

MANAGEMENT COMMUNICATIONS

MONROE COUNTY, WISCONSIN

DECEMBER 31, 2011

MONROE COUNTY, WISCONSIN

December 31, 2011

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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, 2011. The County's financial statements, including our report thereon dated July 10, 2012, 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, 2011, 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 2011-01 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. The County implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the fiscal year ended December 31, 2011. 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 auditors' 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 July 10, 2012. 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 July 10, 2012 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
July 10, 2012

MONROE COUNTY FINANCE

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Rm 2

Sparta WI 54656

July 10, 2012

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We are providing this letter in connection with your audit of the financial statements of Monroe County, Wisconsin as of December 31, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Monroe County and the respective changes in the financial position and where applicable, cash flows thereof, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items in No. 37 are considered material based on the materiality criteria specified in OMB Circular A-133 and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 10, 2012, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government as required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
2. We have made available to you all-
 - a. Financial records and related data, and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Minutes of the meetings of the County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedules of expenditures of federal awards and state financial assistance.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. We have a process to track the status of audit findings and recommendations
9. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
10. We have provided our views on reported findings, and recommendations, as well as our planned corrective actions, for the report.
11. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
12. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the County is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
 - d. Joint ventures, jointly governed organizations, and other related organizations.
 - e. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.
 - f. Participation in a public entity risk pool.
13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

14. There are no—
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
15. As part of your audit, you assisted with preparation of the financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance.
16. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
17. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
18. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Components of net assets (invested in capital assets, net of related debt, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
25. Revenues are appropriately classified in the statement of activities within program revenues, general revenues.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

27. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
29. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
30. We acknowledge our responsibility for presenting the nonmajor fund combining statements in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
31. We agree with the findings of specialists in evaluating the other post-employment benefits and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
32. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
33. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
34. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
35. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
36. We do not plan to make frequent amendments to our other post-retirement benefit plans.
37. With respect to federal and state award programs:
 - a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration including requirements relating to preparation of the schedule of federal awards and the schedule of state financial assistance.

- b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133 and the schedule of state financial assistance in accordance with *State Single Audit Guidelines*, and have identified and disclosed in the schedules of expenditures of federal awards and state financial assistance, expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
- c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and the schedule of state financial assistance (SSFA) in accordance with the requirements of the *State Single Audit Guidelines* and we believe the SEFA and SSFA, including their form and content, are fairly presented in accordance with the Circular and the Guidelines. The methods of measurement and presentation of the SEFA and SSFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SSFA.
- d. If the SEFA and SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- e. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and the *State Single Audit Guidelines*.
- f. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.
- g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.
- h. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relating to each major federal and state programs and related activities.
- i. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- j. We have complied with the direct and material compliance requirements, (except for noncompliance disclosed to you) including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal and state awards.

- k. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- o. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- q. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- r. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- s. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- t. We have charged costs to federal and state awards in accordance with applicable cost principles.
- u. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.
- v. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*.
- w. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.

- x. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
 - y. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and the *State Single Audit Guidelines* and we have provided you with information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
 - z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
 - aa. We are responsible for preparing and implementing a corrective action plan for each audit finding
38. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed: Cathy Schmit
Cathy Schmit, County Administrator

Signed: Tina Osterberg
Tina Osterberg, Finance Director

Signed: Shelley Bohl
Shelley Bohl, County Clerk

Signed: Annette Erickson
Annette Erickson, County Treasurer

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of County governmental fund balances on December 31, 2011 and 2010. This information is provided for assessing financial results for 2011 and for indicating resources available at the start of the 2012 budget year.

	12/31/11	12/31/10
General Fund		
Nonspendable		
Inventories and prepaid items	\$ 332,655	\$ 304,773
Delinquent property taxes	3,966,127	1,785,083
Long-term cash advance	1,557,735	1,815,837
Haney reserve	1,000	1,000
Restricted for		
Haney reserve	858	855
Redaction fees	65,130	-
Land records fees	37,188	36,727
Dog control	19,325	-
Parks	2,657	-
CREP program	30,678	-
Forestry maintenance - land acquisition	49,255	-
Wildlife habitat	797	-
Committed	319,307	70,972
Assigned	47,191	-
Unassigned	10,225,240	9,415,409
Total general fund	16,655,143	13,430,656
Special Revenue Funds		
Nonspendable		
Local history room - Wegner Grotto	50,000	50,000
Restricted for		
Local history room - Wegner Grotto	58,488	50,726
Jail assessment	325,428	264,596
Child support technology purchases	51,329	51,329
Assigned for		
Human services	300,000	300,000
Senior services	32,599	57,775
Local history room	182,877	178,097
Total Special Revenue Funds	1,000,721	952,523
Debt service fund	85,761	85,761
Capital projects fund	540,866	683,206
Total Governmental Funds	\$ 18,282,491	\$ 15,152,146

