



CITY OF VERONA
FINANCE COMMITTEE
MONDAY, APRIL 22, 2019 – 6:30 P.M.
VERONA CITY CENTER – Conference Room D110
111 LINCOLN STREET

AGENDA

1. Call to order.
2. Roll call
3. Public Comment
4. Discussion and Possible Action re: Recommended Approval of the April 8, 2019 Finance Committee Minutes
5. Discussion and Possible Action re: City Investment Report-March 2019
6. Discussion and Possible Action re: Proposal for a 3-Year Contract with Baker Tilly LLP for Auditing Services
7. Discussion and Possible Action re: Payment of Bills
8. Adjournment.

Chairperson Chad Kemp

POSTED: Verona City Hall
Verona Public Library
Miller's Market
City Web Page at www.ci.verona.wi.us

4/19/2019

Notice is hereby given that a quorum of the members of the City Council or other standing committees of the City Council may be present at the meeting of the Finance Committee to gather information about a subject over which they have decision-making responsibility. The City Council and any other standing committees will not take formal action at this meeting

IF YOU NEED AN INTERPRETER, MATERIALS IN ALTERNATIVE FORMATS, OR OTHER ACCOMMODATION TO ACCESS THE MEETINGS, PLEASE CONTACT THE CITY CLERK AT 845-6495 AT LEAST 48 HOURS PRECEDING THE MEETING. EVERY REASONABLE EFFORT WILL BE MADE TO ACCOMMODATE YOUR REQUEST.



City of Verona

Finance Committee
City Hall – 111 Lincoln Street
Verona, WI 53593-1520

MINUTES
FINANCE COMMITTEE
April 8, 2019

The meeting was called to order by Chairperson Chad Kemp at 6:15 p.m. in Conference Room D110

Roll Call: Chairperson Chad Kemp, Alder Kate Cronin and Alder Christine Posey were present

Also present: Interim City Administrator Adam Sayre, Finance Director Brian Lamers, and Robert Leuty and Matt Slowinski from DANA Investment Services

Discussion and Possible Action regarding approval of March 11, 2019 Finance Committee minutes: Motion was made by Cronin, seconded by Posey to approve the March 11, 2019 Finance Committee minutes with no changes noted. Motion carried 3-0.

Presentation from DANA Investment Services: Matt Slowinski and Robert Leuty provided a presentation for the Committee for the 1st quarter investment activity and future investments. Future investments may include options for the upcoming investments that are nearing maturity. Approximately 10% of the portfolio is maturing in 2019 and looking at either longer term investments or less risky stock options that are still within the State Statutes may provide for better returns.

Discussion and Possible Action regarding the City Investment Report for February 2019: Lamers pointed out the amount of investments decrease February due to the payout in February from January tax collections.

Discussion and Possible Action regarding the Proposal for Zoning & Sign Ordinance Rewrite: Sayre updated the committee on the proposal from Houseal Lavigne/Ancel Glink which went from approximately \$119,880 down to \$99,855. The decrease came from negotiations in combining processes and changing things such as more phone conversations instead of onsite. Staff and the committee didn't feel like going out for a new proposal would get less expensive with the services that are expected from Houseal Lavigne/Ancel Glink. The committee asked Sayre if he felt this would be the final amount needed or would they be requesting additional funds, Sayre responded only if there were any changes made to the services or additional meetings requested by the City. The budget is \$50,000 for 2019 and the remaining would have to be budgeted in 2020. Motion was made by Kemp, seconded by Cronin to recommend to the City Council to approve the contract with Houseal Lavigne/Ancel Glink not to exceed \$99,855. Motion carried 3-0.

Discussion and Possible Action regarding Room Tax Agreement Between the City of Verona and the Verona Area Chamber of Commerce: Sayre explained to the committee that the city sets the room tax at 7% and 30% of that is retained by the city for items such as Christmas lights and flowers and the remaining is used for tax levy relief. Destination Madison gets 16% of the 7% room tax and the remaining 54% is to the Tourism Commission. Of that 54% they distribute \$70,000 a quarter to Verona Area Chamber of Commerce currently and the excess funds is retained for future expenses that will be approved by the Tourism Commission. This agreement brings the City in compliance with the Tourism Commission and the Verona Area Chamber of Commerce. Motion was made by Kemp, seconded by Posey to recommend to the City Council the Room Tax Agreement between the City of Verona and the Verona Area Chamber of Commerce. Motion carried 3-0.

Discussion and Possible Action regarding the payment of bills:

Motion was made by Kemp, seconded by Cronin to approve the payment of bills totaling \$508,895.30. Motion carried 3-0.

