

MANAGEMENT COMMUNICATIONS

MONROE COUNTY, WISCONSIN

DECEMBER 31, 2010

MONROE COUNTY, WISCONSIN

December 31, 2010

TABLE OF CONTENTS

Page No.

COMMUNICATION TO THE COUNTY BOARD

1 - 10

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances
2. Human Services Special Revenue Fund
3. Rolling Hills Operating Results
4. Solid Waste Operating Results
5. Highway Department Operating Results

11 - 12

12

13

14

15

COMMENTS AND OBSERVATIONS

- General
- Human Services
- Register of Deeds
- Clerk of Courts

16

17

18

19

To the County Board
Monroe County, Wisconsin

We have completed our audit of the basic financial statements of Monroe County, Wisconsin (the "County") for the year ended December 31, 2010. The County's financial statements, including our report thereon dated June 17, 2011, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards, OMB Circular A-133 and the State Single Audit Guidelines

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, noncompliance with the provisions of laws, regulations, contracts and grants or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Guidelines.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133 and the State Single Audit Guidelines, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the State Single Audit Guidelines applicable to each of its major federal and state programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

Significant Audit Findings

Consideration of Internal Control

In planning and performing our audit of the financial statements of the County as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency in internal control:

Finding 2010-01 Year End Closing and Financial Reporting

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no significant transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. We are aware of the following particularly sensitive accounting estimates used by management in the preparation of the financial statements.

- Closure and post-closure liabilities of the solid waste fund
- Depreciation on landfill cell development costs based on tonnage disposed of and compaction rates used by management
- Depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets.
- Allowance for uncollectible accounts related to nursing home patient accounts
- Other post-employment benefits liability based on actuarial study

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The financial statements reflect all accounting adjustments proposed during our audit. The adjustments included various end-of year payable, receivable and reclassification entries. These entries are considered routine in nature and normally do not vary significantly from year to year. Copies of the audit adjustments are available from management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 17, 2011. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to completing the services as your auditor.

In addition, during our audit, we noted certain other matters that are presented for your consideration. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these matters in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized in the comments and observations section of this report.

This communication, which does not affect our report dated June 17, 2011 on the financial statements of the County, is intended solely for the information and use of the County Board, management, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Certified Public Accountants
Green Bay, Wisconsin
June 17, 2011

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of County governmental fund balances on December 31, 2010 and 2009. This information is provided for assessing financial results for 2010 and for indicating resources available at the start of the 2011 budget year.

	12/31/10	12/31/09
General Fund		
Reserved for		
Delinquent property taxes	\$ 1,785,083	\$ 2,470,678
Inventories and prepaid items	304,773	331,070
Long term advances	1,815,837	1,916,910
Unreserved		
Designated for		
Subsequent year expenditures	1,909,001	1,529,482
Undesignated	7,615,962	4,566,015
Total General Fund	<u>13,430,656</u>	<u>10,814,155</u>
Special Revenue Funds		
Human services	300,000	-
Senior services	57,775	51,819
Child support	51,329	51,329
Jail assessment	264,596	269,383
Local history room	278,823	245,930
Total Special Revenue Funds	<u>952,523</u>	<u>618,461</u>
Debt service fund	<u>85,761</u>	<u>85,657</u>
Capital projects fund	<u>683,206</u>	<u>983,688</u>
Total Governmental Funds	<u>\$ 15,152,146</u>	<u>\$ 12,501,961</u>

The County's general fund increased \$2,616,501 despite an anticipated reduction of \$131,162. This increase during 2010 was due to positive revenue and expenditure budget balances. The County has designated \$1,909,001 for subsequent year expenditures. The following summarizes some of the significant reasons for this increase in general fund balance:

- Positive revenue variance totaled \$763,245.
- Overall expenditure variances totaled \$1,581,362.
- General Government and Public Safety expenditures were under budget by \$574,439 and \$637,876, due primarily to meticulous fiscal management by the Department Heads.

Portions of the general fund balance have been reserved or designated as detailed above. The general fund's undesignated or uncommitted funds increased to \$7,615,962 due to a substantial decrease in delinquent taxes and the positive revenue and expenditure budget balances.

