

_____, 2021

Waukesha Transit Commission
City of Waukesha
2311 Badger Drive
Waukesha, WI 53188-5932

Dear Commission Members:

The following are comments highlighting items that came to our attention during our audit of the financial statements of the City of Waukesha Transit (transit) for the year ended December 31, 2020 and 2019, which we reported upon on _____, 2021. These comments are based on our observations during the audit and are intended to bring information of interest to the Waukesha Transit Commission (Commission).

This report is intended solely for the information and use of management and the Commission, and is not intended to be, and should not be, used by anyone other than the specified parties.

AUDIT REPORT

Consistent with recent years, the transit issued a full audit report in addition to the supplemental schedules historically prepared. This report is prepared with the assistance of management and provides additional detail and understanding of the transit's operations during year and financial position at year-end. The transit's financial data continues to be included in the City of Waukesha's Comprehensive Annual Financial Report.

COUNTY INFORMATION THAT FLOWS THROUGH TRANSIT'S FINANCIALS

The transit continues to act as an administrator for county services. Due to this relationship with the county, all federal, state, and local grants that the county receives flow through the transit's revenues on the financial statements. The transit also contracts out for purchased transportation and bills some administrative costs to the county, which show as expenses on the transit's financial statements. If this relationship with the county were to end, the transit's revenues and expenses would decrease; however, there would be minimal overall net effect on income.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

TRANSIT OVERSIGHT

Due to the size of the transit, there is limited personnel in the accounting department. Management has worked diligently to implement controls, however, it is important that the Transit Commission stay involved, review information provided, and ask questions.

TRANSIT FUND RESERVE

We understand that management, the City Finance Committee and the Transit Commission are all interested in developing a mechanism or policy that would provide Transit with reserves or resources to draw upon in years when costs exceed budgets, like happened in 2018. One option is to establish that the full tax levy budgeted for transit each year is allocated to transit, and that any portion not needed for current year operations is tracked as a reserve. The reserve would be available for use in future periods with overages. Management

would track the reserve in a separate ledger account and reported within a footnote of the financial statements. This could be even more transparent if these funds were placed into a segregated cash account. We understand that the tax levy allocated to transit for 2020 was reduced by the CARES funding received, however we suggest that the \$190,118 that was not needed for current year operations be approved to be the beginning of this reserve.

REQUIRED COMMUNICATIONS

As part of the audit process, we are required to communicate certain issues related to the internal controls of the transit. As the processes related to the recording and reporting of financial data for the transit are integrated with the city, these communications are included in the report on internal controls for the City of Waukesha as presented to the City Council. In addition, there are certain communications that are required to be made to the governing body related to responsibilities, the scope of the audit and the audit processes. Again, these communications are included in the report on internal controls for the City of Waukesha, including the transit, as presented to the City Council. This letter presents communications related to only transit specific items.

CORRECTED AND UNCORRECTED MISSTATEMENTS (AUDIT ADJUSTMENTS)

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. Management has corrected all such misstatements. In addition, we note none of these adjustments were material individually or in total to the financial statements taken as a whole.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter is attached.

CLOSING

Our comments are intended to highlight unique transactions and items that were noted during the financial audit of the transit. We are available to discuss these items in more detail.

We thank transit's personnel for the assistance provided during the audit. Please contact us if you have any questions or comments.

Sincerely,

BAKER TILLY US, LLP

Madison, Wisconsin
_____, 2021