



City of Waukesha
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City of Waukesha Cover Sheet

Committee: Finance Committee	Meeting Date: 01/27/2026
ID Number: ID# 26-02849	Ordinance/Resolution Number (if applicable):
Name of Submitter: Joseph P. Ciurro, Finance Director	Target Next Board/Council Meeting Date: 02/03/2026
Agenda Item Title: Review and Act on a recommendation to execute an audit contract with Baker Tilly, LLP for audit years 2025 through 2026.	

Issue Before the Board/Council:

The City's most recent audit contract ended with the 2024 audit year, so the City is in need of a new audit contract with Baker Tilly, LLP. It is not uncommon for entities to renew or extend a contract with existing auditing firms as consistency creates efficiency. We are very happy with our audit team and Baker Tilly, LLP as a whole. Not only do they assist us during the audit process, but they also are available should we have questions throughout the year. With the City expected to complete its spenddown and related audit requirements of American Rescue Plan Act funds by the end of 2026, it is Staff's recommendation that the City's auditing firm remain the same for continuity. Also, staff for both the Water Utility and Transit Utility are in agreement with moving forward with a contract with Baker Tilly, LLP.

We requested a two-year contract from Baker Tilly, LLP, the breakdown in pricing is as follows:

	2024	2025	Incr %	2026	Incr %
Financial Audit					
Water Utility (fieldwork 3/11 - 3/13)	\$ 12,100	\$ 12,100	0.0%	\$ 12,705	5.0%
Wastewater Utility	8,450	8,450	0.0%	8,875	5.0%
Transit Utility (fieldwork 3/9 - 3/11)	12,410	13,025	5.0%	13,675	5.0%
Remaining governmental/enterprise funds	42,000	42,000	0.0%	44,100	5.0%
Single Audit *	-	13,500	100.0%	14,175	5.0%
	<u>\$ 74,960</u>	<u>\$ 89,075</u>	<u>18.8%</u>	<u>\$ 93,530</u>	<u>5.0%</u>

Additional Services are available as follows:

Water Financial Statement Preparation	-	2,625	100.0%	2,755	5.0%
City Financial Statement Preparation	2,485	7,500	201.8%	7,875	5.0%
State report - form C and related Tax 16	2,350	4,000	70.2%	4,200	5.0%
Total	<u>\$ 4,835</u>	<u>\$ 14,125</u>	<u>192.1%</u>	<u>\$ 14,830</u>	<u>5.0%</u>

Options & Alternatives:

Option 1: Approve the audit contract and pricing as shown.

Option 2: Reject and direct staff to seek request for proposals for audit firms.

Additional Details:

The increase in fees is primarily associated with a separate charge for single audit (i.e. compliance testing) as required. With the Cares Act (Transit), ARPA Funding (Transit/City), WIFIA (Water) and CWF Loan program (Sewer), there has been more of an effort required to accomplish our compliance testing than in previous audit years. Additionally, through conversations that the Finance Department had with other cities, it seems very common for these services to be charged separately throughout our industry. Also, based on those conversations, the fee of \$4,500 per program (\$13,500 total) appears to be reasonable in the government audit market.

As for the Additional Services noted, the City's Finance Department intends to prepare the City's Financial Statements and State Report (Form C) to reduce costs as much as possible.

What is the Strategic Plan Priority this item relates to:

Financial Sustainability

What impact will this item have on the Strategic Plan Priority?

Signing this contract will control the audit expenses for the City over a 2-year period.

Financial Remarks:

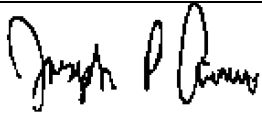
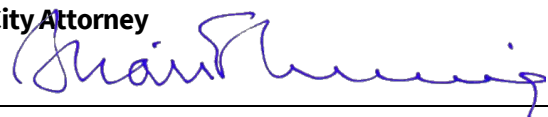
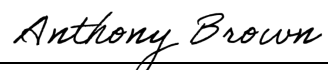
The audit fees are split between four main areas.

- City portion is charged to Fund 100, Org 1570, Object 52130 (Funding – Tax Levy).
- Sewer portion is Fund 603, Org 7380, Object 52130 (Funding – Sewer Revenues).
- Transit portion is not in the City Financial System (Funding – Transit Op Budg. & Tax Levy).
- Water Utility is not in the City Financial System (Funding – Water Revenues).

Suggested Motion:

... make a motion to approve the audit services contract, as presented, for the audit years 2025 and 2026 with Baker Tilly, LLP.

