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Johnson & Block

AND COMPANY, INC.

Certified Public Accountants

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October 1, 1996

County Board Chairman
Iowa County
Dodgeville, Wisconsin 53533

We are pleased to confirm our understanding of the services we are to provide for Iowa County for the year ended December 31, 1996. We will audit the general purpose financial statements of Iowa County as of and for the year ended December 31, 1996.

Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the general purpose financial statements.

1. Combining statements by fund type
2. Schedule of Federal and State Financial Assistance

Our audit will be a Single Audit conducted in accordance with generally accepted auditing standards; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act of 1984; the provisions of OMB Circular A-128, "Audits of State and Local Governments", and the State Single Audit Guidelines; and will include tests of the accounting records of Iowa County and other procedures we consider necessary to enable us to express an unqualified opinion that the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles and to report on the Schedule of Federal and State Financial Assistance and on Iowa County compliance with laws and regulations and its internal controls as required by the Single Audit. If our opinion is other than unqualified, we will fully discuss the reasons with you in advance.

The management of Iowa County is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal and state financial assistance programs are managed in compliance with applicable laws and regulations.

In planning and performing our audits for the year ended December 31, 1996, we will consider the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the Iowa County, Wisconsin's general purpose financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128, and not to provide assurance on the internal control structure.

We will obtain an understanding of the design of the relevant policies and procedures and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain policies and procedures that we consider relevant to preventing and detecting errors and irregularities that are material to the general purpose financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the general purpose financial statements. (Tests of controls are required only if control risk is assessed below the maximum level.) Our tests, if performed, will be less in scope than would be necessary to render an opinion on the internal control structure policies and procedures and, accordingly, no opinion will be expressed.

We will perform tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control policies and procedures that we consider relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Iowa County's major federal and state financial assistance programs. Our tests will be less in scope than would be necessary to render an opinion on the internal control structure policies and procedures and, accordingly, no opinion will be expressed.

We will inform you of any matters involving internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. We will also inform you of any nonreportable conditions or other matters involving the internal control structure, if any, as required by OMB Circular A-128.

Compliance with laws, regulations, contracts, and grant agreements applicable to Iowa County, Wisconsin is the responsibility of Iowa County, Wisconsin's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we will perform tests of Iowa County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance with such provisions, and we will not express such an opinion.

Our audit will be conducted in accordance with the standards referred to in the second paragraph. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements governing types of services allowed or unallowed; eligibility, matching, level of effort, or earmarking; reporting; special tests and provisions; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to major programs occurred. The purpose of our audit will be to express an opinion on Iowa County, Wisconsin's compliance with the specific requirements applicable to major programs listed in the previous sentence.

We will perform certain procedures to test Iowa County, Wisconsin's compliance with the general requirements applicable to its federal and state financial assistance programs as required by OMB Circular A-128. Our procedures will be limited to the applicable procedures described in the OMB's "Compliance Supplement for Single Audits of State and Local Governments". Our procedures will be substantially less in scope than an audit, the objective of which is the expression of an opinion on the general requirements, and we will not express such an opinion.

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. As required by the Single Audit Act of 1984 and the State Single Audit Guidelines, our audit will include tests of transactions related to federal and state financial assistance programs for compliance with applicable laws and regulations. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us. We will advise you, however, of any matters of that nature that come to our attention, and will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the periods covered by our audit and does not extend to matters that might arise during any later period for which we are not engaged as auditors.

We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. This responsibility includes the maintenance of adequate records and related internal control structure policies and procedures, the selection and application of accounting principles, and the safeguarding of assets.

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

Our audit is not specifically designed and cannot be relied on to disclose reportable conditions, that is, significant deficiencies in the design or operation of the internal control structure. However, during the audit, if we become aware of such reportable conditions or ways that we believe management practices can be improved, we will communicate them to you in a separate letter.

We expect to issue our report on the general purpose financial statements no later than May 31, 1997.

Other Services

In addition to our audit of the general purpose financial statements, we will perform the following services:

- . We will audit the Nursing Home-Bloomfield Manor and Blackhawk Lake Commission for the year ended December 31, 1996 and issue separate audit reports.

Our fees for these services will be based on the actual time spent at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The fee will be \$17,000, plus an additional \$1,200 for the audit of Blackhawk Lake Commission.

This fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

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

Very truly yours,

JOHNSON BLOCK AND COMPANY, INC.

Alan Bray, CPA

RESPONSE:

This letter correctly sets forth the understanding of Iowa County

By: *David D. Meudt*

Title: Iowa County Clerk

Date: 11-12-96