



Reporting and insights from the 2021 audit:

County of Milwaukee, Wisconsin

December 31, 2021

Executive summary

July 29, 2022

To the Board of Supervisors
County of Milwaukee
Milwaukee, Wisconsin

We have completed our audit of the financial statements of the County of Milwaukee, Wisconsin (the County) for the year ended December 31, 2021 and have issued our report thereon dated July 29, 2022. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your County's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas the County of Milwaukee should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Carla A. Gogin, Partner: Carla.Gogin@bakertilly.com or +1 (608) 240 2460
- Steven Henke, Senior Manager: Steven.Henke@bakertilly.com or +1 (414) 777 5342
- Michelle Walter, Senior Manager: Michelle.Walter@bakertilly.com or +1 (414) 777 5576

Sincerely,

Baker Tilly US, LLP



Carla A. Gogin, Partner

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the County's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the board of supervisors:
 - Are free from material misstatement
 - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*.
- Other auditors considered internal control over compliance with requirements that could have a direct and material effect on major federal and major state programs to design tests of both controls and compliance with identified requirements.
- Other auditors formed and expressed an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines* about the entity's compliance with requirements described in the *OMB Compliance Supplement* and *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal and state programs.
- Our audit does not relieve management or board of supervisors of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of board of supervisors, including:

- Internal control matters
- Qualitative aspects of the County's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the County and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the County's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension liabilities/asset	OPEB liabilities
Other long-term liabilities	Risk claims	Long-term debt
Capital assets including infrastructure	Net position calculations	Financial reporting and required disclosures

Internal control matters

We considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the County's internal control.

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

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 did not identify any deficiencies in internal control 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 identified the following deficiency as a significant deficiency:

Bank Account Reconciliations

The process of reconciling bank accounts should be completed on a monthly basis to ensure that all transactions are properly recorded in the County's general ledger. Furthermore, this process is completed as a component of internal control to identify and / or deter any improper transactions being made to the County's bank accounts.

During the 2021 audit we identified the following deficiencies within the bank account reconciliation process:

- 1) All bank accounts were not reconciled timely.
- 2) Several bank account reconciliations identified unrecorded disbursements and/or receipts that were not subsequently posted by journal entry in a timely manner to the County's general ledger.
- 3) One bank account was not reconciled to the general ledger until questions were raised as part of the audit process.

We recommend that the County develop procedures and controls to ensure that all bank accounts are reconciled timely, all activity identified as unrecorded is posted timely to the general ledger and that all completed reconciliations agree to the general ledger. These procedures will ensure that the activity reported within the general ledger properly represents the bank account activity of the County at any point in time.

Management Response:

We agree with the observations and recommendation. Since early 2022 there have been ongoing efforts to address the items noted as observations, above. The timeliness of reconciliations is now tracked weekly. In addition, a process for the monitoring and follow-up of unrecorded transactions to ensure timely posting is under development. Finally, on the third point, the account reconciliation involves two different account systems, where the account activity is maintained outside of the County financial system. To complete this reconciliation on a timely basis in the County financial system, the departments will be working together, along with the Financial Systems teams, to interface or move transactions from one system to another on an automated basis.

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

Other comments and recommendations

- A separate report dated July 29, 2022 was issued to the board of supervisors and management that contained other observations and recommendations noted during the audit. The information contained in that report is not included with this report.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2021. We noted no transactions entered into by the County during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value 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, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Accrued compensated absences	Evaluation of hours earned and accumulated in accordance with employment policies and average wage per hour rates	Reasonable in relation to the financial statements as a whole
Net pension liability/asset and related deferrals	Evaluation of information provided by the Employees' Retirement System and Milwaukee Transport Services Transport Employees' Pension Plan's actuarial valuations.	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole
Net/Total OPEB liability and related deferrals	Key assumptions set by management with the assistance of a third party actuary for the Milwaukee County Other Post Employment Benefit Plan and the Milwaukee Transport Services Other Post Employment Benefit Plan.	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole
Incurred but not reported (IBNR) claims	Based on historical expenses, historical claims and judgments by management.	Reasonable in relation to the financial statements as a whole
Risk Claims	Based on historical expenses, historical claims and judgments by management.	Reasonable in relation to the financial statements as a whole
Landfill post-closure costs and pollution remediation costs	Based on historical expenses, historical claims and estimates provided by third parties and judgement made by management as to the probability of ultimate payment of these liabilities.	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the County or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