The general fund balance reserved for long-term advances to the Rolling Hills enterprise fund decreased \$101,073. Rolling Hills enterprise fund's cash deficit is financed by a general fund cash advance and, since the potential for repayment in 2011 is not likely, the general fund balance was reserved for the estimated non-current portion of this advance.

1. Governmental Fund Balances (Continued)

The County's undesignated or uncommitted general fund balance represents approximately 31% of estimated 2011 expenditures for the general and special revenue funds receiving a tax levy. It is important, when evaluating the financial condition of the general fund, that the expenditures of these special revenue funds be included because undesignated balances are returned annually to the general fund. While enterprise fund operations are generally not considered when evaluating the fund balance condition of a County's general fund, the County should consider these funds because of operating deficits generated in prior years and the impact of the highway department budget for maintaining County infrastructure.

In our prior year management letter, we recommended the County consider adopting a "Fund Balance" policy to use as a guide in applying excess funds on hand to a subsequent years' budget to reduce the required tax levy. We continue to recommend the County consider implementing a fund balance policy.

2. Human Services Special Revenue Fund

A comparative summary of the County's human services special revenue fund for the years ending December 31, 2010 and 2009 follows:

	2010	2009
Revenues		
Property taxes	\$ 2,788,365	\$ 2,745,493
Intergovernmental	4,214,638	4,133,585
Charges for services	1,340,880	1,174,690
Total Revenues	<u>8,343,883</u>	<u>8,053,768</u>
Expenditures		
Human services	<u>7,814,897</u>	<u>8,646,244</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>528,986</u>	<u>(592,476)</u>
Other Financing Sources (Uses)		
Transfer in	91,856	592,476
Transfer out	(320,842)	-
Total Other Financing Sources (Uses)	<u>(228,986)</u>	<u>592,476</u>
Change in Net Assets	<u>\$ 300,000</u>	<u>\$ -</u>

The human service special revenue fund reported positive operating results of \$528,986 for 2010.

The operating surplus was due to the following:

- Public charges for services exceeded budget by \$417,732.
- Human services expenses were under budget by \$349,243.

3. Rolling Hills Operating Results

A comparative summary of the County's nursing home operating results for the years ending December 31, 2010 and 2009 follows:

	2010	2009
Operating Revenues		
Charges for services	\$ 6,126,696	\$ 5,850,082
Operating Expenses		
Operation and maintenance	7,865,967	7,516,452
Depreciation	176,703	172,405
Total Operating Expenses	8,042,670	7,688,857
Operating Loss	(1,915,974)	(1,838,775)
Nonoperating Revenues		
Property taxes	1,045,202	983,210
Intergovernmental aids	735,630	939,528
Total Nonoperating Revenues	1,780,832	1,922,738
Income (Loss) before Transfers	(135,142)	83,963
Transfers in	150,314	113,691
Change in Net Assets	15,172	197,654
Deficit - January 1	(963,379)	(1,161,033)
Deficit - December 31	\$ (948,207)	\$ (963,379)

Rolling Hills enterprise fund generated an operating deficit for 2010 of \$135,142 compared to a surplus of \$83,963 for 2009. As of December 31, 2010, the fund reported a deficit of \$948,207. Because of better operating results, the fund repaid \$101,073 of its cash deficit. As of December 31, 2010, the County's general fund has advanced cash of \$1,963,145 with \$1,815,837 being considered long-term. We continue to recommend the County consider a transfer to eliminate this deficit cash position as of December 31, 2010.

4. Solid Waste Operating Results

A comparative summary of the County's solid waste operating results for the years ending December 31, 2010 and 2009 follows:

	2010	2009
Operating Revenues		
Charges for services	\$ 1,840,085	\$ 1,501,457
Operating Expenses		
Operation and maintenance	1,545,281	1,285,748
Depreciation	272,029	418,746
Total Operating Expenses	1,817,310	1,704,494
Operating Income (Loss)	22,775	(203,037)
Nonoperating Revenues		
Intergovernmental aids	231,920	219,319
Interest income	11,722	23,686
Total Nonoperating Revenues	243,642	243,005
Income Before Contributions and Transfers	266,417	39,968
Capital contributions from County	-	33,584
Transfers out	(302,863)	(301,300)
Change in Net Assets	(36,446)	(227,748)
Net Assets - January 1	3,076,070	3,303,818
Net Assets - December 31	\$ 3,039,624	\$ 3,076,070

At December 31, 2010, the County has cash and investments of \$2,101,084 restricted for closure and long-term care financial responsibilities while unrestricted cash totaled \$711,523, an increase of \$267,123 over the prior year while still transferring \$302,863 for debt service due to positive operating results.