Adjournment: Motion was made by Cronin, seconded by Posey, to adjourn the Finance Committee Meeting at 6:50 p.m. Motion carried 3-0.

Respectfully submitted,
Brian Lamers CPA
Finance Director

City of Verona
Investments
March 31, 2019

BANK / BROKER	ACCOUNT NAME	DUE DATE	RATE	BALANCE Feb 28, 2019	BALANCE Mar 31, 2019
State Bank of Cross Plains	CD	7/15/2018	0.350%	453,577.71	453,577.71
DANA Inv/Schwab	Fed Farm Cr-Agency Security	12/26/2019	1.400%	593,976.00	595,104.00
DANA Inv/Schwab	FFCB NTS	6/8/2020	1.520%	540,848.00	541,623.50
DANA Inv/Schwab	FFCB BOND	8/3/2020	2.625%	672,489.00	673,076.25
DANA Inv/Schwab	FHLB	8/22/2019	1.500%	596,274.00	596,556.00
DANA Inv/Schwab	FED	8/28/2019	1.550%	595,752.00	596,058.00
DANA Inv/Schwab	FHLB-Agency Security	6/26/2020	1.630%	492,315.00	493,025.00
DANA Inv/Schwab	FFCB BOND	12/28/2020	2.750%	324,262.25	-
DANA Inv/Schwab	FHLB BOND	2/24/2021	1.800%	417,520.00	419,237.00
DANA Inv/Schwab	Federal Home Ln	4/30/2021	3.000%	500,775.00	501,300.00
DANA Inv/Schwab	FHLB BOND	10/6/2021	1.540%	460,298.75	463,053.75
DANA Inv/Schwab	Federal Home Ln	7/26/2019	1.530%	597,066.00	597,324.00
DANA Inv/Schwab	Federal Home Ln	4/27/2020	1.750%	493,995.00	494,370.00
DANA Inv/Schwab	Federal Home Ln	7/10/2020	1.650%	493,415.00	494,810.00
DANA Inv/Schwab	FHLMC MED TERM NTS	7/24/2020	1.850%	567,916.00	568,922.25
DANA Inv/Schwab	Federal Home Ln	11/27/2020	1.700%	589,524.00	591,348.00
DANA Inv/Schwab	Federal Home Ln	4/27/2021	2.000%	493,985.00	495,875.00
DANA Inv/Schwab	FHLMC MED TERM NTS	8/25/2021	1.600%	658,489.50	662,134.50
DANA Inv/Schwab	Federal Home Ln	1/20/2021	1.750%	495,620.00	495,875.00
DANA Inv/Schwab	FNMA NTS	12/27/2019	1.400%	320,716.50	320,983.00
DANA Inv/Schwab	Federal Home Ln	6/29/2021	1.750%	494,495.00	495,370.00
DANA Inv/Schwab	FHLMC MED TERM NTS	8/17/2021	1.400%	736,005.00	738,990.00
DANA Inv/Schwab	FHLMC MED TERM NTS STEP	9/30/2021	1.500%	499,072.50	740,790.00
DANA Inv/Schwab	Federal Home Ln	8/3/2021	2.000%	495,185.00	496,740.00
DANA Inv/Schwab	FHLMC 840778-Mortgage *	7/1/2042	3.769%	362,687.74	352,192.77
DANA Inv/Schwab	FMLMC 840244-Mortgage *	5/1/2043	4.378%	251,509.42	241,730.76
DANA Inv/Schwab	FMLMC 840594-Mortgage *	11/1/2043	3.903%	187,766.73	187,028.14
DANA Inv/Schwab	FMLMC 840798-Mortgage *	10/1/2044	3.188%	371,205.18	363,295.85
DANA Inv/Schwab	FMLMC 849504-Mortgage *	10/1/2044	2.451%	547,045.02	531,483.16
DANA Inv/Schwab	FHLMC 840551-Mortgage *	3/1/2045	4.244%	215,893.69	203,165.36
DANA Inv/Schwab	FHLMC 840752-Mortgage *	12/1/2045	3.543%	347,529.70	331,813.08
DANA Inv/Schwab	FHLMC 840912-Mortgage *	3/1/2046	2.644%	572,495.08	560,705.99
DANA Inv/Schwab	FHLMC 840931-Mortgage *	11/1/2046	2.564%	997,187.29	977,779.55
DANA Inv/Schwab	FNMA PL BM1554-Mortgage *	6/1/2042	3.958%	252,041.03	236,958.06
DANA Inv/Schwab	FNMA PL BM01087-Mortgage *	12/1/2043	4.109%	161,073.11	158,707.52
DANA Inv/Schwab	FHLMC BM4041-Mortgage *	5/1/2044	3.953%	337,252.42	319,009.31
DANA Inv/Schwab	FNMA PL BM1433-Mortgage *	7/1/2044	4.363%	191,805.86	182,768.53
DANA Inv/Schwab	FNMA PL BM1433-Mortgage *	4/1/2047	2.230%	766,746.75	750,433.63
DANA Inv/Schwab	FHLMC 840910-Mortgage *	7/1/2043	4.400%	717,542.95	686,582.50
DANA Inv/Schwab	Small Business Loan	2/25/2025	5.329%	449,538.19	443,802.97
DANA Inv/Schwab	Small Business Loan	1/25/2028	3.900%	371,043.89	367,999.43
DANA Inv/Schwab	Small Business Loan	11/25/2042	4.000%	448,905.11	447,865.35
DANA Inv/Schwab	Small Business Loan	1/25/2043	3.500%	536,108.01	534,822.48
DANA Inv/Schwab	Money Market	NA	1.600%	131,004.15	696,721.43
LGIP	01 GENERAL	NA	2.470%	13,987,395.00	14,016,784.75
LGIP	02 Cemetary Fund	NA	2.470%	284,557.63	285,155.53
State Bank of Cross Plains	MMI INVESTMENT ACCOUNT	NA	2.680%	7,322,010.71	3,912,084.48
Capitol Bank	PUBLIC FUNDS ACCOUNT	NA	2.540%	2,633,354.18	2,638,605.74

