

Stevens Point Area Public School District
Stevens Point, Wisconsin

MANAGEMENT COMMUNICATIONS

June 30, 2018

Schenck«»

ADVISORY TAX ASSURANCE

Stevens Point Area Public School District
Stevens Point, Wisconsin

JUNE 30, 2018

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Schenck

ADVISORY TAX ASSURANCE

To the School Board
Stevens Point Area Public School District
Stevens Point, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stevens Point Area Public School District, Stevens Point, Wisconsin (the "District") for the year ended June 30, 2018. The District's financial statements, including our report thereon dated November 21, 2018, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITIES UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS, GOVERNMENT AUDITING STANDARDS, UNIFORM GUIDANCE AND STATE SINGLE AUDIT GUIDELINES

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the District'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 also considered internal control over compliance with requirements that could have a direct and material effect on major federal and state programs 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 Uniform Guidance and the State Single Audit Guidelines.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with Uniform Guidance and the State Single Audit Guidelines, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) 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 the District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements.

PLANNED SCOPE AND TIMING OF THE AUDIT

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

SIGNIFICANT AUDIT FINDINGS

Consideration of Internal Control

FINANCIAL STATEMENTS

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 50 - 51 of the annual report.

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Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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

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 District's internal control to be a significant deficiency:

Finding 2018-001	Preparation of Annual Financial Report
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This finding is described in detail in the schedule of findings and questioned costs on page 58 of the annual report.

The District's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

FEDERAL AND STATE AWARDS

In planning and performing our audit of compliance for each major federal and state program, we considered the District's internal control over compliance (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on compliance requirements that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2018 but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Our report on internal control over compliance is presented on pages 52 - 53 of the annual report.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified.

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, noncompliance on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance of the District's major federal or state award programs will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain

accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates included in the financial statements were:

- ▶ Management's estimate of the other postemployment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the supplemental pension and other postemployment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the fair value of the investments is based on ending market values as of June 30, 2018 as reported by the investment managers. We evaluated the key factors and assumptions used in valuing the investments in determining that they are reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the incurred, but not reported (IBNR) insurance reserves are based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. We evaluated the key factors and assumptions used to develop the reserves in determining that it is reasonable in relation to the financial statements taken as a whole.
- ▶ Management's estimate of the net pension liability (asset) and related deferred outflows/nflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension liability (asset) and related deferred outflows/nflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 21, 2018. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison information, and the schedules relating to pensions and other postemployment benefits, which are 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 this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the School Board and management of the Stevens Point Area Public School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



Certified Public Accountants

Green Bay, Wisconsin

November 21, 2018

Summary Financial Information

DISTRICT GOVERNMENTAL FUND BALANCES

Presented below is a summary of the District's governmental fund balances on June 30, 2018 and 2017. This information is provided for assisting management in assessing financial results for 2017 - 2018 and for indicating financial resources available at the start of the 2018 - 2019 budget year.