5. Highway Department Operating Results

A comparative summary of the highway department's operating results for the years ending December 31, 2010 and 2009 follows:

	2010	2009
Operating Revenues		
Charges for services	\$ 2,828,096	\$ 3,233,479
Operating Expenses		
Operation and maintenance	6,711,653	6,769,002
Depreciation	742,467	712,440
Total Operating Expenses	7,454,120	7,481,442
Operating Loss	(4,626,024)	(4,247,963)
Nonoperating Revenues (Expenses)		
Property taxes	3,252,191	3,177,781
Intergovernmental aids	1,072,509	1,092,192
Gain on disposal of capital assets	-	8,107
Total Nonoperating Revenues (Expenses)	4,324,700	4,278,080
Income (Loss) Before Transfers	(301,324)	30,117
Transfers in	58,384	65,324
Change in Net Assets	(242,940)	95,441
Net Assets - January 1	7,971,143	7,875,702
Net Assets - December 31	\$ 7,728,203	\$ 7,971,143

The highway enterprise fund reported a cash balance of \$158,983 as of December 31, 2010 compared to \$105,961 for the prior year.

To understand the financial position of this fund, it is important that the County consider road and maintenance projects included in amounts levied by the department but not completed as of December 31, 2010 (similar to amounts designated for subsequent year expenditures for governmental funds) in relation to the fund's cash balance.

COMMENTS AND OBSERVATIONS

GENERAL

Worker's Compensation

The County is self-funded for workers compensation claims, funded by charges to County departments. The County recognizes the charges and claim payments through a liability account in the general ledger. The amount in the liability has steadily increased annually and at December 31, 2010, the balance in the liability account is \$1,667,655, compared to \$1,324,650 for the prior year.

Under accounting practices, the general fund should be reporting a liability for the estimated claims incurred but not reported at year end. Because the County is self-funded, a certain amount of excess funds should be retained to account for claim fluctuations; however, this excess balance should be included in net assets of the County since claims have not been incurred.

We therefore recommend the County review the present liability and determine if changes should be made to the accounting for these department changes and claim liabilities. The County could reclassify the activity to an internal service fund to better track their liabilities and excess funds held for worker's compensation.

HUMAN SERVICES

Representative Payee Reconciliations

The County currently acts as the representative payee for some of its Human Services clients and as part of our audit, we review the activity in these accounts and the reconciliation of the bank account to the clients' account. We noted that the Human Services Department does not reconcile the total of the client balances (representative payee subsidiary ledger) in Microsoft Access to the bank statement and manual check book balance on a monthly basis. As a result, not all transactions are recorded in the rep payee's subsidiary account during the year and the representative payee monthly statements may not be correct.

We recommend that the Human Services Department reconcile the representative payee subsidiary ledger to the manual checkbook balance and bank statement balance on a monthly basis.

REGISTER OF DEEDS

Depositing of Department Collections

Under current procedures, the department deposits collections received into a separate checking account and subsequently transfers the collections at least monthly to the County treasurer. While all transactions tested were properly reported, the limited number of personnel involved in processing financial transactions at the department level does not provide an adequate segregation of duties. As a result, an employee who can receipt and record financial transactions also has the ability to sign the checks from this account.

Although the department maintaining a separate account is allowed under the Wisconsin statutes, we recommend the department consider eliminating the separate checking account and deposit collections directly with the County treasurer to improve County controls over department cash receipts.

CLERK OF COURTS

Internal Controls over Receipting Process

During our audit, we review the controls over the receipting process in various departments, including the Clerk of Courts. Currently, the deputy clerk of courts makes the deposits while the clerk of courts and deputy clerk can both void receipts.

Since the deputy clerk of courts has access to cash receipts and the ability to void transactions, internal controls are weakened over these collections. While this is common due to the size of the department, we believe the department should consider implementing other detective controls to enhance the department's ability to detect unusual or inappropriate cash adjustments.

We therefore recommend that the department perform and document a review of all voided or adjusted transactions on a weekly or monthly basis to ensure that they are appropriate and properly documented. This review should be completed by someone without direct control of department collections.