

**MANAGEMENT COMMUNICATIONS**

**MONROE COUNTY, WISCONSIN**

**DECEMBER 31, 2014**

**MONROE COUNTY, WISCONSIN**

December 31, 2014

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To the County Board  
Monroe County, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County, Wisconsin (the "County") for the year ended December 31, 2014. The County's financial statements, including our report thereon dated July 7, 2015, 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

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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. 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2014, 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 auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 report on internal control over financial reporting and on compliance and other matters is presented in the federal awards and state financial assistance report.

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

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 County's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the County's internal control to be significant deficiencies:

- Finding 2014-001 Preparation of Annual Financial Reports
- Finding 2014-002 Financial Reporting for Federal and State Financial Assistance

These findings are described in detail in the schedule of findings and questioned costs in the report on Federal and State awards.

The County's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### *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 2014. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

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. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates included in the financial statements were:

- 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.
- Claims liability in workers compensation self insurance fund.
- Other post-employment benefits liability based on actuarial study.

The financial statement disclosures are neutral, consistent, and clear.

#### *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 clearly 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, a disagreement with management is 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. 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 7, 2015. 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 auditors' 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 retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

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, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized in the other comments and observations section of this report.

*Other Matters*

We applied certain limited procedures to the management's discussion and analysis, the schedule of funding progress and the schedule of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Restriction on Use*

This information is intended solely for the use of the County Board, and management of Monroe 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 7, 2015

## SUMMARY FINANCIAL INFORMATION

### 1. Governmental Fund Balances

Presented below is a summary of County governmental fund balances on December 31, 2014 and 2013. This information is provided for assessing financial results for 2014 and for indicating resources available at the start of the 2015 budget year.

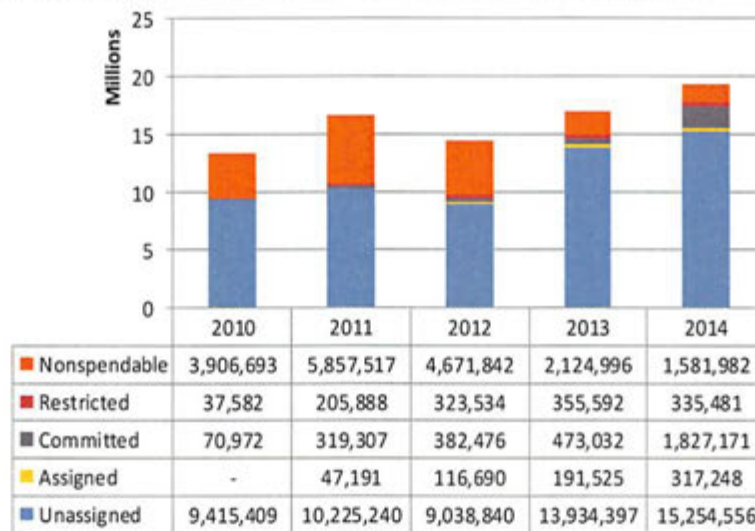
	12/31/14	12/31/13
<b>General Fund</b>		
Nonspendable		
Prepaid items	\$ 93,143	\$ 340,287
Delinquent property taxes	1,487,839	1,635,536
Long-term cash advance	-	148,173
Haney reserve	1,000	1,000
Restricted for		
Haney reserve	864	862
WEDCS Election Grant	1,621	-
Redaction fees	67,886	109,012
K-9 unit donations	1,000	-
Land records fees	145,886	121,391
Dog control	22,572	31,011
Parks	4,399	3,543
CREP program	37,707	35,364
Forestry maintenance - land acquisition	49,255	49,255
Forestry Habelman reforestation	3,280	4,488
Wildlife habitat	1,011	666
Committed	1,827,171	473,032
Assigned	317,248	191,525
Unassigned	15,254,556	13,934,397
Total general fund	<u>19,316,438</u>	<u>17,079,542</u>
<b>Special Revenue Funds</b>		
Nonspendable		
Local history room - Wegner Grotto	50,000	50,000
Local history room - other	308,055	204,975
Restricted for		
Local history room - Wegner Grotto	132,948	116,430
Local history room - other	713	438
Jail assessment	325,081	320,410
Child support technology purchases	51,329	51,329
DOT Trust	63,455	58,210
Assigned for		
Human services	300,000	300,000
Local history room - Wegner Grotto	49,835	58,355
Local history room - other	63,493	47,612
Total Special Revenue Funds	<u>1,344,909</u>	<u>1,207,759</u>
Debt service fund	<u>244,233</u>	<u>216,964</u>
<b>Capital Projects Fund</b>		
Nonspendable - inventories and prepaid items	6,527	-
Restricted for justice center	11,655,094	10,003,968
Committed for justice center	3,071,858	3,186,774
Assigned for capital improvements	17,388	9,665
Total Capital Projects Fund	<u>14,750,867</u>	<u>13,200,407</u>
<b>Total Governmental Funds</b>	<u><u>\$ 35,656,447</u></u>	<u><u>\$ 31,704,672</u></u>