Total Investments

\$ 45,267,271.05	\$ 41,953,639.33
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* These investments are Mortgages, they will go down each month as Principal is paid and will be reinvested again.



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April 2, 2019

Mr. Brian Lamers
Finance Director/Treasurer
City of Verona
111 Lincoln Street
Verona, WI 53593-1520

Dear Mr. Lamers:

Thank you for using Baker Tilly Virchow Krause, LLP ("Baker Tilly" or "we" or "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 Verona ("you" or "your").

Service and Related Report

We will audit the basic financial statements of the City of Verona as of and for the year ended December 31, 2019, 2020 and 2021, and the related notes to the financial statements. Upon completion of our audit, we will provide the City of Verona 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 Verona, 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

Mr. Brian Lamers
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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 Verona'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 Verona'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:

- > Budgetary Comparison Schedules
- > Pension - related schedules

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. The 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 and the audit committee or equivalent group charged with governance of their responsibilities.

The audit will include obtaining an understanding of the City of Verona 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 controls or to identify deficiencies in internal control. However, during the audit, we will communicate to management and the audit committee or equivalent group charged with governance internal control matters that are required to be communicated under professional standards.

We will design our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on financial statement amounts. An audit is not designed to detect error or fraud that is immaterial to the financial statements. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements. It is important to recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Our audit is not a guarantee of the accuracy of the financial statements and, therefore, is subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with GAAS may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to you, as appropriate, any such matters that we identify during our audit.

Mr. Brian Lamers
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We are also responsible for determining that the audit committee or equivalent group charged with governance is 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 the audit committee or equivalent group charged with governance receives 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.

We will make reference to the audit of Fitch-Rona EMS District in our report on your financial statements.

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

The City of Verona's management is responsible for the financial statements referred to above. In this regard, management is responsible for establishing policies and procedures that pertain to the maintenance of adequate accounting records and effective internal controls over financial reporting, the selection and application of accounting principles, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting records, and for reporting financial information in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us in the management representation letter (i) about all known or suspected fraud affecting the City of Verona involving: (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud or illegal acts could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the City of Verona received in communications from employees, former employees, analysts, grantors, regulators, or others.

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 (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) that 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 (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Mr. Brian Lamers
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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 Verona complies with the laws and regulations applicable to its activities.

As part of management's responsibility for the financial statements and the effectiveness of its system of internal control over financial reporting, management is responsible for making available to us, on a timely basis, all of your original accounting records and related information and for the completeness and accuracy of that information and your personnel to whom we may direct inquiries. As required by GAAS, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. GAAS also requires that we obtain written representations covering audited financial statements from certain members of management. The results of our audit tests, the responses to our inquiries, and the written representations, comprise the evidential matter we intend to rely upon in forming our opinion on the financial statements.

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 Verona; 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. 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 us 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 will be providing are as follows:

- > Financial statement preparation and adjusting journal entries
- > Compiled regulatory reports
- > Compilation of property records
- > Utility rate consulting and long-range forecasting

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

We will not perform any management functions or make management decisions on your behalf with respect to any nonattest services we provide.

Mr. Brian Lamers
City of Verona

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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 an employee 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.

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 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.