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

Disagreements with management

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 auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The schedule within the Appendix summarizes the uncorrected misstatements, other than those that are clearly trivial, that we presented to management that, in our judgment, may not have been detected except through our auditing procedures. In our judgment, neither the uncorrected misstatements nor the misstatements that management corrected, either individually or in the aggregate, indicate matters that could have had a significant effect on the County's financial reporting process.

Management has determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the basic financial statements under audit.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

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

Other information in documents containing audited basic financial statements

Annual Report

The County's audited financial statements will be included in the Annual Comprehensive Financial Report. Our responsibility for this information does not extend beyond the financial information identified in the audit report and we are not required to perform any procedures to corroborate such other information. We have read the Annual Comprehensive Financial Report to determine whether a material inconsistency exists between the other information and the financial statements. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, was materially inconsistent with the information, or manner of its presentation, in the financial statements.

Official Statements

The County's audited financial statements are "general purpose" financial statements. General purpose financial statements consist of the basic financial statements that can be used by a broad group of people for a broad range of activities. Once we have issued our audit report, we have no further obligation to update our report for events occurring subsequent to the date of our report. The County can use the audited financial statements in other client prepare documents, such as official statements related to the issuance of debt, without our acknowledgement. Unless we have been engaged to perform services in connection with any subsequent transaction requiring the inclusion of our audit report, as well as to issue an auditor's acknowledgment letter, we have neither read the document nor performed subsequent event procedures in order to determine whether or not our report remains appropriate.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Other auditors will issue a separate document which contains the results of their audit procedures to comply with the Uniform Guidance and *State Single Audit Guidelines*.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the County's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Group audits

The County's financial statements include information that was audited by other auditors as follows:

The financial statements of the Milwaukee County War Memorial Inc. and the Marcus Center for the Performing Arts, component units of the County of Milwaukee, as of December 31, 2021 and June 30, 2021 and for the period then ended were completed by the component auditors Wipfli, LLP and CliftonLarsenAllen, LLP, respectively. All necessary conditions have been met to allow us to make reference to the component auditors.

In addition, if we had any concerns about the quality of work of the other auditors, if there were any limitations related to the group audit or if there was any fraud or suspected from involving group management, component management, employees who have significant roles in group-wide controls or others in which material misstatement of the group financial statements has or may have resulted from fraud we would be required to report those to you. We have not identified any circumstances that are required to be reported

Independence

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

Related parties

We did not have any significant findings or issues arise during the audit in connection with the County's related parties.

Other matters

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

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

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

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Compiled regulatory reports assistance
- Preparation of auditee section of the data collection form
- Domes project business plan analysis

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

Committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.

Management representation letter



Office of the Comptroller

Milwaukee County

Scott B. Manske • Comptroller

July 29, 2022

Baker Tilly US, LLP
777 E. Wisconsin Ave., 32nd Floor
Milwaukee, WI 53202-5313

To Whom It May Concern:

We are providing this letter in connection with your audit of the financial statements of the County of Milwaukee, Wisconsin as of December 31, 2021, and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Milwaukee, Wisconsin, 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 acknowledge our responsibility for adopting sound accounting policies for establishing and maintaining internal control that will, among other things, record, process, summarize and report transactions consistent with management's assertions embodied in the financial statements. This includes a responsibility for (1) preventing, deterring, and detecting fraud, which includes fraudulent financial reporting and misappropriation of assets, and (2) identifying and ensuring the County of Milwaukee, Wisconsin complies with the laws and regulations applicable to its activities.

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.