The County's general fund increased \$3,224,487 despite an anticipated reduction of \$250,342. This increase during 2011 was due to positive revenue and expenditure budget balances. The following summarizes some of the significant reasons for this increase in general fund balance:

- Positive revenue variance totaled \$487,103.
- Overall expenditure variances totaled \$2,506,183.
- General government and public safety expenditures were under budget by \$1,308,140 and \$951,275, respectively.

1. Governmental Fund Balances (Continued)

Portions of the general fund balance have been considered to be nonspendable, restricted, committed or assigned as detailed above. Rolling Hills enterprise fund's cash deficit is financed by a general fund cash advance and, since the potential for repayment in 2012 is not likely, a portion of the general fund balance was shown as nonspendable for the estimated non-current portion of this advance. This balance decreased \$258,102 to \$1,557,735.

The County established a minimum cash fund balance policy during 2011, as summarized below:

General fund cash balance December 31, 2011	\$ 14,184,105
Restricted funds	(303,447)
Committed funds	(319,307)
Assigned funds	(347,191)
Contingency fund balance	(601,577)
General fund balance less restricted, committed and assigned funds	<u>\$ 12,612,583</u>
Actual 2011 Total County Adopted Budgeted Expenditures	\$ 46,414,904
Minimum Fund Balance %	(x) 25%
Subtotal	<u>11,603,726</u>
Provision for unexpected volatile operational costs	1,000,000
Provision for future delinquent taxes	2,000,000
Minimum Fund Balance Amount	<u>\$ 14,603,726</u>

The contingency fund balance will lapse into the general fund balance at the end of 2011 as the required fund balance per policy was not attained. The general fund's unassigned balance is \$8,162,886 or approximately 22% of the 2011 adopted budget expenditures of \$46,414,904.

2. Human Services Special Revenue Fund

A comparative summary of the County's human services special revenue fund for the years ending December 31, 2011 and 2010 follows:

	2011	2010
Revenues		
Property taxes	\$ 2,494,122	\$ 2,788,365
Intergovernmental	4,207,460	4,214,638
Charges for services	1,262,696	1,340,880
Total Revenues	<u>7,964,278</u>	<u>8,343,883</u>
Expenditures		
Human services	<u>7,986,000</u>	<u>7,814,897</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,722)</u>	<u>528,986</u>
Other Financing Sources (Uses)		
Transfer in	408,904	91,856
Transfer out	(387,182)	(320,842)
Total Other Financing Sources (Uses)	<u>21,722</u>	<u>(228,986)</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ 300,000</u>

The human service fund reported revenues and other financing sources over expenditures and other financing uses of \$320,066 which was transferred back to the general fund, resulting in no change in net assets. The favorable results was due to the following:

- Public charges for services exceeded budget by \$332,798.
- Human services expenses were under budget by \$119,997.

3. Rolling Hills Operating Results

A comparative summary of the County's nursing home operating results for the years ending December 31, 2011 and 2010 follows:

	2011	2010
Operating Revenues		
Charges for services	\$ 6,493,998	\$ 6,126,696
Operating Expenses		
Operation and maintenance	8,212,908	7,865,967
Depreciation	175,571	176,703
Total Operating Expenses	8,388,479	8,042,670
Operating Loss	(1,894,481)	(1,915,974)
Nonoperating Revenues		
Property taxes	804,551	1,045,202
Intergovernmental aids	894,725	735,630
Total Nonoperating Revenues	1,699,276	1,780,832
Income (Loss) before Transfers	(195,205)	(135,142)
Transfers in	512,028	150,314
Transfers out	(141,206)	-
Change in Net Assets	175,617	15,172
Deficit - January 1	(948,207)	(963,379)
Deficit - December 31	\$ (772,590)	\$ (948,207)

Rolling Hills enterprise fund generated an operating deficit for 2011 of \$195,205 compared to a deficit of \$135,142 for 2010. As of December 31, 2011, the fund reported a deficit of \$772,590. Because of better operating results, the fund repaid \$258,102 of its cash deficit. As of December 31, 2011, the County's general fund has advanced cash of \$2,724,047 with \$1,557,735 being considered long-term. We continue to recommend the County consider a transfer to eliminate this deficit cash position as of December 31, 2011.