Reviewed By:

Finance Director 	Date Reviewed 01/22/2026
City Attorney 	Date Reviewed 22 Jan 2026
City Administrator 	Date Reviewed 1/23/2026

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January 12, 2026

Mr. Joseph Ciurro
City of Waukesha
201 Delafield Street
Waukesha, Wisconsin 53188

Dear Mr. Ciurro:

Thank you for using Baker Tilly US, LLP (Baker Tilly, we, our) as your auditors.

The purpose of this letter (the Engagement Letter) is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide as independent accountants of the City of Waukesha (Client, you, your).

Service and Related Report

We will audit the basic financial statements of the City of Waukesha as of and for the years ended December 31, 2025 and 2026, and the related notes to the financial statements. Upon completion of our audit, we will provide the City of Waukesha with our audit report on the financial statements and supplemental information referred to below. If, for any reasons caused by or relating to the affairs or management of the City of Waukesha, we are unable to complete the audit or are unable to or have not formed an opinion, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

The following supplementary information accompanying the financial statements will also be subjected 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 auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole.

- > Combining and Individual Fund Financial Statements
- > Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund
- > Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis, to supplement the City of Waukesha'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 City of Waukesha's RSI in accordance with auditing standards generally accepted in the United States of America. 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 response 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 evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- > Budget Comparison Schedules
- > OPEB - related schedules
- > Pension - related schedules

Our report does not include reporting on key audit matters.

Our Responsibilities and Limitations

The objective of a financial statement audit is the expression of an opinion on the financial statements. We will be responsible for performing that audit in accordance with auditing standards generally accepted in the United States of America (GAAS). These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. A misstatement is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user based on the financial statements. The objective also includes reporting on:

- > Internal control related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on the financial statements in accordance with *Government Auditing Standards*.
- > Internal control related to major federal and state programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (i) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (ii) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We will be responsible for performing the audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the Uniform Guidance and the *State Single Audit Guidelines*, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, and other procedures we consider necessary to enable us to express such opinions and to render the required reports.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We will also:

- > Identify and assess the risks of material misstatement of the financial statements and supplemental information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements and supplemental information that we have identified during the audit.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements and supplemental information, including the disclosures, and whether the financial statements and supplemental information represent the underlying transactions and events in a manner that achieves fair presentation.
- > Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal controls, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or those charged with governance of their responsibilities. Our audit is limited to the period covered by our audit and does not extend to any later periods during which we are not engaged as auditor.

The audit will include obtaining an understanding of the City of Waukesha and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to determine the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control matters that are required to be communicated under professional standards. We will also inform you of any other matters involving internal control, if any, as required by *Government Auditing Standards*, the Uniform Guidance and the *State Single Audit Guidelines*.

Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the 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 financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance and the *State Single Audit Guidelines*, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and major state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control over compliance issued pursuant to the Uniform Guidance and the *State Single Audit Guidelines*.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Waukesha's compliance with the provisions of applicable laws, regulations, contracts and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance and the *State Single Audit Guidelines* require that we also plan and perform the audit to obtain reasonable assurance about whether you have complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the OMB Compliance Supplement and the *State Single Audit Guidelines* for the types of compliance requirements that could have a direct and material effect on each of the City of Waukesha's major programs. The purpose of those procedures will be to express an opinion on your compliance with requirements applicable to each of your major programs in our report on compliance issued pursuant to the Uniform Guidance and the *State Single Audit Guidelines*.

We are also responsible for determining that those charged with governance are informed about certain other matters related to the conduct of the audit, including (i) our responsibility under GAAS, (ii) an overview of the planned scope and timing of the audit, and (iii) significant findings from the audit, which include (a) our views about the qualitative aspects of your significant accounting practices, accounting estimates, and financial statement disclosures; (b) difficulties encountered in performing the audit; (c) uncorrected misstatements and material corrected misstatements that were brought to the attention of management as a result of auditing procedures; and (d) other significant and relevant findings or issues (e.g., any disagreements with management about matters that could be significant to your financial statements or our report thereon, consultations with other independent accountants, issues discussed prior to our retention as independent auditors, fraud and illegal acts, and all significant deficiencies and material weaknesses identified during the audit). Lastly, we are responsible for ensuring that those charged with governance receive copies of certain written communications between us and management including written communications on accounting, auditing, internal controls or operational matters and representations that we are requesting from management.

The audit will not be planned or conducted in contemplation of reliance of any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be addressed differently by a third party, possibly in connection with a specific transaction.

