



November 7, 2023

The Village Board
Village of Ridgeway
Ridgeway, WI 53582

We are pleased to confirm our understanding of the services we are to provide the Village of Ridgeway, Wisconsin for the year ending December 31, 2023.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the disclosures, which collectively comprise the basic financial statements of the Village of Ridgeway, Wisconsin as of and for the year ending December 31, 2023. Accounting principles generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as budgetary comparison schedules, to supplement the Village of Ridgeway, Wisconsin's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Village of Ridgeway, Wisconsin's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis (if prepared by management)
- 2) Budgetary Comparison Schedules

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

- 1) Combining Nonmajor Fund Schedules



Audit Scope and Objectives (Continued)

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

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

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

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 assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement.

Our audit of the financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Turnover in key personnel (clerk/treasurer and deputy clerk/treasurer).
- Material audit adjustments were required in prior years.
- Possibility of management override of controls and limited segregation of duties.
- Improper revenue recognition related to increased intergovernmental funding.
- Capital asset additions might not be properly capitalized and depreciated.
- New governmental accounting standard effective for the December 31, 2023 audit – GASB 96.

Audit Procedures—Compliance

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

Other Services

We will also assist in preparing the financial statements, maintaining depreciation schedules, and maintaining lease schedules of the Village of Ridgeway in conformity with accounting principles generally accepted in the United States of America based on information provided by you.

We will perform the services in accordance with applicable professional standards. The other services are limited to the depreciation schedules, lease schedules, and financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statement preparation services, depreciation schedules, lease schedules and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.



Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

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

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

You are responsible for the preparation of the supplementary information in conformity with GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

With regard to publishing the financial statements on your website, you understand that websites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the website with the original document.



Engagement Administration, Fees, and Other

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

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

Shawn Roelli is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fees for these services are stated below plus out-of-pocket costs (such as staff travel, mileage, confirmation service provider fees, etc.).

	<u>2023</u>
Audit Services	
General Fund and other governmental funds	\$ 9,000
TIF District (annual activity)	1,000
Water Utility	5,000
Sewer Utility	5,000
State Financial Report (Form C)	2,500
Public Service Commission Annual Report	<u>2,500</u>
Total	<u>\$ 25,000</u>

The Department of Revenue requires the submission of a TID Annual Report (PE-300) for TIF Districts. Time to compile TID Annual Reports will be billed at our standard hourly rates.

Governmental depreciation schedules are required by Governmental Accounting Standards Board Statement No. 34 (GASB 34). Assistance related to governmental depreciation schedules will be billed 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. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

The attached Addendums A and B, which are an integral part of this engagement letter, relate to our preparation of the PSC and Municipal Financial Report forms.



Engagement Administration, Fees, and Other (Continued)

This letter was prepared under the assumption that a single audit performed in accordance with the Uniform Guidance will not be required. If we are requested or required by governmental agencies to audit additional funds or programs not included in our proposal, our time performing these services would be billed at our standard hourly rates. The amount of time spent on a Single Audit is dependent on the type of major programs to be tested.

Changes in Accounting and Audit Standards

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in this letter increases due to such changes, our fee may need to be adjusted.

Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), is required to be implemented for the year ending December 31, 2023. Addendum C outlines the terms of non-attest services to be provided should the Village of Ridgeway decide to request assistance with the necessary accounting and reporting of this standard.

Unanticipated Services

Below are services considered to be outside the scope of our engagement. If any such service needs to be completed before the audit can proceed in an efficient manner, we will determine whether we can provide the service and maintain our independence. If appropriate, we will notify you and provide a fair and reasonable price for providing the service. We will bill you for the service at periodic dates after the additional service has been performed.