6/30/18

6/30/17

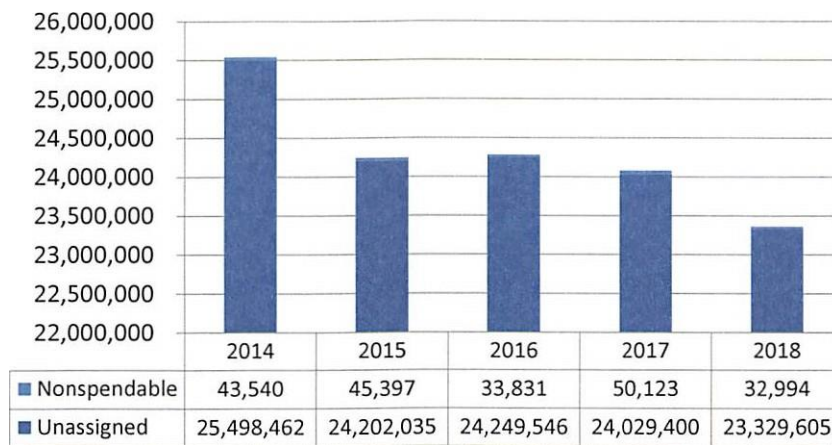
General Fund

Nonspendable for		
Inventories and prepaid items	\$ 32,994	\$ 50,123
Unassigned	<u>23,329,605</u>	<u>24,029,400</u>
Total General Fund balance	<u>23,362,599</u>	<u>24,079,523</u>
Debt Service Fund		
Restricted for debt service	1,049,094	76,567
	<u>103,672</u>	
	<u>1,812,439</u>	<u>1,657,662</u>
Special Revenue Funds		
Restricted for		
Donations	469,965	411,310
Food service		
Community service		53,324
Total Special Revenue Funds		
		<u>100</u>
	<u>23,643,542</u>	<u>100</u>
Capital Projects Funds		
Restricted for		
Other capital projects fund	23,298,167	
Long-term capital improvement fund	345,375	
Total Capital Projects Funds		
Total governmental fund balances		
	<u>49,867,674</u>	<u>25,813,852</u>

GENERAL FUND ANALYSIS

Presented below is a fund balance analysis of the General Fund for fiscal years 2014 - 2018. This information is presented to assist District management in assessing fund balance levels at the end of fiscal year 2018 and the trend over the past five years.

General Fund Balance



The General Fund balance is segregated into nonspendable and unassigned balances indicating the District's intention on how they intend to use the funds.

As indicated above, the District's unassigned General Fund balance totaled \$23,329,605 on June 30, 2018. This amount essentially represents cash available for use during the 2018 - 2019 school year. In our opinion, a reasonable amount of available cash at June 30, 2018 would be between 20 - 25% of a school district's General Fund operating expenditures. A need for a working cash reserve of 20 - 25% is based on the following items that have a negative effect on cash flow:

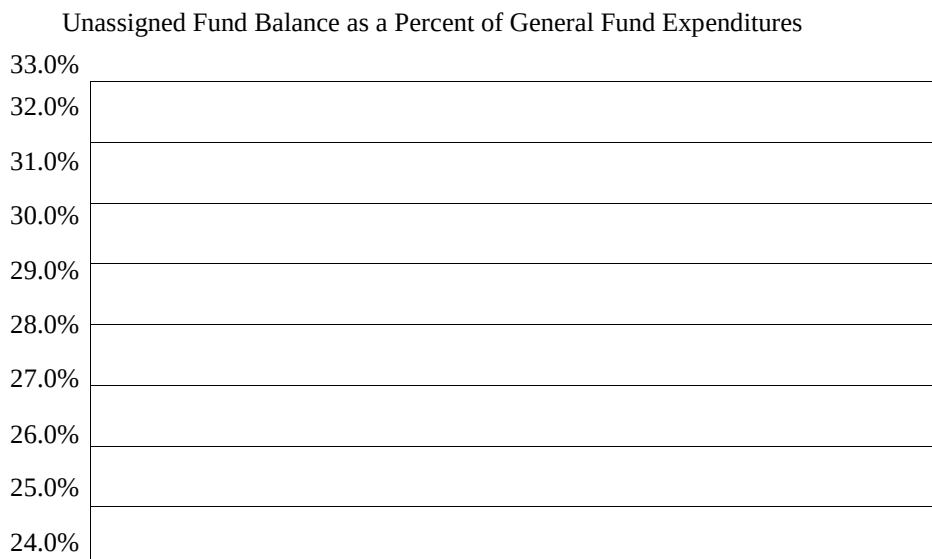
1. The present payment schedule for state aids for school purposes results in approximately 85% of the total school aids due being received after December 1, more than five months after the school year has started. In addition, approximately 35% of aids are not received until June or July.
2. Property taxes levied to finance the school year budget are levied on January 1, six months after the school year has started. In addition, the collection method for property taxes results in a large portion of taxes not being received until August, approximately two months after the school year has ended.

