

VILLAGE OF BELLEVILLE

Belleville, Wisconsin

COMMUNICATION TO THOSE CHARGED
WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2013

VILLAGE OF BELLEVILLE

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

To the Village Board
Village of Belleville
Belleville, Wisconsin

In planning and performing our audit of the financial statements of the Village of Belleville as of and for the year ended December 31, 2013, and for the Belleville Utilities as of December 31, 2013, and for the year then ended 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 the village's 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies in the village's internal control to be material weaknesses:

- > Internal Control Over Financial Reporting
- > Internal Control Environment

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
March 14, 2014

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

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

INTERNAL CONTROL ENVIRONMENT

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

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

At this time, due to staffing and financial limitations, the village does not have proper internal controls in place to achieve adequate segregation of duties. As a result, errors or irregularities could occur as part of the financial process that may not be discovered by the village. Therefore, we are reporting a material weakness related to the village's internal control environment.

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

CONTROLS OVER ACCOUNTS PAYABLE/DISBURSEMENTS

1. Retainages and encumbrances need to be reviewed, approved, and recorded at year end.

CONTROLS OVER PAYROLL

1. There should be review and approval of changes in pay rates in the payroll system.

INTERNAL CONTROL ENVIRONMENT (cont.)

CONTROLS OVER PROPERTY TAXES

1. Taxes receivable and tax settlements should be reviewed and approved by someone independent of the process.
2. The bank account should be reconciled by someone independent of the tax collection process.

CONTROLS OVER UTILITY BILLING

1. The governing body should formally approve all write off's of accounts and adjustments to bills over an amount agreed upon by the board.
2. The process for generating utility bills and maintaining billing records is not independent of the collection function.
3. There should be a review of billing rates by someone independent of the billing function.

CONTROLS OVER FINANCIAL REPORTING

1. Account reconciliations should be prepared by someone independent of the processing of transactions in the account.
2. Adjusting journal entries should be reviewed and approved by someone independent of the transaction.

ENTITY-WIDE CONTROLS

1. There should be a formal risk assessment process in place at the village to help to identify areas susceptible to fraud, misappropriation of assets, or fraudulent financial reporting.

CONTROLS OVER TECHNOLOGY

1. Employee access to the general ledger should be limited to their corresponding job duties.
2. There should be a formal password policy that addresses length and character requirements for both network and application passwords. Passwords should also be required to be changed at least every 60 to 90 days. This policy should also address password history and lockout requirements.
3. The village's present software system lacks certain security features that, if operated improperly, would not allow for the identification of changes made to financial data after the original entry of such data. This is a situation that exists in many database software packages, including Microsoft Office Access, which is the basis for your software. Many of the system users may not possess the technical knowledge to operate the system in a manner that would impair the system's control integrity. However, it is possible that some users may possess the knowledge to circumvent the system's controls. Therefore, it is our judgment that there is more than a remote possibility that an error could occur in amounts that are more than insignificant, and your controls would not detect them. Accordingly, we are required to communicate this fact to you.

Since these key controls are not currently in place, errors or irregularities could occur as part of the financial process that may not be discovered by the village. Therefore, the absence of these controls is considered to be a material weakness.

We recommend that a designated village employee review the segregation of duties and these potential controls and determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis to the village. It is very important that the governing body provide the appropriate level of financial oversight to the village's day to day activities.

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.

- 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.

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 village 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?

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

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

- a. The village'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?

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. If necessary, we may do preliminary audit work during the months of October-December, and sometimes early January. Our final fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our audit procedures at our office and may issue drafts of our report for your review. Final copies of our 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**

UTILITY RECOMMENDATIONS

WATER UTILITY***Earnings***

Operating income in 2013 decreased by \$26,600 to \$85,300 due to a slight decrease in water sold. The utility should qualify for a Simplified Rate Case (SRC) that would allow for a cost of living adjustment in water rates. We recommend that an application be filed with the PSC in March or April of 2014 to help rates keep pace with inflation. The SRC process would allow for a 3% increase in water rates.