Management's Responsibilities

Our audit will be conducted on the basis that the City of Waukesha's management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- > For the preparation and fair presentation of the financial statements and supplementary information in accordance with accounting principles generally accepted in the United States of America;
- > For the design, implementation, establishment, and maintenance of internal control relevant to the preparation and fair presentation of financial statements and supplementary information that are free from material misstatement, whether due to fraud or error; and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met and;
- > For identifying all federal and state awards received and understanding and complying with the compliance requirements;
- > For the design, implementation, and maintenance of effective internal controls over compliance that provides reasonable assurance that the City of Waukesha administers federal and state awards in compliance with the compliance requirements; and
- > To provide us with:
 - Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and supplementary information such as records, documentation, and other matters;
 - Additional information that we may request from management for the purpose of the audit; and
 - Unrestricted access to persons within the City of Waukesha from whom we determine it necessary to obtain audit evidence

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed above. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. You are also responsible for providing management's views on our current findings, conclusions and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

Management is responsible for (i) adjusting the basic financial statements to correct material misstatements and for affirming to us in a management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period under audit are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole, and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of your internal control over financial reporting that are reasonably likely to adversely affect your ability to record, process, summarize and report external financial data reliably in accordance with GAAP. Management is also responsible for identifying and ensuring that the City of Waukesha complies with the laws and regulations applicable to its activities.

As part of our audit process, we will request from management and, when appropriate, those charged with governance written confirmation concerning representations made to us in connection with the audit.

Baker Tilly is not a municipal advisor as defined in Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or under Section 15B of the Securities Exchange Act of 1934 (the Act). Baker Tilly is not recommending an action to the City of Waukesha; is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Act to you with respect to the information and material contained in the deliverables issued under this engagement. Any municipal advisory services would only be performed by Baker Tilly Municipal Advisors LLC (BTMA) pursuant to a separate engagement letter between you and BTMA. You should discuss any information and material contained in the deliverables with any and all internal and external advisors and experts that you deem appropriate before acting on this information or material.

Nonattest Services

Prior to or as part of our audit engagement, it may be necessary for either Baker Tilly US, LLP or Baker Tilly Advisory Group, LP to perform certain nonattest services. For purposes of this letter, nonattest services include services that *Government Auditing Standards* refers to as nonaudit services.

Nonattest services that we or Baker Tilly Advisory Group, LP will be providing are as follows:

- > Preparation of financial statements, when requested
- > Propose adjusting journal entries, as necessary
- > Compiled State report form C

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

Mr. Joseph Ciurro
City of Waukesha

January 12, 2026
Page 7

Baker Tilly US, LLP and Baker Tilly Advisory Group, LP will not perform any management functions or make management decisions on your behalf with respect to any nonattest services provided.

In connection with our performance of any nonattest services, Baker Tilly US, LLP or Baker Tilly Advisory Group, LP 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 an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services performed.
- > Evaluate the adequacy and results of the nonattest services performed.
- > Accept responsibility for the results of the nonattest services.
- > Establish and maintain internal controls, including monitoring ongoing activities related to the nonattest function.

On a periodic basis, as needed, we will meet with you to discuss your accounting records and the management implications of your financial statements. We will notify you, in writing, of any matters that we believe you should be aware of and will meet with you upon request.

In addition to the audit services discussed above, we will compile the annual Financial Report Form to the Wisconsin Department of Revenue. See Addendum A attached, which is an integral part of this Engagement Letter.

Other Documents

If you intend to reproduce or publish the financial statements in an annual report or other information (excluding official statements), and make reference to our firm name in connection therewith, you agree to publish the financial statements in their entirety. In addition, you agree to provide us, for our approval and consent, proofs before printing and final materials before distribution.

The City of Waukesha may wish to include our report on these financial statements in an official statement or some other securities offering. You agree that the aforementioned audit report or reference to Baker Tilly will not be included in such offering without our prior written permission or consent. Upon notification, auditing standards will require our involvement with the official statement, and any procedures related to this involvement will be a separate agreement.

Mr. Joseph Ciurro
City of Waukesha

January 12, 2026
Page 8

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

At the conclusion of our engagement, we will complete the appropriate auditor sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to complete the auditee sections and to submit the reporting package (including financial statements, schedule of expenditures of federal and state awards, summary schedule of prior year audit findings, auditors' reports and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include within the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of thirty (30) days after receipt of the auditors' reports or nine (9) months after the end of the audit period.

We will provide copies of our reports to the City of Waukesha, however, management is responsible for distribution of the reports and the financial statements. Copies of our reports are to be made available for public inspection unless restricted by law or regulation or if they contain privileged and Confidential Information.