Accordingly, the District has established a minimum general fund balance calculated as follows:

Budgeted 2018 - 2019 General Fund expenditures	97,960,936
Minimum fund balance %	x 20%
Minimum fund balance amount	<u>19,592,187</u>

The District's current unassigned General Fund balance is above the calculation as shown above. As a result, the need to short-term borrow should be minimized. At June 30, 2018, the District has no short-term notes payable outstanding. This remains an excellent cash flow financial position.

Presented below is the trend over the past five years.



	2014	2015	2016	2017	2018
Percent	32.4%	29.2%	29.1%	28.9%	27.0%

GENERAL FUND REVENUE AND EXPENDITURE ANALYSIS

Presented below is a revenue and expenditure analysis of the General Fund for fiscal years 2017-2018. This information is presented to assist District management in assessing the financial position of the District.

20182017

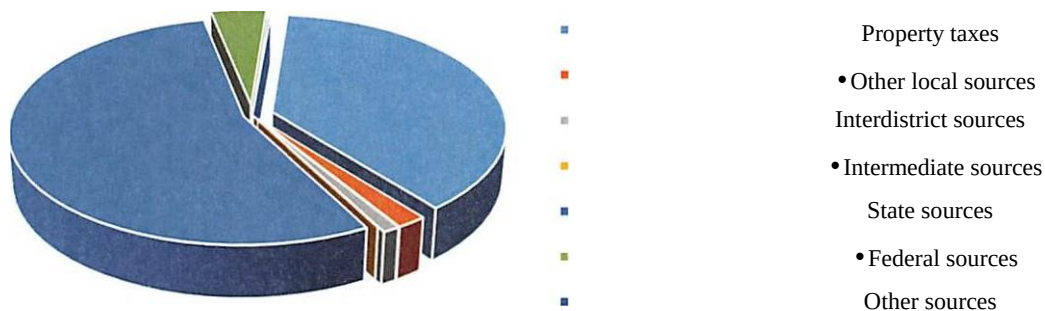
General Fund Revenues

Property taxes	\$ 31,823,353	32,858,163	
Interdistrict sources	880,314	1,023,055	Other local sources
Intermediate sources	7,089	6,731	1,545,834
State sources	45,825,993	43,645,833	
Federal sources	3,669,114	3,702,625	
Other sources	167,094	271,497	
Total Revenue	<u>\$ 82,875,951</u>	<u>83 918 791</u>	

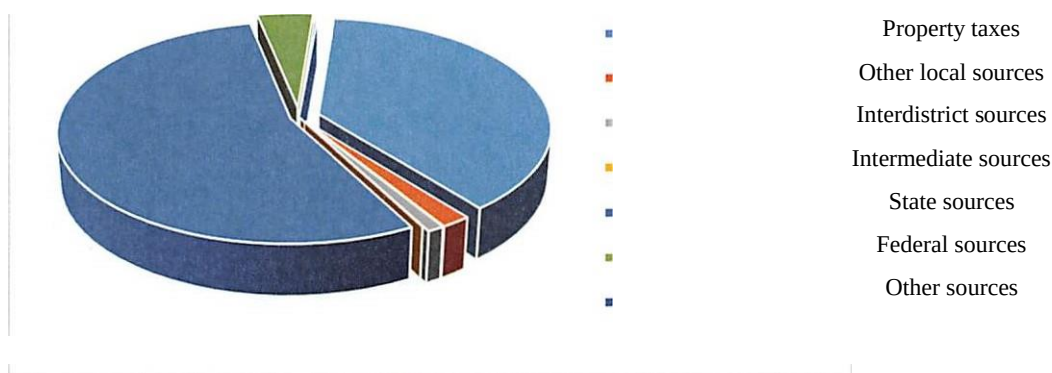
General Fund Expenditures

Debt service	1,140, 140	851,253	Instruction	\$ 48,
Non-program	4,279,782	3,	912	48,140,232
		584,983	Support services	
32,590,566				
Total Expenditures	86 420 400	<u>83 196 088</u>		

General Fund Revenue



General Fund Revenue



Comments and Observations

PUPIL ACTIVITY PROCEDURES

The Wisconsin Department of Public Instruction (DPI) requires us to review the internal controls over pupil activity funds each year. We review for adherence to DPI requirements and the District's own policy regarding pupil activity funds. During the audit, we noted certain areas where the District is not completely following DPI requirements. We noted that some disbursements in our sample were missing required signatures. Some receipts in our sample were held for anywhere from six days to more than two weeks before being deposited at the bank. Funds turned over to the secretaries were not being counted by the secretaries in the presence of the advisor as required by District policy. We also noted certain activities that do not meet DPI's requirements for being included in student activity funds.