LAND HELD FOR FUTURE USE (PER 12/31/10 LETTER)

In the past, the Water Utility purchased land for a future well or tower. The value of this land is on the water utility books as land held for future use. We understand from management this land is located by Blaser Park and the certainty of when a well or tower would be constructed here is in question. We recommend the utility determine if this land is feasible for a water well or tower and if so, how far in the future may that be. If the land is unlikely to be used for water utility purposes, the value of the land needs to be eliminated from the utility books. In that case, the Village should consider the best use for the property, internal use or external sale, and account for the land in that manner.

Status (12/31/13)

This recommendation still pertains.

SEWER UTILITY***Earnings***

Cash flow needs were not met by \$69,964 in 2013. The utility used surplus funds to cover the shortfall in 2013. As we recommended in prior years, the utility should update the cash flow forecast to determine the timing of rate increases as the surplus funds begin to deplete.

DEBT LIMIT RECOMMENDATION

As of December 31, 2013, the village was at 75% of its general obligation debt limit, established by state statutes as 5% of your equalized value. As we have recommended in past years, we strongly encourage the village to continuously evaluate the current debt position, short and long-term borrowing plans, and future capital projects. We are happy to further assist you with this process.

DEPARTMENTAL CONTROLS

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

In some cases, the primary system of accounting procedures and controls of the village are supported by smaller systems which are decentralized, and reside within a department or location. In many cases, those systems are as simple as handling cash collections and remitting those collections to the village treasurer. In other cases, the department may send invoices or statements of amounts due, and track collections of those amounts in a standalone accounts receivable system.

DEPARTMENTAL CONTROLS (cont.)

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

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

Library
Police Department

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

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

Because management is responsible for designing and implementing controls and procedures to detect and prevent fraud, we believe that is important for us to communicate this information to you. We have no knowledge of any fraud that has occurred or is suspected to have occurred within the departments mentioned above. However, your role as the governing body is to assess your risk areas and determine that the appropriate level of controls and procedures are in place. As always, the costs of controls and staffing must be weighed against the perceived benefits of safeguarding your assets.

INFORMATIONAL POINTS

GENERAL FUND BALANCE

Following is the general fund balance of the village for the last five years:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund					
Nonspendable	\$ 118,047	\$ 127,392	\$ 238,096	\$ 395,040	\$ 391,285
Committed/Assigned	12,733	67,316	77,739	53,557	66,646
Unassigned	<u>456,974</u>	<u>340,204</u>	<u>282,234</u>	<u>100,258</u>	<u>140,779</u>
Totals	<u>\$ 587,754</u>	<u>\$ 534,912</u>	<u>\$ 598,069</u>	<u>\$ 548,855</u>	<u>\$ 598,710</u>

As evident in the numbers above, the general fund has experienced a significant shift in fund balance from unassigned to nonspendable in the last five years.

INFORMATIONAL POINTS (cont.)

GENERAL FUND BALANCE (cont.)

Nonspendable fund balance primarily includes funds that have been advanced (loaned) to other funds for cash flow purposes. The amount has grown considerably because of the increasing deficit of TIF District No. 3. At December 31, 2013, \$371,573 is advanced by the general fund to other funds (of which \$272,023 is TIF District No. 3). See Note IV.E. of the financial statements for details on other advance amounts.

While it is intended these advances will be repaid, until they are able to be, the general fund cannot consider the funds available for use. As a result, the unassigned (available) fund balance is \$140,779, or roughly, 10% of the subsequent year's budgeted expenditures. That percentage is generally viewed as below levels recommended by financial advisors and debt rating agencies.

The village will need to closely monitor its financial results throughout 2014. The financial results of other funds are directly impacting the general fund balance, and therefore, monitoring the results of all funds is critical. Long range financial planning is also important. We are available to assist with this.

REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE

To the Village Board
Village of Belleville
Belleville, Wisconsin

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

We have completed our audit of the financial statements of the Village of Belleville for the year ended December 31, 2013 and have issued our report thereon dated March 14, 2014. This letter presents communications required by our professional standards.