If you intend to reproduce or publish the financial statements in an official statement, unless we establish a separate agreement to be involved in the issuance, any official statements issued by the City of Verona must contain a statement that Baker Tilly is not associated with the official statement, which shall read "Baker Tilly Virchow Krause, LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Baker Tilly Virchow Krause, LLP, has also not performed any procedures relating to this official statement."

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.

The documentation for this engagement, including the workpapers, is the property of Baker Tilly and constitutes confidential information. 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. If we are required by law, regulation, or professional standards to make certain documentation available to regulators, the City of Verona hereby authorizes us to do so.

Mr. Brian Lamers
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Timing and Fees

Completion of our work is subject to, among other things, (i) appropriate cooperation from the City of Verona's personnel, including timely preparation of necessary schedules, (ii) timely responses to our inquiries, and (iii) timely communication of all significant accounting and financial reporting matters. When and if for any reason the City of Verona is unable to provide such schedules, information, and assistance, Baker Tilly and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Delays in the issuance of our audit report beyond the date that was originally contemplated may require us to perform additional auditing procedures which will likely result in additional fees.

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.

<u>Year</u>	<u>City Audit</u>	<u>Utility Audit</u>	<u>State Report</u>	<u>Separate Utility Report</u>	<u>Totals</u>
2019	\$ 33,425	\$ 11,475	\$ 1,000	\$ 2,900	\$ 48,800
2020	34,250	11,775	1,025	2,975	50,025
2021	35,100	12,075	1,050	3,050	51,275

Invoices for these fees will be rendered each month as work progresses and are payable on 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 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 notice 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 expenditures through the date of termination.

Certain changes in the City of Verona's business or within its accounting department may result in additional fees not contemplated as part of the original engagement quote noted above. Examples of such changes include but are not limited to: implementation of new general ledger software or a new chart of accounts; the creation of new entities, divisions or subsidiaries; the development of new product lines or other significant changes in business operations; substantial modifications to financing arrangements; significant new employment or equity agreements; and significant subsequent events. Any additional fees associated with these business or accounting changes would not be expected to be recurring in nature.

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.

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 Verona, unless otherwise prohibited. In the event we are requested by the City of Verona 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 Verona, 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.

Mr. Brian Lamers
City of Verona

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Our fees are based on known circumstances at the time of this Engagement Letter. Should circumstances change significantly during the course of this engagement, we will discuss with you the need for any revised audit fees. This can result from changes at the City of Verona, such as the turnover of key accounting staff, the addition of new funds or significant federal or state programs or changes that affect the amount of audit effort from external sources, such as new accounting and auditing standards that become effective that increase the scope of our audit procedures. This Engagement Letter currently includes all auditing and accounting standards and the current single audit guidance in effect as of the date of this letter.

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 Verona with any other services you may find necessary or desirable.

Resolution of Disagreements

In the unlikely event that differences concerning services or fees should arise 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 or claim, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitration proceeding shall take place in the city in which the Baker Tilly office providing the relevant services 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 then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that no pre hearing discovery shall be permitted unless specifically authorized by the arbitrator. The arbitrator will be selected from AAA, Judicial Arbitration & Mediation Services ("JAMS"), the Center for Public Resources or any other internationally or nationally recognized organization mutually agreed upon by the parties. Potential arbitrator names will be exchanged within fifteen (15) days of the parties' agreement to settle the dispute or claim by binding arbitration, and arbitration will thereafter proceed expeditiously. The arbitration will be conducted before a single arbitrator, experienced in accounting and auditing matters. The arbitrator shall have no authority to award non monetary or equitable relief and will not have the right to award punitive damages. 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. Each party shall be responsible for their own costs associated with the arbitration, except that the costs of the arbitrator shall be equally divided by the parties. 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. In no event shall a demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim would be barred under the applicable statute of limitations.

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.

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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.

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.

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 Verona 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 Verona violates this non-solicitation clause, the City of Verona 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.

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Baker Tilly Virchow Krause, LLP, trading as Baker Tilly, is an independent member 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 Virchow Krause, LLP is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly Virchow Krause, 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 constitutes the entire agreement between the City of Verona 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.

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. 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 Verona'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.

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We appreciate the opportunity to be of service to you.

If there are any questions regarding the Engagement Letter, please contact John Rader at 608 240 2431. John will be the firm director on this engagement and is responsible for the overall supervision and review of the engagement and determining that the engagement has been completed in accordance with professional standards.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP



Enclosure

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

Official's Name

Official's Signature

Title

Date

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 . 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 Verona, 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 Verona is presently expected to read as follows:

Management is responsible for the 2019 Financial Report Form C for the year ended 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 2019 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 2019 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 Verona'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.