We recommend the District do the following to enhance internal controls over pupil activity funds:

- 1) Review current student organizations and clubs to ensure that activities are allowed:
 - a. DPI has indicated that organizations such as student government, national honor society, class of 20XX, and debate club are appropriately shown as pupil activity funds.
 - b. Athletics, school plays, and field trips should be accounted for in general District accounts and not pupil activity accounts.
 - c. If a student organization determines how to spend revenues from the school store or vending machine proceeds, that activity is permitted in the pupil activity funds. If the District determines the use, it should be accounted for in the general District accounts.
 - d. Sunshine funds, faculty or coffee funds are not to be included in the general District funds or the pupil activity funds.
- 2) After review, approve the pupil activity or parent organization funds to be recorded in Fund 60 of the general ledger. Require new organizations be approved by the School Board.
- 3) Ensure that a copy of the pupil activity funds policy is given to the advisor and the advisor signs the copy acknowledging he or she read and understands the policy.

Management's Response: Administration will consider these recommendations, review options, and assess the impact and organizational value of implementing any of these recommendations or other options.

PAYROLL PROCEDURES

As part of our audit, we review the District's payroll processes to gain an understanding of internal controls over payroll expenditures. One topic that was brought up was the timing of payroll in relation to the start of the school year. It was noted that teachers and other school-year employees were getting their first paycheck for the year before the first day of school and often before any in-service days were held. This can be an issue if a teacher or other school-year employee resigns in late August but before school starts as the employee would have been paid before providing services to the District. At times, this pay date also coincides with the payment of the last paycheck from the previous fiscal year, resulting in some additional processing to ensure benefits are processed in the proper year. We also noted in our payroll testing that some employees are not routinely clocking out in the True Time system when they leave for lunch or clocking in when they

return. We recommend the District ensure this step to be completed by the employee as it is a more accurate way of tracking time than adjusting for this after the fact when the electronic time card is being reviewed by the supervisor. We recommend the District review its payroll procedures to determine what changes can be made to ensure employees are paid only after providing the service to the District and ensure that the District is following best practices for payroll processes for school districts.

Management's Response: Administration will review its payroll procedures and determine what changes can be made to ensure the best payroll practices for pay dates.

New Accounting Standard

ACCOUNTING AND REPORTING FOR LEASES

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases, which establishes a single model for lease accounting and revises reporting requirements.

Lease accounting is required when a government contracts to use another entity's equipment, building, or other nonfinancial assets for a specific period of time. Under the new guidance, a lease asset and a lease liability are recorded in the government-wide financial statements for this contract. The lease liability is calculated by including the following: fixed payments, variable payments, interest rate, purchase options, residual value guarantees, and termination or extension options. The lease liability is discounted and is amortized over the lease term. The lease asset is calculated by starting with the lease liability amount and adjusting for incentives and other costs and is amortized over the shorter of the lease term or the useful life of the underlying asset. The lease asset is reported in the financial statements as an intangible right to use asset, rather than a capital asset under current guidance. Footnote disclosures including lease assets by asset class and related accumulated amortization and future minimum payments among other details are required under the new Statement.

When the government is leasing one of its assets to another entity, a lease receivable and deferred inflow of resources related to the lease receivable is recorded. The lease receivable is calculated similar to the lease asset described above. The lease receivable is discounted and is amortized over the lease term. The deferred inflow of resources is calculated by starting with the lease receivable and adjusting for incentives and other payments. The deferred inflow would be recognized as an inflow of resources in a systematic and rational manner over the lease term.

