in excess of amounts reported by the state. This overstates construction work in progress and contributed capital.

Management has determined that the effect of these items is immaterial to the financial statements taken as a whole.

The following is a summary of material financial statement misstatements (audit adjustments):

	Amount
Establish allowance for doubtful accounts	$ 368,043
Reclassify revenues for sale of analog frequencies	165,000
Adjust capital contributions	2,919,323
Record long-term receivable from NCHC	1,081,033

In addition, we prepared GASB No. 34 conversion entries which are summarized in the "Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position" and the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" in the financial statements

Disagreements with Management

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

To the Marathon County Board of Supervisors and the
Finance and Property Committee and Management
Marathon County

Consultations with Other Independent Accountants

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

Management Representations

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

Independence

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and Marathon County that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of Marathon County for the year ended December 31, 2013, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the County in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants, and provided no services to the County other than audit services provided in connection with the audit of the current year's financial statements and nonaudit services which in our judgment do not impair our independence.

- Financial statement preparation
- Adjusting journal entries
- Tax 16 preparation

None of these nonaudit services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, 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.

To the Marathon County Board of Supervisors and the
Finance and Property Committee and Management
Marathon County

This information is intended solely for the use of the County Board, finance committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 20, 2014

MANAGEMENT REPRESENTATIONS

MARATHON COUNTY

June 20, 2014

Baker Tilly Virchow Krause, LLP
Ten Terrace Court
P.O. Box 7398
Madison, WI 53707-7398

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of Marathon County as of December 31, 2013 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Marathon County and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

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

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

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.

2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Finance Department
500 Forest Street • Wausau, Wisconsin 54403-5568
Phone 715-261-1170 • Marathon County Web Page: http://www.co.marathon.wi.us

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

7. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.

8. We believe the effects of the uncorrected financial statement misstatements described here are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. 1] In the prior year, $466,945 was not allocated to the business-type activities from the GASB No. 34 conversion entries eliminating the internal service funds. For the current year, $627,255 was not eliminated. This causes the governmental activities change in net position to be understated and the business-type activities change in net position to be overstated by $160,310 for the current year. The governmental activities expenses are overstated by $160,310 and the business-type activities are understated by $160,310. 2] In the prior year, a long-term receivable from NCHC in the amount of $1,223,487 was not recognized in the governmental activities. This understates current year expenses and opening net position for the governmental activities by this same amount. 3] In the prior year, the county's equity interest in the City-County Technology Commission in the amount of $329,611 was not recorded. This overstates governmental activities revenues and change in net position by this same amount. 4] In the current year, $52,477 of unamortized debt issuance costs in the Central Wisconsin Airport component unit was expensed. This overstates expenses and understates the change in net position by this same amount. 5] Lastly, $48,128 of contributed capital was recorded in the Central Wisconsin Airport component unit in excess of amounts reported by the state. This overstates construction work in progress and contributed capital.

   In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.

9. There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.

10. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
    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 County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

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

    a. Management,
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16. There are no known related parties or related party relationships and transactions of which we are aware.

Other

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

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

19. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

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

21. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

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

23. There are no:

    a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting 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.

    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

    c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

    d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

    e. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

24. In regards to the nonattest services performed by you listed below, we have 1) made all management decisions and performed all management functions; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

    a. Financial statement preparation
    b. Adjusting journal entries
    c. Tax 16 preparation

    None of these non attest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards.*

25. Marathon County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

26. Marathon County has complied with all aspects of contractual agreements that would have a material effect on the financial statement 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 No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

31. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

32. Marathon County has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

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

34. 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.

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

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

37. Deposits and investment securities are properly classified as to risk, and investments are properly valued. Collateralization agreements with financial institutions, if any, have been properly disclosed.

38. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

39. Tax-exempt bonds issued have retained their tax-exempt status..

40. We have appropriately disclosed Marathon County'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 are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding how restricted and unrestricted fund balance is used when an expenditure is incurred for which both restricted and unrestricted fund balance is available, including the spending hierarchy for committed, assigned, and unassigned amounts.

41. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

42. With respect to the supplementary information, (SI):

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

    b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

43. We assume responsibility for, and agree with, the findings of specialists in evaluating the incurred but not reported liability, the other post-employment benefits liability, and the closure and post-closure liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

44. We have implemented GASB Statement No. 65 and believe that all deferred outflows and deferred inflows have been identified and properly classified in the financial statements and any other required classifications have been computed in compliance with the Standard.

45. With respect to federal and state award programs:

    a. We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, OMB Circular A 133, *Audits of States, Local Governments, and Non-Profit Organizations, State Single Audit Guidelines,* including requirements relating to preparation of the schedule of expenditures of federal and state awards (SEFSA).

    b. We acknowledge our responsibility for presenting the SEFSA in accordance with the requirements of OMB Circular A-133 §310.b and the State Single Audit Guidelines, and we believe the SEFSA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b and the *State Single Audit Guidelines*. The methods of measurement and presentation of the SEFSA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFSA.

    c. If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the SEFSA and the auditors' report thereon.

d. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and the *State Single Audit Guidelines* and included in the SEFSA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

e. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.

f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provide reasonable assurance that we are administering our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.

g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal or state agencies or pass-through entities relevant to the programs and related activities.

h. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

i. We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Circular A-133 Compliance Supplement and the State Single Audit Guidelines, relating to federal and state awards .

j. We have disclosed any communications from grantors and pass-through entities including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation agreements, and internal or external monitoring that directly relate to the objectives of the compliance audit, if any, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

n. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

p. We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance) have occurred subsequent to the date as of which compliance was audited.

r. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

s. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.

t. We have charged costs to federal and state awards in accordance with applicable cost principles.

u. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

v. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

w. We are responsible for preparing and implementing a corrective action plan for each audit finding.

Sincerely,

Marathon County

Signed: ______________________
Brad Karger, County Administrator

Signed: ______________________
Kristi Kordus, Finance Director