Bookkeeping services

Bookkeeping services are not audit services. Bookkeeping services include but are not limited to the following activities:

- Preparation of a trial balance
- Account or bank statement reconciliations
- Capital asset accounting (e.g., calculating depreciation, identify capital assets for additions and deletions)
- Significant additional time spent calculating accruals
- Processing immaterial adjustments through the financial statements requested by management
- Adjusting the financial statements for new activities and new disclosures

Additional work resulting from unanticipated changes in your organization or accounting records

If your organization undergoes significant changes in key personnel, accounting systems, and/or internal control, we are required to update our audit documentation and audit plan. The following are examples of situations that will require additional audit work:

- Deterioration in the quality of the entity's accounting records during the current-year engagement in comparison to the prior-year engagement
- Significant new accounting issues, significant changes in your volume of business or new or unusual transactions
- Changes in audit scope or requirements resulting from changes in your activities
- Erroneous or incomplete accounting records
- Implementation or adoption of new or existing accounting, reporting, regulatory, or tax requirements and any applicable financial statement disclosures



Nonattest and Other Services

Prior to or as part of our audit engagement, it may be necessary for us to perform certain nonattest services including, but not limited to, compiling the PSC annual report and DOR forms, preparing a draft of your financial statements and maintenance of depreciation and lease schedules. We will not perform any management functions or make management decisions on your behalf with respect to any nonattest services we provide. In connection with our performance of any nonattest services, you agree that you will:

- Continue to make all management decisions and perform all management functions including approving all journal entries and general ledger classifications when they are submitted to you.
- Designate employee(s) with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
- Evaluate the adequacy and results of the nonattest services we perform.
- Accept responsibility for the results of our nonattest services.
- Establish and maintain internal controls, including monitoring ongoing activities related to the nonattest function.

Reporting

We will issue a written report upon completion of our audit of the Village of Ridgeway, Wisconsin’s financial statements. Our report will be addressed to the Village Board of Ridgeway. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor’s report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or withdraw from this engagement.

We appreciate the opportunity to be of service to the Village of Ridgeway 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 attached copy and return it to us.

Very truly yours,

Johnson Block & Company, Inc.

Johnson Block & Co., Inc.

RESPONSE:

This letter correctly sets forth the understanding of the Village of Ridgeway, Wisconsin.

Signature: _____

Title: _____

Date: _____



ADDENDUM A

We will perform the following services:

We will compile, from information you provide, the annual Financial Report Forms to the Wisconsin Department of Revenue, for the year ending December 31, 2023. Upon completion of the compilation of the annual Financial Report Forms, we will provide the Village with our accountant's compilation report. If, for any reason caused by or relating to affairs or management of the Village, we are unable to complete the compilation or if we determine in our professional judgement the circumstances necessitate, we may withdraw and decline to submit the annual Financial Report Forms to you as a result of this engagement.

Our Responsibilities and Limitations

We will be responsible for performing the compilation in accordance with *Statements on Standards for Accounting and Review Services* established by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements. We will utilize information that is the representation of management without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with accounting principles generally accepted in the United States of America.

Our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist and, because of the limited nature of our work, detection is highly unlikely. However, we will inform the appropriate level of management of any material errors, and of any evidence that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

Management's Responsibilities

The Village's management is responsible for the financial statements referred to above. In this regard, management is responsible for (i) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, (ii) designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements, (iii) preventing and detecting fraud, (iv) identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and (v) making all financial records and related information available to us. Management also is responsible for identifying and ensuring that the Village complies with the laws and regulations applicable to its activities.

Management is responsible for providing us with the information necessary for the compilation of the financial statements and the completeness and the accuracy of that information and for making Village personnel available to whom we may direct inquiries regarding the compilation. We may make specific inquiries of management and others about the representations embodied in the financial statements.

ADDENDUM B

We will perform the following services:

We will compile, from information you provide, the Public Service Commission Annual Report, including the balance sheet of the electric and water utility, an enterprise fund of the Village of Ridgeway, as of December 31, 2023 and the related statements of income and retained earnings for the year then ending and the supplemental schedules as of and for the year ending December 31, 2023. Upon completion of the Public Service Commission Annual Report, we will provide the Village with our accountant's compilation report. If, for any reason caused by or relating to affairs or management of the Village, we are unable to complete the compilation or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to submit the Public Service Commission Annual Report to you as a result of this engagement.

Our Responsibilities and Limitations

We will be responsible for performing the compilation in accordance with *Statements on Standards for Accounting and Review Services* established by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements. We will utilize information that is the representation of management without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with accounting principles generally accepted in the United States of America.