Milwaukee County Courthouse • 901 North 9th Street – Rm. 301
Milwaukee, Wisconsin 53233 • Telephone (414) 278-4199 • Fax (414) 223-1901

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit of the financial statements referred to above:

1. We have fulfilled our responsibilities, as set out in the terms of the Professional Service Agreement.
2. The financial statements referred to above are fairly presented in conformity with the accounting principles generally accepted in the United States of America. The financial statements include all properly classified funds and other financial information 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 have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the County of Milwaukee Board of Supervisors or summaries of actions of recent meetings for which minutes have not yet been prepared.
4. There have been no communications from regulatory agencies or lenders concerning noncompliance with, or deficiencies in financial reporting practices.
5. There are no material transactions that have not been properly recorded in the accounting records underlying the basic financial statements, or the schedule of expenditures of federal and state awards.
6. We understand that as part of your audit, you brought to our attention various matters that required an adjustment of the underlying records for the financial statements. We acknowledge that we have reviewed those matters and have prepared and recorded corresponding adjustments, which have been included in our financial statements.
7. You have also brought to our attention misstatements which remain uncorrected at December 31, 2021 and which are summarized in the accompanying schedule. The effects of those uncorrected misstatements are not material, both individually and in the aggregate, to the basic financial statements taken as a whole.
8. 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.
9. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
10. We have not performed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.

11. There has been no fraud involving management or employees who have significant roles in internal control, or fraud involving others that could have a material effect on the basic financial statements.
12. We have no knowledge of any allegations of fraud or suspected fraud, affecting the entity, received in communications from employees, former employees, analysts, regulators or others.
13. 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.
14. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.
15. The County of Milwaukee, Wisconsin has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, or fund equity.
16. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral), and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the County is contingently liable.
 - c. Significant estimates, assumptions and material concentrations known to management that are required to be disclosed in accordance with accounting principles generally accepted in the United States [Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.]. We believe the estimates and concentrations are reasonable in the circumstances, consistently applied and adequately disclosed.
 - d. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances collateral agreements or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
 - e. Agreements to repurchase assets previously sold.
17. 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 we have identified and disclosed to you all 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.
18. There are no –
 - a. Violations or possible violations of budget ordinances, grant contract provisions, laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency or for reporting on non-compliance.
 - b. Other liabilities or gain or loss contingencies (including those relating to oral guarantees) that are required to be accrued or disclosed by generally accepted accounting principles.
 - c. Nonspendable, restricted, committed or assigned fund balance 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.

19. We have provided you with information regarding known or possible litigation, claims, and assessments whose effects we have 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 State of America.
20. The County of Milwaukee, Wisconsin 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, except as disclosed to you.
21. You have been informed of all communications from lenders regarding the valuation of collateral required to be maintained under the County of Milwaukee, Wisconsin's borrowing arrangements.
22. The County of Milwaukee, Wisconsin has complied with all aspects of laws, regulations and contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
23. We have followed all applicable laws and regulations in adopting, approving and amending budgets.
24. The financial statements include all component units. The County has no joint ventures with an equity interest, other joint ventures or other related organizations that should be reported.
25. The accounting records underlying the financial statements accurately and fairly reflect, in reasonable detail, the transactions of the County of Milwaukee, Wisconsin.
26. The financial statements properly classify all funds and activities.
27. 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.
28. Net position components (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.
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. We have disclosed to you all potential derivative financial instruments such as contracts that could be assigned to someone else or not settled, interest rate swaps, collars or caps.

35. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
36. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated. Any known impairments have been recorded and disclosed.
37. We have complied with the implementation of GASB No. 49 and believe that the estimate made for the pollution remediation liability is in accordance with this standard and reflects all known available facts at the time it was recorded.
38. Tax-exempt bonds issued have retained their tax-exempt status.
39. In regards to the non-attest 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. Annual Comprehensive Financial Report preparation.
 - b. Domes project business plan analysis
 - c. Compiled regulatory report assistance.
 - d. Preparation of auditee sections of the data collection form.

