MARATHON COUNTY

Wausau, Wisconsin

COMMUNICATION TO THOSE CHARGED
WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2014

MARATHON COUNTY

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

BAKER TILLY

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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, 2014, 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 another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or 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 deficiency in the County's internal control to be a significant deficiency.

> Decentralized Activities – Central Wisconsin Airport

Marathon County's written response to the significant deficiency 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 23, 2015

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 year-end financial reporting process and preparation of your financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Properly designed systems of internal control provide your organization with the ability to process and record monthly and year-end transactions and 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 the year and at year-end.
- > Material misstatements are identified and corrected during the normal course of duties.
- > Complete and accurate financial statements including footnotes are prepared.
- > Complete and accurate schedule of expenditures of federal and state awards is prepared.
- > Financial reports are reviewed for completeness and accuracy.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes (including the schedule of expenditures of federal and state awards), adjusting journal entries identified by the auditors, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles or the schedule of expenditures of federal and state awards that are in conformance with the applicable federal or state requirements. In addition, material misstatements in the general ledger were identified during the financial audit.

This level of internal control over financial reporting can be a difficult task for governments that operate with only enough staff to process monthly transactions and reports, and often rely on their auditors to prepare certain year-end audit entries and financial statements

Management's Response

The County has implemented procedures for County personnel that prepare the financial statements and schedule of federal and state awards 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.

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 Management and staff 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 County 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 and the *State Single Audit Guidelines* 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, 2014 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 POINT

Conflicts of Interest

We noted during our audit that the County does not currently have a formal process in place to monitor potential conflicts of interest. In addition, department heads, members of the governing body, and other department officials are not currently being required to complete a statement of economic interest as outlined in Chapter 19, Subchapter III of the Wisconsin State statutes. To reduce the risk of potential conflicts of interest for those associated with decision-making authority within the County, we recommend the County determine if additional procedures and requirements should be implemented.

Management's Response

The County will develop a formal conflict of interest policy by September 2015. This policy will incorporate the requirement that department heads, members of the governing body and other department officials complete a statement of economic interest as outlined by in Chapter 19, subchapter III of the Wisconsin State Statutes.

PRIOR YEAR POINTS

Internal Control Environment

In the prior year audit we communicated to you controls we believed were important in reducing risk of errors or irregularities in the County's accounting processes. One of those controls we recommended was an independent review of the bank reconciliation for the County's general checking account. During 2014, we noted that the bank reconciliation is being independently reviewed.

In addition, we recommended that the County consider a formal fraud risk evaluation process be performed by a newly created audit committee, the finance committee, or a similar organization. We noted that in December of 2014, the county board approved a resolution establishing the Finance and Property Committee as the Audit Committee and established a formal fraud risk assessment program. We commend the County for taking these first steps towards addressing these types of risks and encourage the County to pursue the program to further mitigate risk. We are available to assist as questions arise.

Current Year Status

These comments are resolved.

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.

Current Year Status

During late 2014, the Library Business Manager was completing the bank reconciliation and then sending it along with the related bank statement to the County Finance Department for an independent review. We encourage this process be continued on a monthly basis. This comment is resolved.

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.

Current Year Status

We performed another test of P-card transactions for the 2014 audit and did not note any similar exceptions. This comment is resolved.

INFORMATION TECHNOLOGY

As part of our 2014 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 there were 13 shared system accounts with access to the Cayenta application. There is a risk that accountability cannot be established within Cayenta and that unauthorized users may have access to the financial application. Marathon County should perform a review of accounts with access to Cayenta and ensure that all users have a unique ID. Any generic, shared, temporary, and system accounts should be removed or disabled.

During our audit we noted that the County does not review access levels on a regular basis for the 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.

Marathon County should strengthen password configuration settings for the AS400/Social Services Systems/application as well as for the Active Directory/Cayenta Systems/application. The passwords do not provide adequate security for the applications as simple passwords can be used that have the tendency to be easily guessed.

