

**CITY OF LA CROSSE, WISCONSIN**

**INDEPENDENT AUDITORS' REPORT  
ON COMMUNICATIONS WITH THOSE  
CHARGED WITH GOVERNANCE AND  
A MANAGEMENT ADVISORY  
COMMENT**

**DECEMBER 31, 2014**

# CITY OF LA CROSSE, WISCONSIN

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**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE**

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of La Crosse, Wisconsin, for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 14, 2015. Professional standards also require that we provide you with the following information related to our audit.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City 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 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. 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 affecting the City's financial statements were:

- The depreciation is based on using the straight-line method over the estimated useful life of the asset.
- The liability for health care claims, workers compensation claims, and liability claims at year end is based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported, based on historical experience.
- The allowance for doubtful accounts for accounts receivable is based on the status of court penalty collections.
- The other post-employment benefits (OPEB) liability is based on an actuarial review of the City's health benefits plan and employee base.

We evaluated key factors and assumptions used to develop the estimates 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 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. In addition, none of the misstatements detected as a result 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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 16, 2015.

### *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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit'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 management's discussion and analysis, schedule of funding progress - post-employment healthcare benefits, and budgetary comparison information, 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 combining nonmajor fund financial statements, which accompany the financial statements but are 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 use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
June 16, 2015

**INDEPENDENT AUDITORS' REPORT  
ON A MANAGEMENT ADVISORY COMMENT**

To the City Council  
City of La Crosse  
La Crosse, Wisconsin

We have audited the basic financial statements of the City of La Crosse ("City") as of and for the year ended December 31, 2014, and have issued our report, thereon, dated June 16, 2015. We have also issued compliance reports on the internal control in accordance with *Government Auditing Standards* and federal single audit requirements.

A matter involving internal control, compliance issues, and operations of the City, which came to our attention during the audit, is reported on the following page as management advisory comment.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the City's personnel during the course of our work. In particular, we would like to note the considerable assistance and cooperation provided to us by Kelly Branson and her staff.

We shall be pleased to discuss the matter referred to in this letter. Should you desire assistance in implementing the following suggestion, we would welcome the opportunity to assist you.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
June 16, 2015

## **MANAGEMENT ADVISORY COMMENT**

### **CURRENT YEAR COMMENT**

#### **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance)**

The Uniform Grant Guidance streamlines requirements from eight grant circulars into one set of guidance. The revised guidance improves both the clarity and accessibility of the regulations governing Federal awards. Among other things, the guidance includes provisions that focus on performance over compliance to provide accountability for federal funds, encourage the efficient use of information technology and shared services, and provide for the consistent and transparent treatment of costs. The final changes to the existing circulars generally fall into three broad categories: (1) administrative requirements under subparts A through D; (2) cost principles under subpart E; and (3) audit requirements under subpart F.

The administrative requirements and cost principles apply to all new federal awards and to additional funding to existing awards made after December 26, 2014. The District should obtain an understanding of the new requirements and review the following areas regarding their federal grants to ensure they will be compliant with the Uniform Grant Guidance:

- Internal controls - maintain effective internal controls that provide assurance they are managing federal awards in compliance with federal statutes, regulations, and terms and conditions of federal awards
- Time and effort reporting - places more emphasis on internal controls over personnel related costs
- Procurement - there are five methods outlined in the Uniform Grant Guidance including small purchase procedures which are subject to the simplified acquisition threshold, micro-purchases, sealed bids, competitive proposals, and noncompetitive proposals.
- Subrecipient monitoring and management - clearly identify award and requirements imposed by pass-through entity, and complete a risk assessment to determine appropriate subrecipient monitoring and must monitor subrecipient
- Indirect costs rate - negotiated and de minimis rate changes

The Uniform Grant Guidance will also increase the single audit expenditure threshold from \$500,000 to \$750,000 for the year ended December 31, 2015.

The Uniform Grant Guidance is available on the Electronic Code of Federal Regulations website under Title 2-Grants and Agreements Part 200 or at the Federal Register address below.

<https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>