## 2. General Fund Analysis

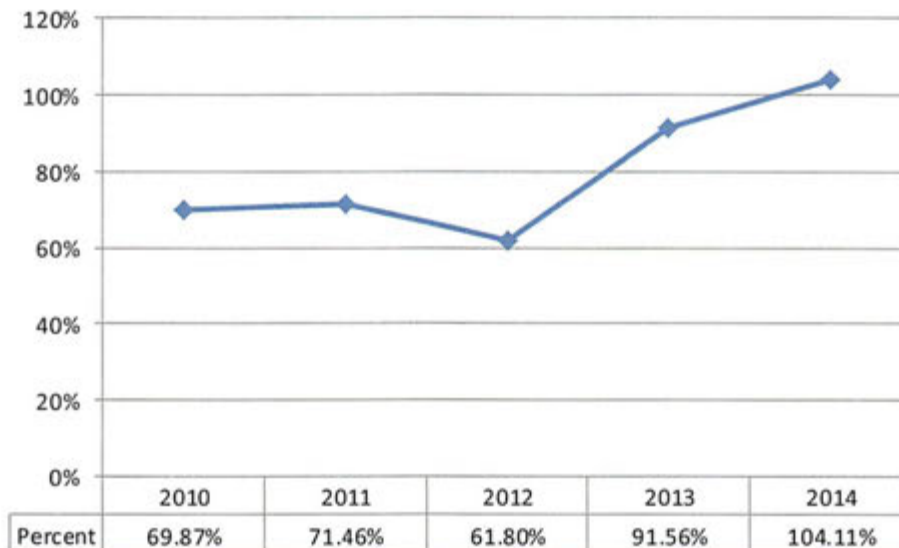
The County's general fund increased \$2,236,896. The primary reasons for some of the significant changes in general fund balance are summarized below

- Overall expenditure variances totaled \$2,755,406 with public safety and capital outlay expenditures under budget by \$682,348 and \$1,549,764, respectively.
- Transfers in had a positive variance of \$385,073, and transfers out had a positive variance of \$205,124.
- General fund balance of \$636,515 as of January 1, 2014 were transferred to internal services to account for information services and workers compensation activities. These changes affect some of the total revenues and expenditures of the general fund.

Portions of the general fund balance have been considered to be nonspendable, restricted, committed or assigned as in the previous section. Presented below is a fund balance analysis of the General Fund for fiscal years 2010-2014. This information is presented to assist County management in assessing fund balance levels at the end of fiscal year 2014 and the trend over the past four years.



Unassigned fund balance in the General fund essentially represents cash available for working capital and contingencies. An important analysis of the liquidity of the County includes comparing the unassigned fund balance in the general fund to current year general fund expenditures. Presented below is the trend over five years.





**2. General Fund Analysis (Continued)**

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

General fund cash balance December 31, 2014	\$ 21,854,324
Restricted funds	(485,158)
Committed funds	(4,899,029)
Assigned funds	(655,885)
General fund balance less restricted, committed and assigned funds	<u>\$ 15,814,252</u>
Actual 2014 Total County Adopted Budgeted Expenditures	\$ 47,160,217
Minimum Fund Balance %	(x) 25%
Subtotal	<u>11,790,054</u>
Provision for unexpected volatile operational costs	1,000,000
Provision for future delinquent taxes	2,000,000
Minimum Fund Balance Amount	<u>\$ 14,790,054</u>

The contingency fund balance of \$38,637 will roll forward into the 2015 contingency fund balance at the end of 2014 as the required fund balance per policy was attained. The general fund cash balance, less restricted, committed, and assigned funds is \$1,024,198 more than the minimum fund balance amount; therefore, after rolling \$38,637 forward to the 2015 contingency fund, \$985,561 will lapse to the committed debt service fund to be applied towards the 2016 principal and interest as adopted.

