

MANAGEMENT COMMUNICATIONS

MONROE COUNTY, WISCONSIN

DECEMBER 31, 2015

MONROE COUNTY, WISCONSIN

December 31, 2015

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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, 2015. The County's financial statements, including our report thereon dated July 15, 2016, 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, Federal Uniform Guidance and *State Single Audit Guidelines*

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 Federal Uniform Guidance 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 Federal Uniform Guidelines 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) 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, 2015, 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 report on Federal and State awards.

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. The significant accounting policies used by the County are described in Note A to the financial statements. As described in Note D.4 to the financial statements, the County changed accounting policies related to pension accounting by adopting Statement of Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, in 2015. 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:

Management's estimate of the other post-employment benefits is based on an actuarial report. We evaluated the key factors and assumptions used to develop the other post-employment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension asset and related deferred outflows/inflows of resources is based on information received from the Wisconsin Retirement System. We evaluated the key factors and assumptions used to develop the net pension asset and related deferred outflows/inflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liabilities for closure and long-term care of the solid waste landfill is based upon the analysis of estimated costs determined by the Wisconsin Department of Natural Resources and estimated landfill capacity used as of year-end. We evaluated the key factors and assumptions used to develop the liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the incurred, but not reported (IBNR) insurance reserves are based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. We evaluated the key factors and assumptions used to develop the reserves in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimated an allowance for uncollectible accounts for nursing home patient receivables outstanding. These estimates are based upon management's knowledge of, and past experience with the outstanding balances. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

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. Management has corrected all such misstatements. Copies of the audit adjustments are available from management. The following material misstatements detected as a result of audit procedures were corrected by management:

- Recorded \$90,458 in revenue and expenses for CLTS
- \$161,300 adjustment to deferred revenue related to tax deeds
- \$125,475 adjustment to solid waste accounts receivable
- \$148,492 adjustment to solid waste post closure costs

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 15, 2016. 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 and the schedules relating to pensions and other post-employment benefits, 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 15, 2016

SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of County governmental fund balances on December 31, 2015 and 2014. This information is provided for assessing financial results for 2015 and for indicating resources available at the start of the 2016 budget year.

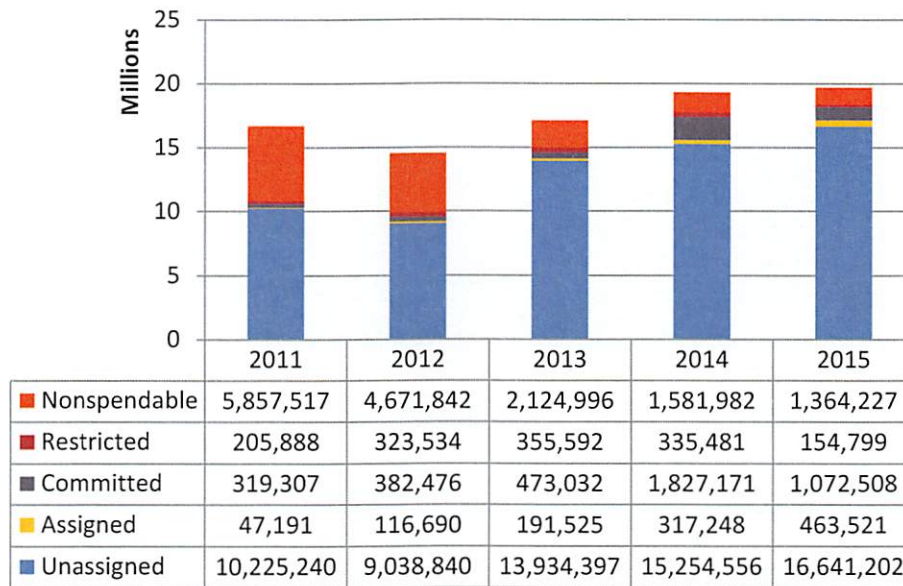
	12/31/15	12/31/14
General Fund		
Nonspendable		
Prepaid items	\$ 250,396	\$ 93,143
Delinquent property taxes	1,112,831	1,487,839
Haney reserve	1,000	1,000
Restricted for		
Haney reserve	866	864
WEDCS Election Grant	1,621	1,621
Redaction fees	43,296	67,886
K-9 unit donations	9,273	1,000
Land records fees	-	145,886
Dog control	25,390	22,572
Parks	5,080	4,399
CREP program	17,268	37,707
Forestry maintenance - land acquisition	49,255	49,255
Forestry Habelman reforestation	1,471	3,280
Wildlife habitat	1,279	1,011
Committed	1,072,508	1,827,171
Assigned	463,521	317,248
Unassigned	16,641,202	15,254,556
Total general fund	19,696,257	19,316,438
Special Revenue Funds		
Nonspendable		
Local history room - Wegner Grotto	50,000	50,000
Local history room - other	621,027	308,055
Restricted for		
Local history room - Wegner Grotto	130,544	132,948
Local history room - other	1,162	713
Jail assessment	307,421	325,081
Child support technology purchases	51,329	51,329
DOT Trust	42,977	63,455
Assigned for		
Human services	300,000	300,000
Local history room - Wegner Grotto	64,179	49,835
Local history room - other	96,934	63,493
Total Special Revenue Funds	1,665,573	1,344,909
Debt service fund	1,271,243	244,233
Capital Projects Fund		
Nonspendable - inventories and prepaid items	-	6,527
Restricted for justice center	5,141,915	11,655,094
Restricted for radio tower	1,837,951	-
Committed for justice center	3,076,000	3,071,858
Assigned for capital improvements	6,220	17,388
Total Capital Projects Fund	10,062,086	14,750,867
Total Governmental Funds	\$ 32,695,159	\$ 35,656,447