Some contracts include a nonlease component such as maintenance services. The government will need to allocate the contract cost between the lease component and the nonlease component, unless it is not practicable to do so. If it is not practicable, the entire contract should be treated as a lease.

This new standard is effective for your fiscal year ending June 30, 2021. Early adoption is encouraged by GASB. We recommend the District review the new standard, gather all lease contracts, and identify the terms and conditions of each contract, noting the lease term, all payments, and options in order to properly determine the value of each lease. The District should also review contracts that have both lease and nonlease components to determine if a price allocation is practicable.

ACCOUNTING AND REPORTING FOR FIDUCIARY ACTIVITIES

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities and revises reporting requirements. The standard is effective for fiscal years beginning after December 15, 2018. In addition, the GASB is working on an implementation guide, which is expected to be issued in 2019.

Identifying Fiduciary Activities

Under the new standard, there are four paths to identifying fiduciary activities:

- ▶ Pension/OPEB plans that are component units
- ▶ Other fiduciary component units

► Pension/OPEB plans that are not component units ► Other fiduciary activities

A pension or OPEB plan that is administered through a trust that meets the criteria of paragraph 3 of GASB Statement Nos. 67 or 74 is considered to be a fiduciary activity. The Standard further details the characteristics of other fiduciary component units and pension/OPEB plans that are not component units. However, the largest impact of implementing the new standard is likely in considering if other activities meet the requirements for reporting as a fiduciary activity.

Activities other than pension and postemployment arrangements are considered fiduciary activities if all of the following criteria are met:

- The government controls the assets or can direct their use.
- The activity must not be solely based on the government's own-source revenue. Own-source revenue includes exchange transactions such as user charges, sales taxes and property taxes.
- The government does not have administrative involvement such as determining eligibility, monitoring compliance or approval of expenditures.
- The government does not have direct financial involvement such as matching requirements or liability for disallowed costs.

Activities not meeting these criteria are not considered fiduciary activities and would be reported as part of the governmental or proprietary funds. Likewise, activities meeting these criteria would be required to be reported as fiduciary funds. An exception is made for funds held in enterprise funds which are expected to be held for three months or less. These funds can continue to be reported in the enterprise fund.

The administrative involvement criteria is likely to have the most impact on reclassification of fiduciary activities. Financial policies on the expenditures of funds and approval of expenditures by an employee of the government (for example a staff advisor to a group) are considered to be administrative involvement and preclude the classification as a fiduciary activity.

The GASB is expected to issue an implementation guide to assist in the application of the criteria for fiduciary activity classification.

Financial Reporting

An activity meeting the above criteria should be reported in one of the following four fiduciary funds: ►

Pension and other employee benefit trust funds

- Investment trust funds ► Private-purpose trust funds
- Custodial funds

Fiduciary assets administered through a trust agreement are recorded in a pension and other employee benefit trust, investment or private-purpose trust fund. Custodial funds are used to report all other fiduciary activities not held in a trust or equivalent arrangement. Agency funds have been eliminated with GASB Statement No. 84 and replaced with custodial funds.

Fiduciary funds will present a statement of fiduciary net position, including assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Liabilities to beneficiaries should be recognized when an event occurs that compels the government to disburse fiduciary resources, when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. A statement of changes in fiduciary net position should present additions by source and deductions by type.

Implementation

As mentioned previously, this new standard is effective for your fiscal years ending June 30, 2020. However, due to the potential reclassification of funds, the impact may need to be considered during budget preparation. We recommend the District begin to determine the impact of the statement by:

1. Identifying potential fiduciary activities, including pupil activity fees.
2. Gathering facts regarding each activity, including the government's administrative involvement.

3. Evaluating whether each activity meets the fiduciary activity criteria and determine how it should be reported. An appendix to the statement includes flowcharts for the evaluation process.