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

40. We have appropriately disclosed the County of Milwaukee, Wisconsin'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 was 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.
 41. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
 42. We acknowledge our responsibility for presenting the combining and individual fund financial statements and schedules and other supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the combining and individual fund financial statements and schedules and other 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 combining and individual fund financial statements and schedules and other 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. If the combining and individual fund financial statements and schedules and other supplementary information are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
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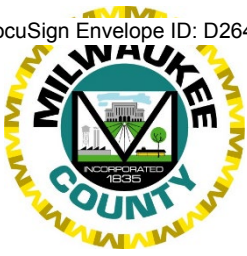
43. We assume responsibility for, and agree with, the findings of specialists in evaluating the incurred but not reported insurance claims, the net pension liabilities/asset and the other post-employment benefits liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
44. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services, or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of the fair value measurement date in accordance with GASB 72 – Fair Value Measurement. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements. Our office is dependent on the work performed and information obtained by the Employee Retirement System for purposes of their fair value measurements related to the Milwaukee County Pension Plan.
45. We assume responsibility for, and agree with, the information provided by the Employees' Retirement System of the County of Milwaukee and the Transit System's Transport Employees' Pension Plan relating to the net pension liabilities/asset and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plans.
46. The financial statements include all fiduciary activities required by GASB No. 84.
47. We have implemented GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.
48. Provision has been made for any material loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
49. All adjustments for the year, transfers between, or increases in appropriations for all departments, and all such resolutions affecting the same, when required, were properly approved by the Board of Supervisors.
50. We have a process to track the status of audit findings and recommendations.
51. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of this audit being undertaken and the corrective actions taken to address significant findings and recommendations.
52. We have provided our views on reported findings, conclusions and recommendations, as well as our planned corrective actions, for our report.

53. Federal and State grants received by the County of Milwaukee, Wisconsin are subject to audit and adjustment by grantor agencies. If grant revenues are received for expenditures that are subsequently disallowed, the County of Milwaukee, Wisconsin may be required to repay the revenues. In the opinion of management, liability resulting from such disallowed expenditures, if any, will not be material to the basic financial statements at December 31, 2021.
54. We share responsibility for the County of Milwaukee, Wisconsin's compliance with laws, regulations, and the provisions of contracts and grant agreements related to each of its federal and state programs.
55. We are responsible for complying, and have complied, with the requirements of Single Audit Act Amendments of 1996, the Uniform Guidance and the State Single Audit Guidelines, including the accuracy and completion of the Data Collection Form.
56. We have adopted and maintained an internal control system to provide reasonable assurance that financial awards programs are administered in accordance with applicable laws and regulations and provisions of contracts and grant agreements. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control.
57. We have prepared the schedule of expenditures of federal and state awards in accordance with the Uniform Guidance and the State Single Audit guidelines, and have included expenditures made during the period being audited for all awards provided by federal and state agencies in the form of grants, federal and state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
58. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that have taken place with federal or state agencies or pass-through entities and are related to our departments' federal or state programs.
59. We have monitored subrecipients to determine that the subrecipients expended financial awards in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance and State Single Audit Guidelines. (not applicable to grants administered by DAS).
60. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal or state awards, including the results of other audits or program reviews (not applicable to grants administered by DAS).
61. For our departments grants, federal and state program financial reports and claims advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with that presented in the schedule of expenditures of federal and state awards.
62. When applicable, amounts claimed or used for matching, were determined in accordance with the Uniform Guidance.
63. We have accurately completed the appropriate sections of the data collection form for our grants.
64. We have accurately completed the arbitrage liability requirement in accordance with IRS rules and regulations.
-
65. We have reasonably allocated the sick leave, pension and other post employment liabilities between the governmental and proprietary funds.

66. Intergovernmental receivables from government-mandated and voluntary non-exchange transactions in the amount of \$80.2 million as of December 31, 2021, have been recognized as revenues because they meet the requirements under Governmental Accounting Standards Board (GASB) Statement No. 33 Accounting and Financial Reporting for Non-exchange Transactions. Specifically, these revenues are recorded when: (1) all applicable eligibility requirements are met and (2) the resources are available. Available is defined as "collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period."
67. In accordance with GASB No. 33, we have established a policy that revenues from government-mandated and voluntary non-exchange transaction are considered available if: (1) collected within 90 days after year-end or (2) collected subsequent to 90 days after year-end to the extent the amount collected after 90 days is used to pay liabilities of the current period.
68. Adequate consideration has been given to, and appropriate provisions made for, estimated adjustments to health care revenues.
69. All requisite Medicare, Medicaid and similar reports have been properly filed. Management is responsible for the accuracy and propriety of all cost reports filed. The reimbursement methodology and principals employed are in accordance with applicable rules and regulations.
70. All peer review organizations, fiscal intermediary, and third party pay or reports and information have been made available.
71. We are responsible for the electronic submission of required annual financial data to HUD's Real Estate Assessment Center (REAC) and for ensuring that it is complete, accurate, and timely filed, in accordance with our regulatory and contractual obligations to HUD.
72. We have disclosed to you all information of which we are aware that may affect the completeness and accuracy of the electronic submission, and we have disclosed to you all communications from regulatory agencies affecting the electronic submission.
73. 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 non-compliance have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
74. The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.