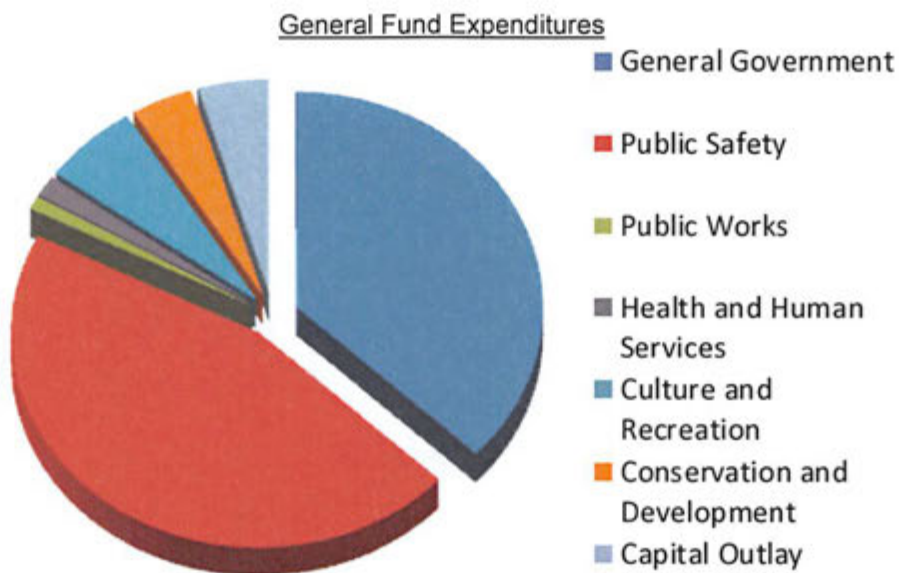
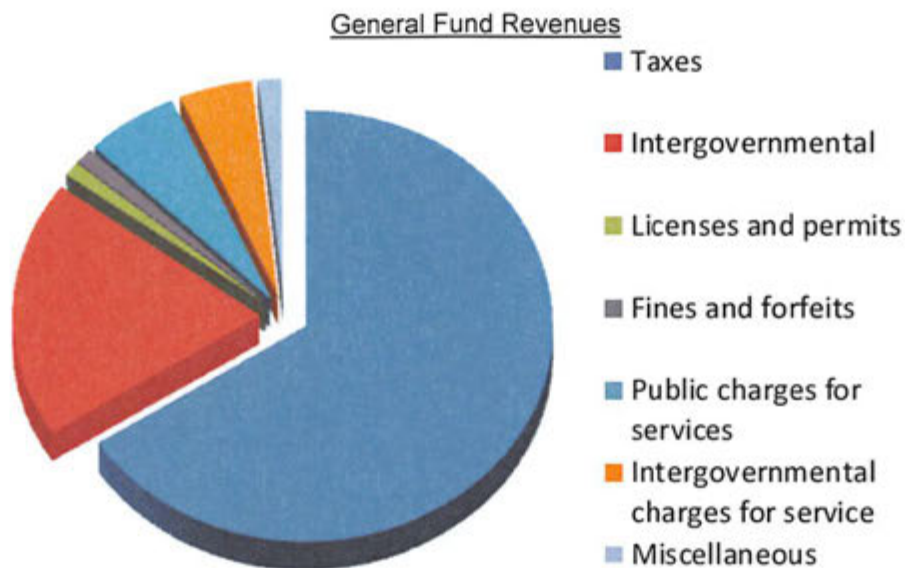
**3. General Fund Revenue and Expenditure Analysis**

Presented below is a revenue and expenditure analysis of the General Fund for fiscal years 2013-2014. This information is presented to assist County management in assessing the financial position of the County.