2. General Fund Analysis

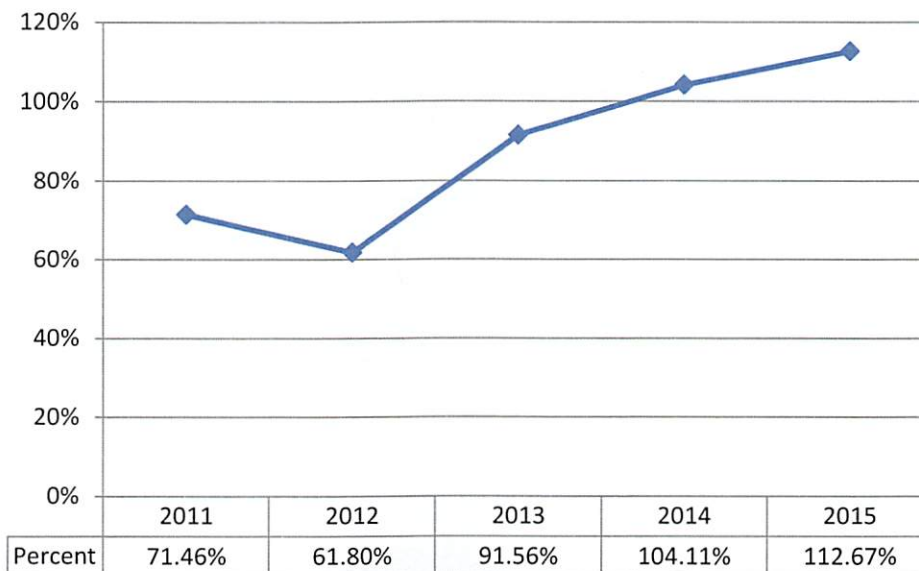
The County's general fund increased \$379,819. The primary reasons for some of the significant changes in general fund balance are summarized below:

- Overall expenditure variances totaled \$2,450,252 with public safety and capital outlay expenditures under budget by \$678,172 and \$860,697, respectively.
- Transfers in had a positive variance of \$641,360.

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 2011-2015. This information is presented to assist County management in assessing fund balance levels at the end of fiscal year 2015 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, 2015	\$ 24,844,176
Restricted funds	(405,987)
Committed funds	(5,134,069)
Assigned funds	(847,498)
General fund balance less restricted, committed and assigned funds	<u>\$ 18,456,622</u>
Actual 2015 Total County Adopted Budgeted Expenditures	\$ 47,237,598
Minimum Fund Balance %	(x) 25%
Subtotal	<u>11,809,400</u>
Provision for unexpected volatile operational costs	1,000,000
Provision for future delinquent taxes	2,000,000
Minimum Fund Balance Amount	<u>\$ 14,809,400</u>

The contingency fund balance of \$83,977 will roll forward into the 2016 contingency fund balance at the end of 2015 as the required fund balance per policy was attained. The general fund cash balance, less restricted, committed, and assigned funds is \$3,647,222 more than the minimum fund balance amount; therefore, after rolling \$83,977 forward to the 2016 contingency fund, \$3,563,245 will lapse to the committed debt service fund to be applied towards the 2017 principal and interest as adopted.