Scott B. Manske
Comptroller



OFFICE OF THE COUNTY EXECUTIVE

Milwaukee County

DAVID CROWLEY • COUNTY EXECUTIVE

July 29, 2022

Baker Tilly US, LLP
777 E. Wisconsin Ave., 32nd
Floor Milwaukee, WI 53202-
5313

To Whom It May Concern:

We are providing this letter in connection with your audit of the financial transactions of Milwaukee County as of December 31, 2021 and for the year then ended.

We acknowledge our responsibility for adopting sound accounting policies for establishing and maintaining internal control that will, among other things, record, process, summarize and report transactions consistent with management's assertions embodied in the financial statements. This includes a responsibility for (1) preventing, deterring, and detecting fraud, which includes fraudulent financial reporting and misappropriation of assets, and (2) identifying and ensuring the County of Milwaukee, Wisconsin complies with the laws and regulations applicable to its activities.

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.

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the County of Milwaukee Board of Supervisors or summaries of actions of recent meetings for which minutes have not yet been prepared.

Baker Tilly US, LLP

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2. There have been no communications from regulatory agencies or lenders concerning noncompliance with, or deficiencies in financial reporting practices.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
4. We have not performed an assessment of the risk that the financial statements may be materially misstated as a result of fraud.
5. There has been no fraud involving management or employees who have significant roles in internal control, or fraud involving others that could have a material effect on the basic financial statements.
6. We have no knowledge of any allegations of fraud or suspected fraud, affecting the entity, received in communications from employees, former employees, analysts, regulators or others.
7. The County of Milwaukee, Wisconsin has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, or fund equity.
8. 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 we have identified and disclosed to you all 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.
9. We have provided you with information regarding known or possible litigation, claims, and assessments whose effects we have 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 State of America.
10. The County of Milwaukee, Wisconsin has to the best of our knowledge, satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed to you.
11. We have followed all applicable laws and regulations in adopting, approving and amending budgets.
12. 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.
13. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
14. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

15. We have appropriately disclosed the County of Milwaukee, Wisconsin'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 was 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.
16. We assume responsibility for, and agree with, the findings of specialists in evaluating the incurred but not reported insurance claims, the net pension liabilities/asset and the other post employment benefits liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
17. Provision has been made for any material loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
18. All adjustments for the year, transfers between, or increases in appropriations for all departments, and all such resolutions affecting the same, when required, were properly approved by the Board of Supervisors.
19. We have a process to track the status of audit findings and recommendations.
20. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of this audit being undertaken and the corrective actions taken to address significant findings and recommendations.
21. We have provided our views on reported findings, conclusions and recommendations, as well as our planned corrective actions, for our report.
22. Federal and State grants received by the County of Milwaukee, Wisconsin are subject to audit and adjustment by grantor agencies. If grant revenues are received for expenditures that are subsequently disallowed, the County of Milwaukee, Wisconsin may be required to repay the revenues. In the opinion of management, liability resulting from such disallowed expenditures, if any, will not be material to the basic financial statements at December 31, 2021.
23. We are responsible for the County of Milwaukee, Wisconsin's compliance with laws, regulations, and the provisions of contracts and grant agreements related to each of its federal and state programs.
24. We are responsible for complying, and have complied, with the requirements of Single Audit Act Amendments of 1996, Uniform Guidance and the State Single Audit Guidelines, including the accuracy and completion of the Data Collection Form.
25. We have adopted and maintained an internal control system to provide reasonable assurance that financial awards programs are administered in accordance with applicable laws and regulations and provisions of contracts and grant agreements. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control system to the date of this letter, that might significantly affect internal control.