While external access is being logged and user accounts locked out after five failed logon attempts, Marathon County does not proactively monitor both internal access on the network and financial applications as well as external access. In addition there are no procedures to resolve or escalate security violations should they occur. There is a risk that access violations are not being monitored and could lead to inaccurate financial reporting. Marathon County should update their procedures to require proactive monitoring of external and internal security violations through the use of an alert or notification tool. This will reduce the risk that a security violation (e.g., brute force hacking) could occur. In addition, there should be a procedure to resolve or escalate any security violations until resolution.

INFORMATION TECHNOLOGY (cont.)

Current Year Status

These comments are still valid.

Management's Response

County staff will work with the City County Information Technology Commission (CCITC) staff to determine how to formally review access levels for the Social Services application. The Cayenta application access review is being completed and documented on an annual basis by the Finance Department. County staff will also work with CCITC staff to review ways to strengthen password configuration setting for the AS400/Social Services System applications and Active Directory/Cayenta Systems applications. These methods will include training users to understand the need to provide strong passwords to access these applications.

The appropriate County staff will work with the CCITC staff to explore ways to proactively monitor internal and external access to the network and financial applications. We will develop a framework to review methods on how we can develop effective procedures that resolve or escalate future security violations. These procedures would incorporate the use of proactive monitoring of external and internal security violations though the use of a security tool that would provide an alert or similar such notification of a violation. CCITC is currently reviewing your comments and developing options for the County.

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.

Current Year Status

The Property Casualty Insurance fund had an increase in its net position of $25,029 for 2014 and the net position is now $7,920,408. The Employee Benefits Insurance fund had a decrease in its net position of $411,091 and the net position is now $ 4,664,790. This comment is still valid.

Internal Service Funds (cont.)

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 previous years, the County has applied over $1,637,000 of its Employee Benefits Retained Earning to offset health insurance premiums and fully fund the County's HRA for the health plan. For the 2015 Budget, the County applied over $80,000 to offset dental premiums. The 2014 Worker's Compensation liability and specific retention level increased by $65,000, the County funds this amount with reserves from the Employee Benefits Fund. The County continues to use accumulated retained earnings to offset premiums or reserve for liabilities.

For 2015, 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.

Decentralized Cash Collections

Many governments collect cash at numerous decentralized locations that are separate from the primary system of accounting procedures and controls. The opportunity for theft is often higher at those locations because one person is frequently involved in most, if not all, aspects of a transaction (i.e. lack of segregation of duties).

Examples in your government that fit this situation include:

Clerk of Courts	Solid Waste
Parks Department	Airport
Register of Deeds	Health Department
Sheriff's Department	Highway

Management is responsible for designing and implementing controls and procedures to detect and prevent fraud. As a result, we recommend that management review its decentralized cash collection procedures and controls on a periodic basis and make changes as necessary to strengthen the internal control environment. Reviewing the adequacy of the controls is a responsibility of the governing body.

Below are example procedures and controls to help mitigate the risk of loss at decentralized cash collection points:

- Implement a centralized receipting process with adequate segregation of duties
- For cash collections, ensure pre-numbered receipts are being used and all receipts in the sequence are being reviewed by someone other than the person receipting the cash and receipts tie to deposits
- Perform surprise procedures at decentralized locations (cash counts, walkthrough of processes, etc.)
- Require regular cash deposits to minimize collections on-hand
- Limit the number of separate bank accounts
- Segregate duties as much as possible – the person receipting cash should be separate from the person preparing deposits and the person reconciling bank accounts should be separate from the cash collection activity
- Perform month-to-month or year-to-year comparisons to look for unusual changes in collections
- If collecting from a drop box site, consider sending two people to collect the funds, especially during peak times

PRIOR YEAR POINTS (cont.)

DECENTRALIZED CASH COLLECTIONS (cont.)

As always, the cost of controls and staffing must be weighed against the benefits of safeguarding your assets.

Current Year Status

These comments are still valid.

Management's Response

Your 2014 Letter states, "that management review it's decentralized cash collection procedures and controls on a periodic basis and make changes as necessary to strengthen the internal control environment."

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.