Our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist and, because of the limited nature of our work, detection is highly unlikely. However, we will inform the appropriate level of management of any material errors, and of any evidence that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

Management's Responsibilities

The Village's management is responsible for the financial statements referred to above. In this regard, management is responsible for (i) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, (ii) designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements, (iii) preventing and detecting fraud, (iv) identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and (v) making all financial records and related information available to us. Management also is responsible for identifying and ensuring that the Village complies with the laws and regulations applicable to its activities.

Management is responsible for providing us with the information necessary for the compilation of the financial statements and the completeness and the accuracy of that information and for making Village personnel available to whom we may direct inquiries regarding the compilation. We may make specific inquiries of management and others about the representations embodied in the financial statements.



ADDENDUM C
**GASB Statement No. 87, Leases and GASB Statement No. 96, Subscription-Based Information
Technology Arrangements (SBITA)**

Non-attest services

We will provide the following non-attest services:

- Calculate the lease asset and lease liability (lease schedule) based on the lease information you provide to us.
- Calculate the subscription asset and corresponding subscription liability based on the information you provide to us
- Propose journal entries to record the asset and liability in accordance with GASB Statement No. 87 and/or 96 and the related expenses.
- Assist with drafting the related GASB Statement No. 87 and/or 96 financial statement disclosures.
- Provide to you sufficient information for you to oversee the services, evaluate the adequacy and results of the services; accept responsibility for the results of the services and ensure your data and records are complete.

Client information requirements

The Village agrees it is solely responsible for the accuracy, completeness, and reliability of all of the Village's data and information that it provides us for our engagement. The Village agrees it will provide any requested information on or before the date we commence performance of the services.

Our responsibilities related to the non-attest services and the related limitations:

We will not assume management responsibilities, perform management functions, or make management decisions on behalf of the Village. However, we will provide advice and recommendations to assist management in performing its responsibilities.

This engagement is limited to the non-attest services outlined above. We, in our sole professional judgment, reserve the right to refuse to do any procedure or take any action that could be construed as assuming management responsibilities, making management decisions, or performing management functions, including approving journal entries. We will advise the Village with regard to positions taken in the performance of the non-attest services, but management must make all decisions with regard to those matters.

Our engagement cannot be relied upon to disclose errors, fraud, or noncompliance with laws and regulations. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

We have no responsibility to ensure the Village's lease accounting practices, systems, or reports comply with applicable laws or regulations, all of which remain your sole responsibility.

Because the services listed above do not constitute an examination, audit, or review, we will not express an opinion or conclusion or issue a written report on your application of the requirements of GASB Statement No. 87 and/or 96 as it relates to contracts. You agree that our services are not intended to be used by a third party in reaching a decision on the application of the requirements of GASB Statement No. 87 and/or 96 to a specific transaction..



ADDENDUM C (Continued)

Management's responsibilities related to non-attest services

For all non-attest services we may provide to you, management agrees to assume all management responsibilities, including determining, reviewing, and approving lease information and schedules and related journal entries; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. Management is also responsible for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

Fees

Our professional fees will be billed based on the time involved and the degree of responsibility and skills required. We will also bill for expenses, including applicable software costs.

Use of Cloud Based Accounting Solution

Johnson Block & Company, Inc. intends to perform said non-attest services described above through the use of a third-party cloud-based solution (LeaseCrunch).

As part of its agreement with the Village ("Client"), Johnson Block & Company, Inc. may provide Client access to a cloud-based accounting solution provided by LeaseCrunch, LLC ("LeaseCrunch Services"). As between the Client and Johnson Block & Company, Inc., Johnson Block & Company, Inc. disclaims all liability related in any way to the Client's use of the LeaseCrunch Services. Johnson Block & Company, Inc. also disclaims any warranties related to the LeaseCrunch Services. Client is solely responsible for the acts and omissions of any third party, including employees or contractors, who Client has designated as a user of the LeaseCrunch Services (each an "End User"). Each End User is required to accept the LeaseCrunch Acceptable Use Policy upon initial login to the LeaseCrunch Services. Client agrees to indemnify and hold Johnson Block & Company, Inc. and its affiliates harmless from any and all liability and expenses, including reasonable attorneys' fees and costs, related to third-party claims arising out of Client's or its End User's use of LeaseCrunch Services in violation of LeaseCrunch's Acceptable Use Policy.