The documentation for this engagement, including the workpapers, is the property of Baker Tilly and constitutes Confidential Information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to federal or state agencies for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Baker Tilly personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. Baker Tilly does not retain any original client records; so we will return such records to you at the completion of the services rendered under this engagement. When such records are returned to you, it is the City of Waukesha's responsibility to retain and protect its accounting and other business records for future use, including potential review by any government or other regulatory agencies. By your signature below, you acknowledge and agree that, upon the expiration of the documentation retention period, Baker Tilly shall be free to destroy our workpapers related to this engagement. If we are required by law, regulation or professional standards to make certain documentation available to regulators, the City of Waukesha hereby authorizes us to do so.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any subsequent peer review reports received during the period of the contract. Our most recent peer review report accompanies this letter.

Mr. Joseph Ciurro
City of Waukesha

January 12, 2026
Page 9

Timing and Fees

Our professional fees for these services will be as follows:

	2025	2026
Financial Audit		
Water Utility (fieldwork 3/11 - 3/13	\$ 12,100	\$ 12,705
Wastewater Utility	8,450	8,875
Transit Utility (fieldwork 3/9 - 3/11	13,025	13,675
Remaining governmental/enterprise funds	42,000	44,100
Single Audit *	13,500	14,175
	<u>89,075</u>	<u>93,530</u>
 Water Financial Statement Preparation	2,625	2,755
City Financial Statement Preparation ****	7,500	7,875
State report - form C and related Tax 16	4,000	4,200
Total	<u>103,200</u>	<u>108,360</u>

Note: in order to have complete financial statements done for each utility for inclusion in City report Baker Tilly will need to have the pension/OPEB entries from the City prior to fieldwork and have interfund information reconciled. If those items are not done there could be later adjustments to the statements.

* The City's Single Audit included 2 major federal and 1 major state program. If additional programs become necessary, additional charges will be billed for time incurred.

**** The preparation of the financial statements includes items shown in the 12/31/24 table of contents as basic financial statements, required supplement information (excluding the MD&A) and supplementary information. It is assumed that management will prepare and provide all other schedules.

Please note - GASB 87 & 96 Rollforward / Calculations - a quote has not been provided as we believe that the City has the capabilities to handle internally. Included in our fees above is availability to consult and advise the City if needed.

Please note - all fees assume that requested workpapers are completed and agree to ending trial balances and client prepared financial statements and footnotes are ready the first day of agreed upon final fieldwork.

Fees further assume that your workpapers and trial balance do not require any material audit adjustments for fair presentation. If they do not, you could be billed for non-attest out of scope charges at our standard billed rates for time incurred.

In addition to professional fees, our invoices will include our standard technology charge, plus travel and subsistence and other out-of-pocket expenses related to the engagement.

Invoices for these fees will be rendered each month as work progresses and are payable on presentation. Fees are payable upon presentation. A charge of 1.5 percent per month shall be imposed on accounts not paid within thirty (30) days of receipt of our statement for services provided. In accordance with our firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and will not be resumed until the 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 notice of termination, even if we have not completed our report. the City of Waukesha will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. In the event that collection procedures are required, the City of Waukesha agrees to be responsible for all expenses of collection including related attorneys' fees.

Mr. Joseph Ciurro
City of Waukesha

January 12, 2026
Page 10

Our fee estimate is based on certain assumptions. Certain circumstances may arise during the course of our audit that could significantly affect the targeted completion date or our fee estimate, and additional fees may be necessary as a result. Such circumstances include but are not limited to the following:

- Changes to the timing of the engagement initiated by the City of Waukesha, which may require the reassignment of our personnel.
- The City of Waukesha's failure to provide all information requested by us (i) on the date requested, (ii) in the form acceptable to us, (iii) with no mathematical errors, and (iv) in agreement with the appropriate City of Waukesha records.
- Significant delays in responding to inquiries made of the City of Waukesha personnel, or significant changes in the City of Waukesha accounting policies or practices, or in the City of Waukesha's accounting personnel, their responsibilities, or their availability.
- Significant delays or errors in the draft financial statements and necessary schedules prepared by the City of Waukesha's personnel.
- Implementation of new general ledger software or a new chart of accounts by the City of Waukesha.
- Significant changes in the City of Waukesha's business operations, including business combinations, the creation of new entities, divisions, or subsidiaries within the City of Waukesha, significant new employment or equity agreements, or significant subsequent events. Certain business transactions or changes in business operations or conditions, financial reporting, and/or auditing standards may require us to utilize the services of internal or external valuation or tax specialists.
- New financing arrangements or modifications to existing financing arrangements, or significant new federal or state funding.
- Significant deficiencies or material weaknesses in the design or operating effectiveness of the City of Waukesha's internal control over financial reporting identified during the audit.
- A significant level of proposed audit adjustments.
- Issuance of additional accounting or auditing standards subsequent to or effective for the periods covered by this Engagement Letter, except for GASB 87, 96 and 101.
- Circumstances beyond our control.