INFORMATIONAL POINTS

GASB 67 AND 68

The Wisconsin Department of Employee Trust Funds sent an Employer Bulletin ("Bulletin") to all Wisconsin Retirement System Employers related to the new GASB pension reporting requirements. The Bulletin was dated December 1, 2014 (Vol.31, No. 16).

As noted in the Bulletin, GASB 67 affects the Wisconsin Retirement System ("WRS" or "the Plan") for its year ended December 31, 2014. GASB 68 affects the employers participating in the Plan. GASB 68 will affect the County as of December 31, 2015.

WRS has represented that it will provide general information necessary for employers to implement GASB 68. There will be a significant impact on your financial statements including:

- The County's proportionate share of the WRS's net pension asset or liability will be reported in your full-accrual funds and the government-wide financial statements for the first time.
- The net pension asset or liability should be allocated to the full-accrual funds that are expected to make payments toward this liability.
- The footnote disclosures will have significant changes.

We are available to assist you with the implementation of this new standard.

GASB UPDATES

The following is a schedule of GASB projects:

Task or Event	Effective Date	Impact
GASB 68 – Accounting and Financial Reporting for Pensions and GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68	For fiscal year ending December 31, 2015	Your entity belongs to the Wisconsin Retirement System (WRS). WRS has represented that it will provide the information necessary for the employers to implement GASB 68. The government'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.
Current Agenda Project: Fair Value Measurement	Proposed effective date – June 30, 2016 (Exposure Draft issued 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 in October 2015	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 January 2016	The objective of this project is to re-examine 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: Other Postemployment Benefits Accounting and Financial Reporting	Proposed effective date for plans – December 31, 2016; Proposed effective date for employers – December 31, 2017; Proposed effective dates for pensions not administered by a trust – June 30, 2017 (Exposure Drafts issued in May 2014)	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.)

GASB UPDATES (cont.)

Task or Event	Effective Date	Impact
Current Agenda Project: Blending Requirements for Certain Business-Type Activities	The GASB Board is expected to issue an Exposure Draft in June 2015	The objective of this project would be improve financial reporting by addressing issues related to inconsistent presentation of component units in financial reporting of governments engaged only in business-type activities.
Current Agenda Project: External Investment Pools	The GASB Board is expected to issue an Exposure Draft in June 2015	The objective of this project is to improve financial reporting by external investment pools and pool participants that report positions in investment pools.
Current Agenda Project: Irrevocable Charitable Trusts	The GASB Board is expected to issue an Exposure Draft in May 2015	The objective of this project is to determine what accounting and financial reporting guidance, if any, should be established for irrevocable charitable trusts held for the benefit of governmental entities.
Current Agenda Project: Tax abatement Disclosures	Proposed effective date – December 31, 2016 (Exposure Draft issued in October 2014)	The objective of this project is to determine what disclosure guidance for governments that have granted tax abatements, if any, are essential to financial statement users.

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 Nos. 37, 41, and No. 46 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. In addition, the GASB is revisiting debt extinguishments, which includes a reexamination of GASB Statement Nos. 7, 23, and 62. We will share updates with you as they become available.

Full lists of projects, as well as many resources, are available on GASB's website which is located at www.gasb.org.

OMB UNIFORM GUIDANCE FOR FEDERAL AWARDS NOW IN EFFECT

As reported to you in the past, the U.S. Office of Management and Budget (OMB) issued comprehensive grant reform rules titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" which affect federal awards issued after December 26, 2014. Therefore, the new federal awards and funding increments you receive in 2015 will be subject to these rules.

The grant reform is intended to streamline the guidance on administrative requirements, cost principles, and audit requirements for federal awards. The uniform guidance superseded 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 impacting many governments include payroll reporting, subrecipient monitoring, procurement, indirect costs, and various changes to the allowability of certain costs. It is important for management to perform a comprehensive analysis of the new rules to determine what changes may be necessary to ensure your compliance. Visit our website at www.bakertilly.com/grantreform for additional resources or call us with your questions.