APPENDIX

Prepare Each Student To Be Successful
towens@pointschools.net

Thomas R. Owens, PhD., Director of Business Services
Bliss Educational Services Center
1900 Polk Street, Stevens Point, WI 54481
Ph: (715) 345-5432 Fax: (715) 345-5431



STEVENS POINT
AREA PUBLIC
SCHOOL DISTRICT

November 21, 2018

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

This representation letter is provided in connection with your audit of the financial statements of the Stevens Point Area Public School District, Stevens Point, Wisconsin (the "District"), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2018, and the respective changes in the financial position for the year then ended, and the related notes to the financial statements for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of November 21, 2018, the following representations made to you during your audit.

FINANCIAL STATEMENTS

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 18, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
3. 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, including those measured at fair value, are reasonable.
6. In regards to accounting estimates:
 - ▶ The measurement processes used by management in determining accounting estimates is appropriate and consistent.
 - ▶ The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - ▶ The disclosures related to accounting estimates are complete and appropriate.
 - ▶ No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the District's accounts.
10. We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
11. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

INFORMATION PROVIDED

12. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters 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 District from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of meetings of the Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedules of expenditures of federal and state awards.
14. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:
 - a. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- i. Management, ii. Employees who have significant roles in internal control, or
 - iii. Others where the fraud could have a material effect on the financial statements.
- b. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.

15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
17. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

GOVERNMENT - SPECIFIC

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have a process to track the status of audit findings and recommendations.
20. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
22. The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.
23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
28. As part of your audit, you assisted with preparation of the financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of expenditures of state awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities;

oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of expenditures of state awards.

29. The District 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.
30. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
32. 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.
33. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
34. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
35. 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.
36. Provisions for uncollectible receivables have been properly identified and recorded.
37. 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.
38. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
39. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
40. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
41. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
42. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
43. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
44. 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.

45. We acknowledge our responsibility for presenting the nonmajor fund combining statements and supporting schedules (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
46. We agree with the findings of specialists in evaluating the other postemployment benefits, pension benefits, and incurred but not reported claims and have adequately considered the qualifications of the specialist 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 an impact on the independence or objectivity of the specialist.
47. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the District's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
48. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
49. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
50. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
51. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
52. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.
53. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 84, Fiduciary Activities and No. 87, Leases, as discussed in Note 3.D. The District is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and the results of its operations when the Statements are adopted.
54. 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 Uniform guidance and the State Single Audit Guidelines issued by the Wisconsin Department of Administration, including requirements relating to preparation of the schedules of expenditures of federal and state awards.

- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance and the schedule of expenditures of state awards (SESA) in accordance with the requirements of the State Single Audit Guidelines and we believe the SEFA and SESA, including their form and content, are fairly presented in accordance with the Uniform Guidance and the Guidelines. The methods of measurement or presentation of the SEFA and SESA 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 SEFA and SESA.
- c. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and the State Single Audit Guidelines compliance audit and have included in the SEFA and SESA expenditures made during the audit period for all awards provided by federal and state agencies in the form of awards, cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- d. We are responsible for understanding and complying with, and have complied with, the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major federal and state program.
- e. 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 managing our federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards 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.
- f. We have made available to you all federal and state awards (including amendments if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.
- g. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- h. We have complied with the direct and material compliance requirements, (except for noncompliance disclosed by you), including, when applicable, those set forth in the OMB Compliance Supplement and the State Single Audit Guidelines, relating to federal and state awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal or state awards.
- i. We have disclosed any communications from federal and state awarding agencies 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.
- j. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, 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.

- k. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, subpart E) and OMB Circular A-87, Cost Principles for State, Local, and Tribal Governments, if applicable.

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

- m. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- n. 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.
- o. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- p. 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 period covered by the auditors' report.
- q. 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.
- r. 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.
- s. We have charged costs to federal and state awards in accordance with applicable cost principles.
- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance 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.
- u. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- v. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- w. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance and the State Single Audit Guidelines.
- x. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

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

Signed:

A handwritten signature in blue ink, appearing to read "Thomas R. Owens", written over a horizontal line.

Thomas R. Owens, P.D.
Director of Business Services

Signed:

A handwritten signature in blue ink, appearing to read "William D. Rudahl", written over a horizontal line.

William Rudahl, CPA
Finance Manager