	12/31/2014	12/31/2013
<b>General Fund Revenues</b>		
Taxes	\$ 11,567,467	\$ 12,043,240
Intergovernmental	3,392,533	3,305,103
Licenses and permits	183,660	177,039
Fines and forfeits	212,517	228,490
Public charges for services	1,068,541	1,089,659
Intergovernmental charges for service	859,724	1,191,813
Miscellaneous	279,129	484,440
Total Revenue	<u>\$ 17,563,571</u>	<u>\$ 18,519,784</u>
<b>General Fund Expenditures</b>		
General government	\$ 5,431,691	\$ 6,489,640
Public safety	6,650,403	6,732,753
Public works	144,855	135,253
Health and Human Services	229,410	254,261
Culture and recreation	918,398	874,139
Conservation and development	592,812	732,032
Capital outlay	684,602	130
Total Expenditures	<u>\$ 14,652,171</u>	<u>\$ 15,218,208</u>

**General Fund Revenue and Expenditure Analysis (Continued)**

Presented below are the 2014 General Fund Revenues and Expenditures by type for further analysis.



#### 4. Human Services Special Revenue Fund

A comparative summary of the County's human services special revenue fund for the years ending December 31, 2014 and 2013 follows:

	2014	2013
Revenues		
Property taxes	\$ 2,473,107	\$ 2,479,795
Intergovernmental	3,973,256	3,299,810
Charges for services	1,373,739	1,444,772
Total Revenues	<u>7,820,102</u>	<u>7,224,377</u>
Expenditures		
Human services	<u>7,777,197</u>	<u>7,308,785</u>
Excess of Revenues Under Expenditures	<u>42,905</u>	<u>(84,408)</u>
Other Financing Sources (Uses)		
Transfer in	341,486	395,951
Transfer out	(384,391)	(311,543)
Total Other Financing Sources (Uses)	<u>(42,905)</u>	<u>84,408</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>

The human service fund reported revenues and other financing sources over expenditures and other financing uses of \$384,391 which was transferred back to the general fund, resulting in no change in fund balance. The favorable results were due to favorable revenue variances for 2014.

## 5. Rolling Hills Operating Results

A comparative summary of the County's nursing home operating results for the years ending December 31, 2014 and 2013 follows:

	2014	2013
Operating Revenues		
Charges for services	\$ 6,503,751	\$ 6,003,119
Operating Expenses		
Operation and maintenance	7,714,004	7,672,757
Depreciation	193,250	178,717
Total Operating Expenses	7,907,254	7,851,474
Operating Loss	(1,403,503)	(1,848,355)
Nonoperating Revenues		
Property taxes	871,294	746,450
Intergovernmental aids	791,716	840,297
Total Nonoperating Revenues	1,663,010	1,586,747
Income (Loss) before Transfers	259,507	(261,608)
Transfers in	436,304	658,027
Transfers out	(102,686)	-
Change in Net Position	593,125	396,419
Deficit - January 1	(29,021)	(425,440)
Net Position (Deficit) - December 31	\$ 564,104	\$ (29,021)

Rolling Hills enterprise fund generated a net income of \$259,507 for 2014 compared to a deficit of \$261,608 for the prior year. As of December 31, 2014, the fund reported a net position of \$564,104, with \$1,156,469 represents its investment in capital assets and \$18,861 restricted for residents, leaving a deficit of \$611,226 . As of December 31, 2014, the County's general fund has advanced cash of \$1,121,062; however, because of improved operating results, none of this balance is considered long-term. We continue to recommend the County consider a transfer to eliminate this deficit cash position as of December 31, 2014.

## 6. Solid Waste Operating Results

A comparative summary of the County's solid waste operating results for the years ending December 31, 2014 and 2013 follows:

	2014	2013
<b>Operating Revenues</b>		
Charges for services	\$ 1,631,008	\$ 1,572,832
<b>Operating Expenses</b>		
Operation and maintenance	1,465,835	1,720,698
Depreciation	178,319	211,954
<b>Total Operating Expenses</b>	<b>1,644,154</b>	<b>1,932,652</b>
<b>Operating Loss</b>	<b>(13,146)</b>	<b>(359,820)</b>
<b>Nonoperating Revenues</b>		
Intergovernmental aids	145,399	157,063
Interest income	6,011	5,972
<b>Total Nonoperating Revenues</b>	<b>151,410</b>	<b>163,035</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>138,264</b>	<b>(196,785)</b>
<b>Capital contributions from County</b>	<b>-</b>	<b>484,039</b>
<b>Transfers out</b>	<b>(299,363)</b>	<b>(299,563)</b>
<b>Change in Net Position</b>	<b>(161,099)</b>	<b>(12,309)</b>
<b>Net Position - January 1</b>	<b>2,887,323</b>	<b>2,899,632</b>
<b>Net Position - December 31</b>	<b>\$ 2,726,224</b>	<b>\$ 2,887,323</b>

At December 31, 2014, the County has cash and investments of \$2,515,285 restricted for closure and long-term care financial responsibilities while unrestricted cash totaled \$361,957, a decrease of \$39,980 over the prior year including a transfer of \$299,363 for debt service.

## 7. Highway Department Operating Results

A comparative summary of the highway department's operating results for the years ending December 31, 2014 and 2013 follows:

	2014	2013
Operating Revenues		
Charges for services	\$ 3,091,559	\$ 3,145,721
Operating Expenses		
Operation and maintenance	6,614,259	6,938,546
Depreciation	662,744	658,038
Total Operating Expenses	<u>7,277,003</u>	<u>7,596,584</u>
Operating Loss	<u>(4,185,444)</u>	<u>(4,450,863)</u>
Nonoperating Revenues		
Property taxes	3,115,011	2,991,944
Intergovernmental aids	981,845	1,000,379
Gain (Loss) on disposal of capital assets	(6,218)	12,534
Total Nonoperating Revenues	<u>4,090,638</u>	<u>4,004,857</u>
Income (Loss) Before Transfers	(94,806)	(446,006)
Transfers in	10,885	66,215
Transfers out	<u>(58,507)</u>	<u>-</u>
Change in Net Position	(142,428)	(379,791)
Net Position - January 1	<u>7,913,903</u>	<u>8,293,694</u>
Net Position - December 31	<u>\$ 7,771,475</u>	<u>\$ 7,913,903</u>

The highway enterprise fund reported a cash balance of \$384,112 as of December 31, 2014 compared to \$877,652 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, 2014 (similar to amounts designated for subsequent year expenditures for governmental funds) in relation to the fund's cash balance.

**8. Workers Compensation Internal Service Fund**

The County maintains an internal service fund to manage worker's compensation insurance risks. Prior to 2014, this activity was included in the general fund. In 2014, the County moved this activity to its own fund. A summary of the fund's operating results for the year ending December 31, 2014 follows:

	Workers Compensation 2014
<b>Operating Revenues</b>	
Intergovernmental charges for services	\$ 479,813
Other operating revenues	979
<b>Total Operating Revenues</b>	<u>480,792</u>
<b>Operating Expenses</b>	
Contractual services	48,315
Insurance and other fixed charges	3,739
<b>Total Operating Expenses</b>	<u>52,054</u>
<b>Operating Income (Loss)</b>	428,738
<b>Nonoperating Revenues</b>	
Interest income	<u>8,181</u>
<b>Net Income before Transfers</b>	436,919
Transfer in from general fund	<u>253,767</u>
<b>Change in Net Position</b>	<u>690,686</u>
<b>Net Position - January 1</b>	-
<b>Prior Period Adjustment</b>	<u>1,323,041</u>
<b>Net Position - December 31</b>	<u><u>\$ 2,013,727</u></u>

At December 31, 2014, the County's claims liability is \$439,286.

We recommend the County review and establish a target net position balance to maintain in the workers compensation fund, considering the volatility of claims and the County's past history in the program. Because some of the intergovernmental charges are funded by grant programs, creating this policy can be used to justify charges allocated to grant programs to grantor agencies.

## COMMENTS AND OBSERVATIONS

### 1. Clerk of Courts Trust Procedures

During our testing of Clerk of Courts cases, we noted one bond that was not refunded despite the case applicable to that bond being closed in 2000. This indicates a risk that the Clerk of Courts is improperly keeping track of the status of its cases. We recommend the Clerk of Courts department to review old cases on the trust report and identify cases that may have been closed. If any closed cases are noted, we recommend the department clear out the balances of those cases.