SEC Debt Compliance Considerations

In 2014, the Securities and Exchange Commission (SEC) undertook an initiative known as the Municipalities Continuing Disclosure Cooperation Initiative (MCDC Initiative). This initiative is a result of SEC concerns about "potentially widespread violations of the federal securities laws by municipal issuers and underwriters of municipal securities in connection with certain representations about continuing disclosures in bond offering documents."(1) Under the MCDC Initiative, the SEC requested municipal securities issuers and underwriters to self-report material false certifications of compliance in bond offering documents.

While the deadline to self-report has passed, we expect the increased scrutiny on municipal securities to continue. The SEC has indicated that no issuer is too small to be involved in an enforcement action. Fines and penalties for violations uncovered after the deadline for self-reporting may be significant. Because your organization issues public debt, we recommend that you take a close look at your policies and procedures to ensure that you are in compliance with what is required.

In addition to the increased focus on official reporting requirements, issuers should also be aware that the SEC has been reviewing public statements made by government officials during its investigations. Following are selections from investigation report release no. 69516, which explain the SEC's views on this topic:

> "Public officials should be mindful that their public statements, whether written or oral, may affect the total mix of information available to investors, and should understand that these public statements, if they are materially misleading or omit material information, can lead to potential liability under the antifraud provisions of the federal securities laws."
>
> "Investors may be more likely to rely upon statements from public officials where written undertakings made pursuant to Rule 15c2-12 have not been fulfilled and required continuing disclosures are not available through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system."
>
> "In this Report, the term "public official" means elected officials, appointed officials, and employees, or their functional equivalents, of any State, municipality, political subdivision or any agency of instrumentality thereof."

We recommend that your debt policies and procedures incorporate adequate training to ensure that all public officials understand their specific responsibilities in this area.

SEC website, Division of Enforcement

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, 2014 and have issued our report thereon dated June 23, 2015. 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 considered the Marathon County's internal control over financial reporting 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 Marathon County's internal control over financial reporting. We will consider the internal control over compliance with types of requirements that could have a direct and material effect on a major federal and major state program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for a major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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 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 is not an objective of our audit. Also, in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, we will examine, 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* that could have a direct and material effect on 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 on compliance, 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.*

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

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 20, 2014 and our meeting with you on July 20, 2014.

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. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by Marathon County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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 worker's compensation claim liability is based on annual actuarial evaluations.
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, $627,255 was not allocated to the business-type activities from the GASB No. 34 conversion entries eliminating the internal service funds. For the current year, $11,737 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 $615,518 for the current year. The governmental activities expenses are overstated by $615,518 and the business-type activities are understated by the same amount. In addition, $30,165 of interest was not capitalized in the Central Wisconsin Airport, a discretely presented component unit of Marathon County. This last item causes assets to be understated and expenses to be overstated by this same amount.

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
Move insurance recovery to highway fund from internal service fund	$ 1,316,083

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.

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.

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

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

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on the other information, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

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

RESTRICTIONS ON USE

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 23, 2015

MANAGEMENT REPRESENTATIONS

June 23, 2015

MARATHON COUNTY

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, 2014 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.

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 listed here are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. In the prior year, $627,255 was not allocated to the business-type activities from the GASB No. 34 conversion entries eliminating the internal service funds. For the current year, $11,737 was not eliminated. This causes the governmental activities change in net position to be overstated and the business-type activities change in net position to be understated by $615,518 for the current year. The governmental activities expenses are understated by $615,518 and the business-type activities are overstated by $615,518. In addition, $30,165 of interest was not capitalized in the Central Wisconsin Airport, a discretely presented component unit of Marathon County. This last item causes assets to be understated and expenses to be overstated by this same amount. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments, including the recording of the capital asset impairment within the county's Highway enterprise fund.

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 not completed an 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, debt contracts, and IRS arbitrage regulations; 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, 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, except those already disclosed in the financial statement, if any.

    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) accepted all management responsibility; 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 preperation

    None of these nonattest 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. 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.

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

29. 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.

30. 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.

31. 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.

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

33. 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.

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

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

36. 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.

37. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

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 which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.

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.

    a. 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. 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, expenditures 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 for 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 and have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal and state awards.

j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

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 or material weaknesses in internal control over compliance, 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
Brad Karger, County Administrator

Signed: Kristi Kordus
Kristi Kordus, Finance Director