For new business transactions or changes in business operations or conditions, financial reporting and/or auditing standards may require us to utilize the services of internal or external valuation or tax specialists. This includes matters such as business combinations, impairment evaluations, and going concern evaluation, among other potential needs for specialists. The time and cost of such services are not included in the fee estimate provided.

Revisions to the scope of our work will be communicated to you and may be set forth in the form of an "Amendment to Existing Engagement Letter." In addition, if we discover compliance issues that require us to perform additional procedures and/or provide assistance with these matters, fees at our standard hourly rates apply.

To the extent applicable, Baker Tilly's fees are exclusive of any federal, national, regional, state, provincial or local taxes, including any VAT or other withholdings, imposed on this transaction, the fees, or on Client's use of the Services or possession of the Deliverable (individually or collectively, the Taxes). All applicable Taxes shall be paid by Client without deduction from any fees owed by Client to Baker Tilly. In the event Client fails to pay any Taxes when due, Client shall defend, indemnify, and hold harmless Baker Tilly, its officers, agents, employees and consultants from and against any and all fines, penalties, damages, costs (including, but not limited to, claims, liabilities or losses arising from or related to such failure by Client) and will pay any and all damages, as well as all costs, including, but not limited to, mediation and arbitration fees and expenses as well as attorneys' fees, associated with Client's breach of this section.

We may use temporary contract staff to perform certain tasks on your engagement and will bill for that time at the rate that corresponds to Baker Tilly staff providing a similar level of service. Upon request, we will be happy to provide details on training, supervision and billing arrangements we use in connection with these professionals. Additionally, we may from time to time, and depending on the circumstances, use service providers (e.g., to act as a specialist or audit an element of the financial statements) in serving your account. We may share Confidential Information about you with these contract staff and service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all contract staff and service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your Confidential Information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your Confidential Information with the contract staff or third-party service provider. Furthermore, the firm will remain responsible for the work provided by any such contract staff or third-party service providers.

January 12, 2026
Page 12

To the extent the Services require Baker Tilly to receive personal data or personal information from Client, Baker Tilly may process, and engage subcontractors to assist with processing, any personal data or personal information, as those terms are defined in applicable privacy laws. Baker Tilly's processing shall be in accordance with the requirements of the applicable privacy laws relevant to the processing in providing Services hereunder, including Services performed to meet the business purposes of the Client, such as Baker Tilly's tax, advisory, and other consulting services. Applicable privacy laws may include any local, state, federal or international laws, standards, guidelines, policies or regulations governing the collection, use, disclosure, sharing or other processing of personal data or personal information with which Baker Tilly or its Clients must comply. Such privacy laws may include (i) the EU General Data Protection Regulation 2016/679 (GDPR); (ii) the California Consumer Privacy Act of 2018 (CCPA); and/or (iii) other laws regulating marketing communications, requiring security breach notification, imposing minimum security requirements, requiring the secure disposal of records, and other similar requirements applicable to the processing of personal data or personal information. Baker Tilly is acting as a Service Provider/Data Processor, as those terms are defined respectively under the CCPA/GDPR, in relation to Client personal data and personal information. As a Service Provider/Data Processor processing personal data or personal information on behalf of Client, Baker Tilly shall, unless otherwise permitted by applicable privacy law, (a) follow Client instructions; (b) not sell personal data or personal information collected from the Client or share the personal data or personal information for purposes of targeted advertising; (c) process personal data or personal information solely for purposes related to the Client's engagement and not for Baker Tilly's own commercial purposes; and (d) cooperate with and provide reasonable assistance to Client to ensure compliance with applicable privacy laws. Client is responsible for notifying Baker Tilly of any applicable privacy laws the personal data or personal information provided to Baker Tilly is subject to, and Client represents and warrants it has all necessary authority (including any legally required consent from individuals) to transfer such information and authorize Baker Tilly to process such information in connection with the Services described herein. Client further understands Baker Tilly US, LLP and Baker Tilly Advisory Group, LP will co-process Client data as necessary to perform the Services, pursuant to the alternative practice structure in place between the two entities. Baker Tilly Advisory Group, LP maintains custody of client files for both entities. By executing this Engagement Letter, you hereby consent to the transfer to Baker Tilly Advisory Group, LP of all your Client files, workpapers and work product. Baker Tilly Advisory Group, LP is bound by the same confidentiality obligations as Baker Tilly US, LLP. Baker Tilly is responsible for notifying Client if Baker Tilly becomes aware that it can no longer comply with any applicable privacy law and, upon such notice, shall permit Client to take reasonable and appropriate steps to remediate personal data or personal information processing. Client agrees that Baker Tilly has the right to utilize Client data to improve internal processes and procedures and to generate aggregated/de-identified data from the data provided by Client to be used for Baker Tilly business purposes and with the outputs owned by Baker Tilly. For clarity, Baker Tilly will only disclose aggregated/de-identified data in a form that does not identify Client, Client employees, or any other individual or business entity and that is stripped of all persistent identifiers. Client is not responsible for Baker Tilly's use of aggregated/de-identified data.