**MANAGEMENT RESPONSE:** The case in question was refunded on November 19, 2014. The Clerk of Courts department has established a policy of reviewing old cases on the trust report twice a year. This should help to ensure that money is applied and/or refunded appropriately in a timely manner.

### 2. Child Support Grant Reconciliation Procedures

During our testing of Child Support CORE reports, we noted that a CORE expense report for November 2014 was prepared, but not submitted to the state. Currently, the Child Support department reconciles the general ledger to the CORE expense reports prepared by the department. There is no subsequent comparison to the data received by the state. We recommend the department continue to reconcile the expense reports to the general ledger but add a procedure to compare that data to the CORE website after the expense report has been submitted. This reconciliation would allow the department to ensure that the expense reports are properly submitted and received by the State each month.

**MANAGEMENT RESPONSE:** The report was submitted to the state but the state failed to enter it into the system. This would have been detected by Monroe County's Child Support office if they had been comparing the data received by the state to the monthly CORE expense reports prepared by the department. Going forward the department will compare the expense reports to the data on the CORE website monthly.

### 3. Internal Service Fund Accounting

In 2014, the County created internal service funds for its information systems and workers' compensation activities, as these activities benefit other functions of the County. As an internal service fund, the primary revenue of the fund should be interdepartmental charges, as operating costs of the activity should be funded by benefiting departments.

Since the funds were created during 2014, the 2014 and 2015 budgets primarily relied on general property taxes to finance the information systems activities, with the cost not being included in a department's operating budget in a similar manner to how the workers compensation charges are assessed.

We therefore recommend the County develop as part of the 2016 budget a mechanism to allocate the information system operations to other departments.

**MANAGEMENT RESPONSE:** The Finance and Administrative departments will take the recommendation under advisement during the 2016 budget preparation.



## NEW ACCOUNTING AND GRANT MANAGEMENT STANDARDS

### 1. Uniform Grant Guidance for Federal Awards

Our prior year management letter included information on the Uniform Grant Guidance issued by the U.S. Office of Management and Budget ("OMB"). Because the County receives federal assistance, the requirements of the circular are applicable to the County and are effective for your 2015 fiscal year. The Circular superseded eight existing Circulars and combined into one place the administrative requirements, cost principles, and audit requirements for all organizations that receive Federal Awards. The new Circular was designed to strengthen oversight of federal awards and increase the efficiency and effectiveness of managing federal assistance programs.

We included detailed information in our prior year management letter summarizing key changes in administrative requirements, cost principles and audit requirements as set forth in the grant guidance. We also hosted a training seminar on implementing the Uniform Grant Guidance with representatives of the County attending. We recommended the County review the requirements of the Circular and begin to modify its existing policies and procedures to comply with the new guidance. Listed below are the areas of the Circular that, in our opinion, will most likely require changes to County policies and procedures:

#### **Administrative requirements**

- Monitoring Federal Awards Passed-through to Other Entities
- Policies on Procurement Using Federal Awards
- Establishment and Documentation of Internal Controls Over Federal Awards

#### **Cost principles**

- Guidelines for Reporting of Direct and Indirect Costs
- Alternatives to Time and Effort Reporting for Salaries and Wages
- Approval of the Cost Allowability of Federal Grant Expenditures

#### **Audit requirements**

- Preparation of the Schedule of Expenditures of Federal Awards
- Preparation of a Corrective Action Plan for any Audit Findings

Because federal and state funding sources are often comingled and the State of Wisconsin has generally used federal guidance in determining allowable costs, many of the policies and procedures should also consider the County's procedures over state awards.

Since the Circular is effective for federal awards received in 2015, we recommend the County continue to develop an implementation plan to assure compliance with the Uniform Grant Guidance. County personnel have been provided with a sample outline to use to develop a Uniform Grant Guidance Implementation Plan. We would be happy to further assist the County with its implementation plan.

**NEW ACCOUNTING AND GRANT MANAGEMENT STANDARDS  
(Continued)**

**2. GASB Statement No. 68, Accounting and Financial Reporting for Pensions**

Governmental Accounting Standards Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, revising and establishing new financial reporting requirements for governments that provide their employees with pension benefits. The new standard recognizes pension costs as employment services are provided, rather than when the pensions are funded and will impact your 2015 financial statements. This change in the pension liability calculation could have a material impact on net position for many governments.