***OUR RESPONSIBILITY UNDER AUDITING STANDARDS
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA***

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. 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 the Village Board of their responsibilities.

As part of the audit we obtained 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. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

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 you in our prior year Report on Internal Control, and at our meeting on March 18, 2013.

To the Village Board
Village of Belleville

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 the Village of Belleville are described in Note I to the financial statements. As described in Note I to the financial statements, the Village of Belleville changed accounting policies related to financial reporting by adopting Statement of Accounting Standards (GASB Statement) No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. We noted no transactions entered into by the Village of Belleville 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. There were no significant estimates affecting the financial statements.

Financial Statement Disclosures

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

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.

The implementation of GASB Statement No. 65 resulted in a change in the accounting treatment for certain items, including debt issuance costs. Debt issuance costs previously amortized over the life of the related debt will now be expensed in the period incurred. Management has chosen not to make an entry to reduce net position and expense in the amounts of \$125,594 and \$20,711 in the governmental activities and business-type activities, respectively, as a result of this change in accounting treatment. Management has determined that this effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

	<u>Amount</u>
Adjustments to transfers	\$ 147,598
Adjustments to cash and restricted cash	61,913
Adjustments to utility debt	554,340
Adjust utility accumulated depreciation	575,761
Adjust utility plant	24,221
Adjustments to accounts receivable	295,410
Adjustments to special assessments	105,000
Adjustments to record joint metering allocation	14,525

To the Village Board
Village of Belleville

CORRECTED AND UNCORRECTED MISSTATEMENTS (cont.)

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.

INDEPENDENCE

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

Relating to our audit of the financial statements of the Village of Belleville 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 village of Belleville in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the Village of Belleville other than the 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, including:

- > Financial statement preparation
- > Adjusting journal entries
- > Compiled regulatory reports

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

To the Village Board
Village of Belleville

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 Village of Belleville's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

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

This information is intended solely for the use of the Village Board 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 Vuchow Krause LLP

Madison, Wisconsin
March 14, 2014

MANAGEMENT REPRESENTATIONS

March 14, 2014

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

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the Village of Belleville as of December 31, 2013 and for the year then ended and for the Belleville Utilities as of December 31, 2013 and 2012 and for the years 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Belleville 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. 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.
6. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
7. 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 taken as a whole. There are uncorrected financial statement misstatements related to the implementation of GASB Statement No. 65. The uncorrected misstatements are in net position and expenses for the water and sewer utility, business-type activities, and governmental activities in the following amounts \$20,711, \$20,711, and \$125,594, respectively. In addition, you have recommended adjusting journal entries, and we are in agreement with those adjustments.
8. 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.
9. Guarantees, whether written or oral, under which the Village is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. 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.
 - 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 Village Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. 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.
13. 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.
14. 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.
15. There are no known related parties or related party relationships and transactions of which we are aware.

Other

16. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
17. The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
18. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
19. There are no:
 - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.
 - d. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
 - e. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
20. In regards to the nonattest services performed by you listed below, we have 1) made all management decisions and performed all management functions; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.
 - a. Financial statement preparation
 - b. Adjusting journal entries
 - c. Compiled regulatory reports

None of these non attest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.
21. The Village of Belleville 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.
22. The Village of Belleville has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
23. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
24. Except for the omission of the equity interest in the joint venture of the fire and emergency medical association, 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.
25. The financial statements properly classify all funds and activities.

26. 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.
27. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
28. The Village of Belleville has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
29. Provisions for uncollectible receivables have been properly identified and recorded.
30. 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.
31. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
32. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
33. 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.
34. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
35. Tax-exempt bonds issued have retained their tax-exempt status..
36. We have appropriately disclosed the Village of Belleville's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding how restricted and unrestricted fund balance is used when an expenditure is incurred for which both restricted and unrestricted fund balance is available, including the spending hierarchy for committed, assigned, and unassigned amounts.
37. 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.
38. 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.

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

Sincerely,

Village of Belleville

Signed: Harold Ward

Signed: April Little