Baker Tilly has established information security related operational requirements that support the achievement of our information security commitments, relevant information security related laws and regulations, and other information security related system requirements. Such requirements are communicated in Baker Tilly's policies and procedures, system design documentation and contracts with customers. Information security policies have been implemented that define our approach to how systems and data are protected. Client is responsible for providing timely written notification to Baker Tilly of any additions, changes or removals of access for Client personnel to Baker Tilly provided systems or applications. If Client becomes aware of any known or suspected information security or privacy related incidents or breaches related to this agreement, Client should timely notify Baker Tilly via email at dataprotectionofficer@bakertilly.com.

Any additional services that may be requested, and we agree to provide, may be the subject of a separate engagement letter.

We may be required to disclose Confidential Information to federal, state and international regulatory bodies or a court in criminal or other civil litigation. In the event that we receive a request from a third party (including a subpoena, summons or discovery demand in litigation) calling for the production of information, we will promptly notify the City of Waukesha, unless otherwise prohibited. In the event we are requested by the City of Waukesha or required by government regulation, subpoena or other legal process to produce our engagement working papers or our personnel as witnesses with respect to services rendered to the City of Waukesha, so long as we are not a party to the proceeding in which the information is sought, we may seek reimbursement for our professional time and expenses, as well as the fees and legal expenses, incurred in responding to such a request.

We would expect to continue to perform our services under the arrangements discussed above from year to year, unless for some reason you or we find that some change is necessary. We will, of course, be happy to provide the City of Waukesha with any other services you may find necessary or desirable.

Resolution of Disagreements

In the unlikely event that differences concerning services, fees, this Engagement Letter or any services subsequently provided to Client by Baker Tilly should arise ("Dispute(s)") that are not resolved by mutual agreement, both parties agree to attempt in good faith to settle the Dispute by mediation administered by the American Arbitration Association (AAA) under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute-resolution procedure. Each party shall bear their own expenses from mediation.

If mediation does not settle the Dispute, then the parties agree that the Dispute shall be settled by binding arbitration to be initiated by the party seeking damages or other permitted relief in any form (the "Claimant"). The arbitration proceeding shall take place in the city in which the Baker Tilly office providing the services in Dispute is located, unless the parties mutually agree to a different location. The proceeding shall be governed by the provisions of the Federal Arbitration Act (FAA) and will proceed in accordance with the Arbitration Rules for Professional Accounting and Related Disputes of the AAA (the "Rules") as amended and effective February 1, 2015, except that no prehearing discovery shall be permitted unless specifically authorized by the arbitrator. Any issue concerning the extent to which the Dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures, shall be governed by the FAA and resolved by the arbitrators. The arbitration will be conducted before a panel of three (3) arbitrators, with experience in accounting and auditing matters or resolving accounting and auditing matters. In the thirty (30) days after the arbitration is initiated, the parties shall attempt to mutually agree on the three (3) arbitrators, including one arbitrator who will serve as chair of the panel, and all of whom may be selected from AAA, JAMS, the Center for Public Resources, or any other internationally or nationally-recognized organization mutually agreed upon by the parties. If the parties cannot agree on a panel of three (3) arbitrators within the thirty (30) day period, the three (3) arbitrators shall be selected according to Rules A-16(a) and (b) of the Rules except that the AAA shall send an identical list of fifteen (15) names to the parties to the arbitration. The arbitrator shall have no authority to award nonmonetary or equitable relief and will not have the right to award punitive damages or statutory awards. Furthermore, in no event shall the arbitrator have power to make an award that would be inconsistent with the Engagement Letter or any amount that could not be made or imposed by a court deciding the matter in the same jurisdiction. The award of the arbitration shall be in writing and shall be accompanied by a well-reasoned opinion. The award issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. Discovery shall be permitted in arbitration only to the extent, if any, expressly authorized by the arbitrators upon a showing of substantial need. Each party shall be responsible for their own costs associated with the arbitration, except that the costs of the arbitrators shall be equally divided by the parties. Both parties agree and acknowledge that they are each giving up the right to have any Dispute heard in a court of law before a judge and a jury, as well as any appeal. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential arbitration. The arbitrators shall apply the limitations period that would be applied by a court deciding the matter in the same jurisdiction, including the contractual limitations set forth in this Engagement Letter, and shall have no power to decide the dispute in any manner not consistent with such limitations period. The arbitrators shall be empowered to interpret the applicable statutes of limitations subject to the choice of law provision set forth herein.