Baker Tilly US, LLP
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26. We have prepared the schedule of expenditures of federal and state awards in accordance with the Uniform Guidance and the State Single Audit guidelines, and have included expenditures made during the period being audited for all awards provided by federal and state agencies in the form of grants, federal and state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
27. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that have taken place with federal or state agencies or pass-through entities and are related to our departments• federal or state programs.
28. We have monitored subrecipients to determine that the subrecipients expended financial awards in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance and State Single Audit Guidelines. (not applicable to grants administered by DAS).
29. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal or state awards, including the results of other audits or program reviews (not applicable to grants administered by DAS).
30. For our departments grants, federal and state program financial reports and claims advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with that presented in the schedule of expenditures off federal and state awards.
31. When applicable, amounts claimed or used for matching, were determined in accordance with the Uniform Guidance.
32. We have accurately completed the appropriate sections of the data collection form for our grants.
33. In accordance with GASB No. 33, we have established a policy that revenues from government-mandated and voluntary non-exchange transaction are considered available if: (1) collected within 90 days after year-end or (2) collected subsequent to 90 days after year-end to the extent the amount collected after 90 days is used to pay liabilities of the current period.
34. Adequate consideration has been given to, and appropriate provisions made for, estimated adjustments to health care revenues.
35. All requisite Medicare, Medicaid and similar reports have been properly filed. Management is responsible for the accuracy and propriety of all cost reports filed. The reimbursement methodology and principals employed are in accordance with applicable rules and regulations.
36. All peer review organizations, fiscal intermediary, and third party pay or reports and information have been made available.

37. 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 non-compliance have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
38. The auditing standards define an annual report as “a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the financial results and financial position as set out in the financial statements.” Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors’ report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.



David Crowley, County Executive

Client service team



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Accounting changes relevant to the County

Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	12/31/22
91	Conduit Debt	✓	12/31/22
92	Omnibus 2020	✓	12/31/22
93	Replacement of Interfund Bank Offered Rates	✓	12/31/22
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	12/31/23
96	Subscription-Based Information Technology Arrangements	✓	12/31/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	12/31/22
99	Omnibus 2022	✓	Various
100	Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62	✓	12/31/24
101	Compensated Absences	✓	12/31/24

*The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming [GASB pronouncements](#).

Ready or not – the new lease standard is here!

GASB's new single model for lease accounting is effective for next year's audit (fiscal years ending June 30, 2022 and later). This standard requires governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources. The standard specifies that leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated).

The implementation process can be broken down into a four-step methodology:



Now is the time to evaluate where your government is in this process and the timeline to complete implementation. The third step for lease evaluation, data extraction and review is typically the most time-consuming step; organizations should begin this process well before year end to ensure adequate lead time. A key decision that will need to be made is whether a lease administration software package is necessary. Depending on the volume and complexity of your lease activity, spreadsheets may not be sufficient to track and calculate all the required information.

We are available to discuss this further and help you develop an action plan. Baker Tilly also has complimentary resources available online including:

- [GASB 87 lease identification questionnaire](#)
- [GASB 87 lease assistance tool](#)
- Variety of GASB 87 podcasts and articles

Access tools and learn more about [GASB 87](#).

Preparing for the new conduit debt reporting

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The County should identify any existing debt arrangements involving third-party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.

Determining if GASB 94 applies for your organization

GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* provides guidance related to public-private and public-public partnerships (PPP) and availability payment arrangements (APA).

A PPP is an arrangement in which an entity contracts with an operator to provide public services by conveying control of the right to operate or use infrastructure or other capital asset. A common example of PPP is a service concession arrangement.

An APA is an arrangement in which an entity compensates an operator for services that may include designing, constructing, financing, maintaining or operating an asset.

The County should start to identify any contracts that could meet either definition to ensure they are reviewed for applicability and accounted for correctly when the standard is effective. Initial steps include reviewing contracts that didn't meet the definition of a lease under GASB 87 and identifying any other agreements where the organization contracts with or partners with another entity to provide services.