Other significant changes from previous reporting requirements (GASB Statement No. 27) include:

- Coordination of the actuarial valuation date and the measurement date;
- Stricter guidance on the selection and calculation of the discount rate;
- Required use of the entry age normal actuarial cost method;
- Some changes in pension liabilities will be reported as deferred outflows/inflows of resources;
- Required supplementary information, with ten years of trend information developed over time;
- Expanded note disclosures

Because of the basis of accounting, GASB Statement No. 68 will impact the financial statements of the County's government-wide and highway enterprise fund. The Wisconsin Retirement System ("WRS") will provide the County with the required supplementary information that will be needed to complete the financial statement and footnote disclosures in the County's audited financial statements. For the year ended December 31, 2014

## **APPENDIX**

# MONROE COUNTY FINANCE



14345 County Hwy B  
Rm 2

Phone: 608-269- 8707 or 608 269 -8791  
Fax: 608- 366- 1809

Sparta WI 54656  
July 7, 2015

Schenck SC  
2200 Riverside Drive  
P.O. Box 23819  
Green Bay, WI 54305-3819

This representation letter is provided in connection with your audit of the financial statements of the Monroe County (the "County"), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2014, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items in No. 55 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, regardless of size, 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 7, 2015, the following representations made to you during your audit.

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 20, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
3. In regards to accounting estimates:
  - The measurement processes used by management in determining accounting estimates is appropriate and consistent.
  - The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
  - The disclosures related to accounting estimates are complete and appropriate.

- No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
  6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
  7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
  8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
  9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the County's accounts.
  10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
  11. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

12. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the County from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedules of expenditures of federal awards and state financial assistance.

14. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:
  - a. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    - i. Management,
    - ii. Employees who have significant roles in internal control, or
    - iii. Others where the fraud could have a material effect on the financial statements.
  - b. We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements communicated by employees, former employees, regulators, or others.
15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the County's related parties and all the related party relationships and transactions of which we are aware.

**Government - specific**

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. 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.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
23. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.
24. 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 legal and contractual provisions for reporting specific activities in separate funds.
25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
28. There are no 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.
29. As part of your audit, you assisted with preparation of the financial statements and related notes, state financial report, the schedule of expenditures of federal awards, and the schedule of state financial assistance. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, state financial report, the schedule of expenditures of federal awards, and the schedule of state financial assistance.
30. 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.
31. 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.
32. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
33. 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.
34. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
35. 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.
36. Components of net position (net investment in capital assets, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
37. Provisions for uncollectible receivables have been properly identified and recorded.
38. 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.
39. Revenues are appropriately classified in the statement of activities within program revenues or general revenues.

40. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
41. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
42. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
43. Joint ventures, jointly governed organizations, and other related organizations have been properly disclosed in the financial statements.
44. We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
45. We are following GASB Statement No. 54, paragraph 18, to determine the fund balance classifications for financial reporting purposes.
46. 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.
47. We acknowledge our responsibility for presenting the nonmajor fund combining statements (the supplementary information) 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.
48. We agree with the findings of specialists in evaluating the other post-employment benefits and incurred but not reported claims 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.
49. 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 County's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
50. 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.



51. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
52. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
53. We believe that the actuarial assumptions and methods used to measure OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
54. We do not plan to make frequent amendments to our other post-retirement benefit plans.
55. 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 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 or 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.
  - c. 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 SEFA and SSFA information no later than the date we issue the SEFA and SSFA and the auditors' report thereon.
  - d. 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* and have included in the SEFA and SSFA expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
  - e. 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.
  - f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for 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.

- g. 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 relevant to federal and state programs and related activities.
- h. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- i. 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.
- j. 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 auditors' report.
- k. 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.
- l. 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*.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. 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.
- o. 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.
- p. 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.
- q. 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 or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.
- r. 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.
- s. 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.

- t. 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*.
  - u. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' 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.
  - v. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
  - w. We have charged costs to federal and state awards in accordance with applicable cost principles.
  - x. 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 all 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.
  - y. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
  - z. We are responsible for preparing and implementing a corrective action plan for each audit finding.
56. 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