Mr. Joseph Ciurro
City of Waukesha

January 12, 2026
Page 14

Our services shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

Limitation on Damages and Indemnification

THE LIABILITY (INCLUDING ATTORNEY'S FEES AND ALL OTHER COSTS) OF BAKER TILLY AND ITS PRESENT OR FORMER PARTNERS, PRINCIPALS, AGENTS OR EMPLOYEES RELATED TO ANY CLAIM FOR DAMAGES RELATING TO THE SERVICES PERFORMED UNDER THIS ENGAGEMENT LETTER SHALL NOT EXCEED THE FEES PAID TO BAKER TILLY FOR THE PORTION OF THE WORK TO WHICH THE CLAIM RELATES, EXCEPT TO THE EXTENT FINALLY DETERMINED TO HAVE RESULTED FROM THE WILLFUL MISCONDUCT OR FRAUDULENT BEHAVIOR OF BAKER TILLY RELATING TO SUCH SERVICES. THIS LIMITATION OF LIABILITY IS INTENDED TO APPLY TO THE FULL EXTENT ALLOWED BY LAW, REGARDLESS OF THE GROUNDS OR NATURE OF ANY CLAIM ASSERTED, INCLUDING THE NEGLIGENCE OF EITHER PARTY. ADDITIONALLY, IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY LOST PROFITS, LOST BUSINESS OPPORTUNITY, LOST DATA, CONSEQUENTIAL, SPECIAL, INCIDENTAL, EXEMPLARY OR PUNITIVE DAMAGES, DELAYS OR INTERRUPTIONS ARISING OUT OF OR RELATED TO THIS ENGAGEMENT LETTER EVEN IF THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

As Baker Tilly is performing the services solely for your benefit, you will indemnify Baker Tilly, its subsidiaries and their present or former partners, principals, employees, officers and agents against all costs, fees, expenses, damages and liabilities (including attorney's fees and all defense costs) associated with any third-party claim, relating to or arising as a result of the services, or this Engagement Letter.

Because of the importance of the information that you provide to Baker Tilly with respect to Baker Tilly's ability to perform the services, you hereby release Baker Tilly and its present and former partners, principals, agents and employees from any liability, damages, fees, expenses and costs, including attorney's fees, relating to the services, that arise from or relate to any information, including representations by management, provided by you, its personnel or agents, that is not complete, accurate or current, whether or not management knew or should have known that such information was not complete, accurate or current.

Each party recognizes and agrees that the warranty disclaimers and liability and remedy limitations in this Engagement Letter are material bargained for bases of this Engagement Letter and that they have been taken into account and reflected in determining the consideration to be given by each party under this Engagement Letter and in the decision by each party to enter into this Engagement Letter.

The terms of this section shall apply regardless of the nature of any claim asserted (including, but not limited to, contract, tort or any form of negligence, whether of you, Baker Tilly or others), but these terms shall not apply to the extent finally determined to be contrary to the applicable law or regulation. These terms shall also continue to apply after any termination of this Engagement Letter.

You accept and acknowledge that any legal proceedings arising from or in conjunction with the services provided under this Engagement Letter must be commenced within twelve (12) months after the performance of the services for which the action is brought, without consideration as to the time of discovery of any claim or any other statutes of limitations or repose.

Mr. Joseph Ciurro
City of Waukesha

January 12, 2026
Page 15

Other Matters

Neither this Engagement Letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated or subcontracted by either party without the written consent of the other party. Either party may assign and transfer this Engagement Letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this Engagement Letter.

Our dedication to client service is carried out through our employees who are integral in meeting this objective. In recognition of the importance of our employees, it is hereby agreed that the City of Waukesha will not solicit our employees for employment or enter into an independent contractor arrangement with any individual who is or was an employee of Baker Tilly for a period of twelve (12) months following the date of the conclusion of this engagement. If the City of Waukesha violates this nonsolicitation clause, the City of Waukesha agrees to pay to Baker Tilly a fee equal to the hired person's annual salary at the time of the violation so as to reimburse Baker Tilly for the costs of hiring and training a replacement.

The services performed under this Agreement do not include the provision of legal advice and Baker Tilly makes no representations regarding questions of legal interpretation. Client should consult with its attorneys with respect to any legal matters or items that require legal interpretation under federal, state or other type of law or regulation.

