



P.O. Box 352 • 150 S. Bridge St. • Markesan, WI 53946 • P: (920) 398-3031 • F: (920) 398-3991

FINANCE, PERSONNEL & SAFETY Markesan City Hall

December 3, 2019

Immediately following Public Property & Health Meeting

AGENDA

Call to Order

Roll Call

Citizen's Comments

Emergency Management Report

- Discussion and Approval of Payment to Emergency Management Members, Director and Assistant Director
- Discussion and Approval of Emergency Management Christmas Party

Review and Approval of Vouchers Payable

Police Report & Schedule

- Dog at Large/Dangerous Dog Ordinance

New Business

- Discussion and Action on Mayor and Council Member Meeting Pay
- Discussion and Action on 2019 Employee's Year End Bonus'
- Discussion and Action on Audit Contract from Johnson Block
- Informational Item: Markesan Public Library Auditor – Johnson Block
- Discussion and Action on Library Employee Health Insurance

Old Business

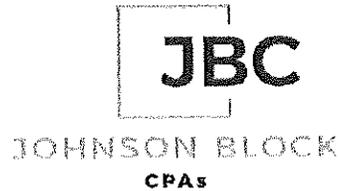
Adjournment

A quorum of the Markesan Common Council may be in attendance at this meeting to gather information about a subject over which they have decision making responsibility. Under Wisconsin Open Meeting Law, this may constitute a meeting of the Common Council pursuant to the Badtke Decision, however, the Council will not take action at this meeting.

Any person requiring special assistance to participate in this meeting should contact the Clerk-Treasurer at 398-3031 at least 24 hours prior to the meeting so appropriate accommodations can be made.

Posted: Horicon Bank City Hall
ERGO Bank Post Office
www.markesanwi.gov

Dated December 2, 2019
Elizabeth Amend, Clerk-Treasurer



December 2, 2019

The City Council
City of Markesan
Markesan, WI 53946

We are pleased to confirm our understanding of the services we are to provide the City of Markesan for the years ended December 31, 2019, 2020, and 2021. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Markesan as of and for the years ended December 31, 2019, 2020, and 2021. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as the budgetary comparison schedules, to supplement the City of Markesan's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the City of Markesan's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management Discussion and Analysis (if prepared)
- 2) Budgetary Comparison Schedules
- 3) Wisconsin Retirement System Schedules
- 4) Local Retiree Life Insurance Fund Schedules

We have also been engaged to report on supplementary information other than RSI that accompanies the City of Markesan's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

- 1) Schedule of Operating Revenues and Expenses – Proprietary Funds
- 2) Statement of Changes in Non-lapsing Funds

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors, is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Markesan's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also prepare the financial statements of the City of Markesan in conformity with U.S. generally accepted accounting principles and update depreciation schedules based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

In addition, we will compile, from information provided by you, the following:

- Annual financial report to the Department of Revenue
- Municipal Utility Annual Report to the Public Service Commission of Wisconsin

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You agree to assume all management responsibilities for any non-attest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Johnson Block and Company, Inc. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to federal or state agencies or their designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Johnson Block and Company, Inc. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to federal or state agencies or their designee. The federal or state agency or their designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

In addition to our audit of the financial statements we will compile, from information provided by your records, the annual financial report to the Department of Revenue, and the water Municipal Utility Annual Reports to the Public Service Commission of Wisconsin. It should be noted that a compilation is limited to presenting information that is the representation of management. Such information has not been audited or reviewed so we cannot express an opinion or any other form of assurance on the reports.

Our fee for these services will be as follows plus out-of-pocket costs (such as staff travel, mileage, and lodging):

	2019	2020	2021
Audit			
General Fund	\$ 6,300	\$ 6,500	\$ 6,700
TIF District #1 (annual activity)	800	825	850
Water & Wastewater Utility	6,300	6,500	6,700
Preparation of DOR Form C	1,200	1,250	1,300
Preparation of Utility PSC annual report	1,200	1,250	1,300
Total	<u>\$ 15,800</u>	<u>\$ 16,325</u>	<u>\$ 16,850</u>

Please note that the fees quoted above now include additional time required for GASB Statement No. 75. This was billed separately for the 2018 audit.

For the year ended December 31, 2018, Johnson Block began maintaining the City's fixed asset depreciation schedule. The additional time required to perform these procedures has also been included in the table above.

The table above does not include any audit procedures on the library. We estimate our fees to include the library activity within the scope of our audit to be \$500-\$1,000. If the library activity is not included in the scope of our audit, we will continue to qualify our opinion on the audited financial statements as we did for the years ended December 31, 2016, 2017, and 2018.

The Department of Revenue requires submission of a TID Annual Report (PE-300) for the TIF District. We estimate our annual cost to compile and submit the PE-300 report to be \$600.

For the Municipal Financial Report - Form C required by the Wisconsin Department of Revenue for shared revenue and highway aid, wages, payroll taxes, and benefit expenditures are required to be allocated to all the different departments of the City (General Government, Public Safety, Public Works, Culture, Recreation, and Education, etc.). Additional time to proportionately allocate these expenditures to the appropriate expenditure functions of the City may be billed at our standard hourly rates.

If additional time is required during the term of the contract for the following, we will bill these services at our standard hourly rates:

- 1. Implementation of new GASB statements and auditing standards
- 2. Single Audit
- 3. Special Projects

We do not expect the City to be subject to a single audit. The amount of time spent on a Single Audit is dependent on the type of major programs to be tested.

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the City of Markesan and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Johnson Block & Company, Inc.

JOHNSON BLOCK AND COMPANY, INC.

RESPONSE:

This letter correctly sets forth the understanding of the City of Markesan

By: _____

Title: _____

Date: _____