Future accounting for subscription-based IT arrangements

Subscription-based IT arrangements include contracts that convey control of the right to use another party's IT software. It would not include any licensing arrangements that provide a perpetual license, which would still be accounted for as an intangible asset. Subscription-based IT arrangements are becoming more and more popular with IT vendors. This standard mirrors the new lease standard. The County will be able to utilize the systems put into place to implement the lease standard to properly account for these contracts. Common examples of these contracts in the utility industry include:

- Leasing space in the cloud
- GIS systems
- SCADA systems
- Some work order or inventory systems as well as some general ledger or billing systems

The County should work with its IT department and department managers to determine a population listing of contracts that would fall under this standard to determine the potential future impact to financial reporting.

Uncorrected misstatements

COUNTY OF MILWAUKEE

Summary of Uncorrected Financial Statement Misstatements
December 31, 2021
(In Thousands)

	Financial Statements Effect - Increase (Decrease) to Financial Statement Total					
	Total Assets / Deferred Outflows of Resources	Total Liabilities / Deferred Inflows of Resources	Total Net Position / Fund Balance	Excess of Revenue over Expenses		
				Current Year Effect of Prior Year Reversing Uncorrected Financial Statement Misstatements	Current Year Uncorrected Financial Statement Misstatements	Total
Government-wide Financial Statements						
Governmental Activities	\$ 1,190	\$ -	\$ 1,190	\$ 1,808	\$ 1,190	\$ 2,998
Business-Type Activities	300	-	300	729	300	1,029
Fund Financial Statements						
General Fund	1,190	-	1,190	625	1,190	1,815
Debt Service Fund	-	-	-	-	-	-
Capital Projects Fund	-	-	-	1,183	-	1,183
Airports Fund	300	-	300	688	300	988
Transit Fund	-	-	-	42	-	42
Remaining Funds	6,421	-	6,421	(8,171)	6,421	(1,750)

COUNTY OF MILWAUKEE

**Schedule of Unrecorded Proposed Audit Adjustments
December 31, 2021
(In Thousands)**

<u>Type/Fund/Account Description</u>	<u>Debits</u>	<u>Credits</u>
<u>Governmental Activities</u>		
General Fund		
Cash	1,190	
Revenue		1,190
(To record unrecorded cash transactions)		
<u>Business Type Activities</u>		
Airport		
Cash	300	
Revenue		300
(To record unrecorded cash transactions)		
<u>Fiduciary Funds</u>		
Pension Trust Fund		
Investments	6,421	
Revenues		6,421
(To record variance in carrying value of investments)		

Two-way audit communications

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 and other auditors 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.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.
- d. 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.

Our audit and the work of other auditors will be performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*.

We and the other auditors will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, the Uniform Guidance and the *State Single Audit Guidelines*, our report and the report of other auditors will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and the Uniform Guidance and the *State Single Audit Guidelines*, in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

- e. Your financial statements contain components, as defined by auditing standards generally accepted in the United States of America, which we also audit.
- f. In connection with our audit, we intend to place reliance on the audit of the financial statements of the Milwaukee County War Memorial Inc. and the Marcus Center for the Performing Arts, component units of the County of Milwaukee, as of December 31, 2022 and June 30, 2022 and for the period then ended completed by the component auditors Wipfli, LLP and CliftonLarsenAllen, LLP, respectively. All necessary conditions have been met to allow us to make reference to the component auditors.

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 governing 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. We anticipate that the County will receive an unmodified opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

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

- a. The entity'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 financial audit work during the months of October-December and sometimes early in January. Our final financial fieldwork is scheduled during April - July to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial 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 4-8 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.

While we work with management and staff in reviewing the financial data and the financial statements, our responsibility is to report to the Board of Supervisors. If you have any questions or comments concerning our audit, please contact your engagement partner, Carla A. Gogin, at 608.240.2460 or email at Carla.Gogin@bakertilly.com, the engagement senior managers, Steven J. Henke, at 414.777.5342 or email at Steven.Henke@bakertilly.com or Michelle Walter at 414.777.5576 or email at Michelle.Walter@bakertilly.com. We welcome the opportunity to hear from you.