Baker Tilly US, LLP and Baker Tilly Advisory Group, LP and its subsidiary entities provide professional services through an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable laws, regulations and professional standards. Baker Tilly US, LLP is a licensed independent CPA firm that provides attest services to clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and business advisory services to their clients. Baker Tilly Advisory Group, LP and its subsidiary entities are not licensed CPA firms.

Baker Tilly Advisory Group, LP and its subsidiaries and Baker Tilly US, LLP, trading as Baker Tilly, are independent members of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. Baker Tilly Advisory Group, LP and Baker Tilly US, LLP are not Baker Tilly International's agents and do not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly Advisory Group, LP, Baker Tilly US, LLP, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

This Engagement Letter and any applicable online terms and conditions or terms of use ("Online Terms") related to online products or services made available to City of Waukesha by Baker Tilly ("Online Offering") constitute the entire agreement between the City of Waukesha and Baker Tilly regarding the services described in this Engagement Letter and supersedes and incorporates all prior or contemporaneous representations, understandings or agreements, and may not be modified or amended except by an agreement in writing signed between the parties hereto. For clarity and avoidance of doubt, the terms of this Engagement Letter govern Baker Tilly's provision of the services described herein, and the Online Terms govern City of Waukesha's use of the Online Offering. This Engagement Letter's provisions shall not be deemed modified or amended by the conduct of the parties.

Mr. Joseph Ciurro
City of Waukesha

January 12, 2026
Page 16

The provisions of this Engagement Letter, which expressly or by implication are intended to survive its termination or expiration, will survive and continue to bind both parties, including any successors or assignees. If any provision of this Engagement Letter is declared or found to be illegal, unenforceable or void, then both parties shall be relieved of all obligations arising under such provision, but if the remainder of this Engagement Letter shall not be affected by such declaration or finding and is capable of substantial performance, then each provision not so affected shall be enforced to the extent permitted by law or applicable professional standards.

If because of a change in the City of Waukesha's status or due to any other reason, any provision in this Engagement Letter would be prohibited by, or would impair our independence under laws, regulations or published interpretations by governmental bodies, commissions or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this agreement shall consist of the remaining portions.

This agreement shall be governed by and construed in accordance with the laws of the state of Wisconsin, without giving effect to the provisions relating to conflict of laws.

We appreciate the opportunity to be of service to you.

If there are any questions regarding this Engagement Letter, please contact Wendi M. Unger, the professional on this engagement who is responsible for the overall supervision and review of the engagement and determining that the engagement has been completed in accordance with professional standards. Wendi M. Unger is available at 414 777 5423, or at wendi.unger@bakertilly.com.

Sincerely,

BAKER TILLY US, LLP

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Enclosure

The services and terms as set forth in this Engagement Letter are agreed to by:

Official's Name

Official's Signature

Title

Date



Report on the Firm's System of Quality Control

November 14, 2024

To the Partners of Baker Tilly US, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Baker Tilly US, LLP (the Firm) applicable to engagements not subject to Public Company Accounting Oversight Board (PCAOB) permanent inspection in effect for the year ended March 31, 2024. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The Firm is responsible for designing and complying with a system of quality control to provide the Firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design and compliance with the Firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations (SOC 1 and SOC 2 engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Baker Tilly US, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2024, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Baker Tilly US, LLP has received a peer review rating of *pass*.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Eide Bailly LLP
Minneapolis, Minnesota

ADDENDUM A

We will perform the following services:

1. We will compile, from information you provide, the annual Financial Report Form to the Wisconsin Department of Revenue, for the year ended December 31, 2025. Upon completion of the compilation of the annual Financial Report Form, we will provide you with our accountants' compilation report. If for any reason caused by or relating to affairs or management of the City of Waukesha, 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 annual Financial Report Form to you as a result of this engagement.

Our report on the annual Financial Report Form of the City of Waukesha is presently expected to read as follows:

Management is responsible for the Financial Report Form C for the year ended December 31, 2025 included in the accompanying prescribed form. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial report form C included in the accompanying prescribed form, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by the management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the Financial Report form C included in the prescribed form.

The Financial Report Form C included in the accompanying prescribed form is presented in accordance with the requirements of the Wisconsin Department of Revenue, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Wisconsin Department of Revenue and is not intended to be and should not be used by anyone other than this specified party.

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 GAAP.

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 Letter.

Management's Responsibilities

The City of Waukesha'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 Report Form C included in the form prescribed by the Wisconsin Department of Revenue, (ii) designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the Financial Report Form C, (iii) preventing and detecting fraud, (iv) identifying and ensuring that you comply 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 you comply 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 your 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.