4. Solid Waste Operating Results

A comparative summary of the County's solid waste operating results for the years ending December 31, 2011 and 2010 follows:

	2011	2010
Operating Revenues		
Charges for services	\$ 1,719,835	\$ 1,840,085
Operating Expenses		
Operation and maintenance	1,458,515	1,545,281
Depreciation	252,228	272,029
Total Operating Expenses	1,710,743	1,817,310
Operating Income	9,092	22,775
Nonoperating Revenues		
Intergovernmental aids	149,473	231,920
Interest income	8,541	11,722
Total Nonoperating Revenues	158,014	243,642
Income Before Contributions and Transfers	167,106	266,417
Capital contributions from County	69,920	-
Transfers out	(298,763)	(302,863)
Change in Net Assets	(61,737)	(36,446)
Net Assets - January 1 (as restated)	3,039,624	3,076,070
Net Assets - December 31	\$ 2,977,887	\$ 3,039,624

At December 31, 2011, the County has cash and investments of \$2,214,198 restricted for closure and long-term care financial responsibilities while unrestricted cash totaled \$717,233, an increase of \$5,710 over the prior year while still transferring \$298,763 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, 2011 and 2010 follows:

	2011	2010
Operating Revenues		
Charges for services	\$ 3,052,514	\$ 2,828,096
Operating Expenses		
Operation and maintenance	5,892,777	6,711,653
Depreciation	769,283	742,467
Total Operating Expenses	6,662,060	7,454,120
Operating Loss	(3,609,546)	(4,626,024)
Nonoperating Revenues (Expenses)		
Property taxes	3,038,028	3,252,191
Intergovernmental aids	1,109,709	1,072,509
Total Nonoperating Revenues (Expenses)	4,147,737	4,324,700
Income (Loss) Before Transfers	538,191	(301,324)
Transfers in	29,389	58,384
Transfers out	(67,140)	-
Change in Net Assets	500,440	(242,940)
Net Assets - January 1	7,728,203	7,971,143
Net Assets - December 31	\$ 8,228,643	\$ 7,728,203

The highway enterprise fund reported a cash balance of \$1,047,499 as of December 31, 2011 compared to \$158,983 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, 2011 (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, 2011, the balance in the liability account is \$1,890,947, compared to \$1,667,655 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. The County anticipates making this change in 2012.

Fund Balance Reporting

The County's 2011 financial statements were prepared with changes set forth in GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The County has established restricted, committed, and assigned balances based on County Board actions and other supporting documents.

As part of the County's fund balance reporting policy, we recommend the County Board consider addressing the following items:

- Authority level required to assign fund balances.
- Specific order of spend-down of fund balances.

GENERAL (Continued)

HUMAN SERVICES

Expenditure Reconciliations

The human services department reports expenditures incurred, net of any revenue offsets, on a monthly basis to grantor agencies. The State of Wisconsin requires that each grantee reconcile expenditures and revenue offsets at least quarterly to the Organization's general ledger to ensure that claim forms being submitted accurately portray the County's general ledger.

The County was unable to provide us with a reconciliation of the County's general ledger during our audit fieldwork because the reconciliations were not completed timely during 2011. Because reconciliations are required by the State of Wisconsin, the lack of timely reconciliations will be reported as an internal control finding in the County's single audit report.

We recommend the County develop and implement a process to ensure that the reconciliations are being completed on a timely basis. For additional control, we further recommend someone other than the preparer review and approve the reconciliations.

SHERIFF'S DEPARTMENT

Huber Trust Bank Reconciliation

As part of our internal control testing, we reviewed bank reconciliations for the County's Huber Trust bank account prepared by department personnel. Our testing noted that the December's bank reconciliation had a variance which, based on our subsequent testing, was identified as a deposit in transit that was not included on the reconciliation.

We reviewed several other months and found the same issue existing. While these variances were for small dollar amounts, internal controls are weakened when variances are not investigated by department personnel when they occur.

We recommend that the County implement procedures to ensure that any bank variances are investigated. Furthermore, we recommend having someone other than the preparer review the reconciliations for accuracy since the individual responsible for the reconciliation is also responsible for the bank activity.