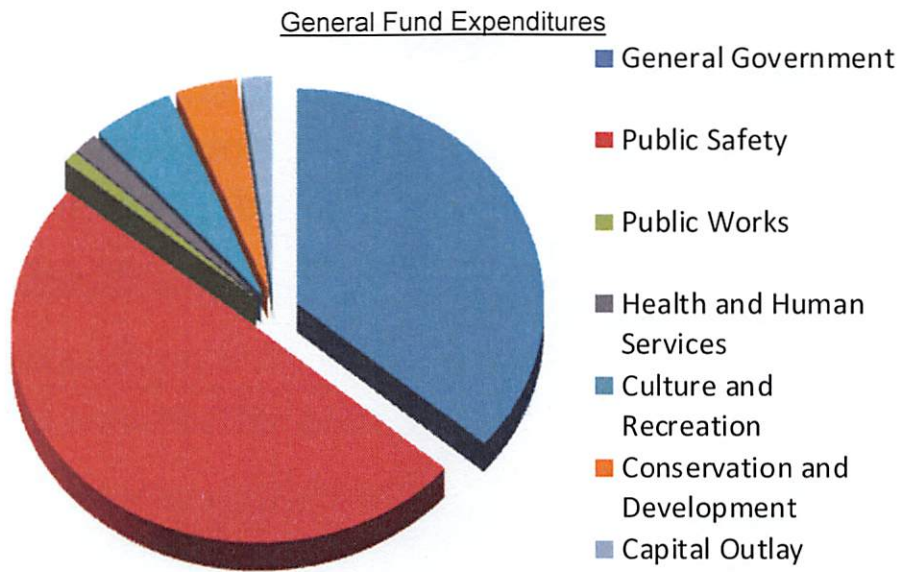
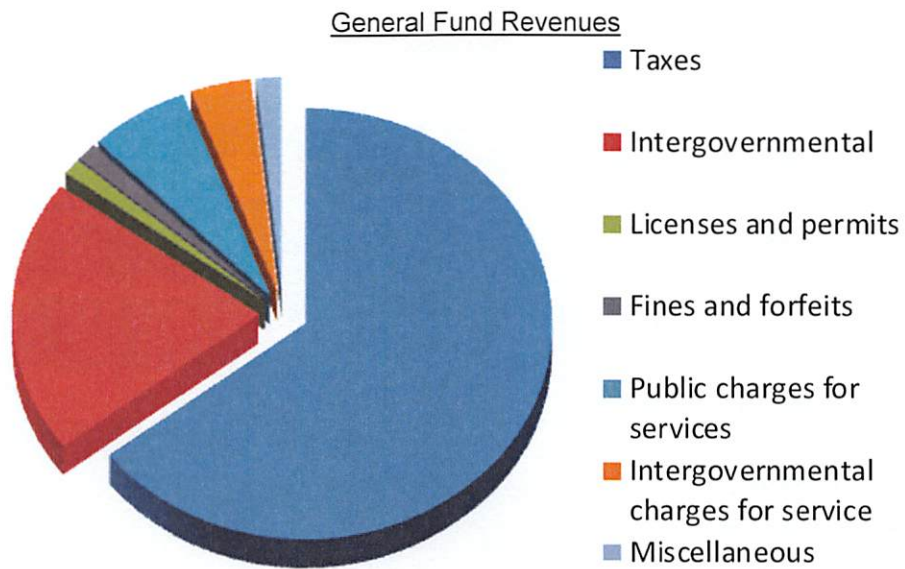
3. General Fund Revenue and Expenditure Analysis

Presented below is a revenue and expenditure analysis of the General Fund for fiscal years 2014-2015. This information is presented to assist County management in assessing the financial position of the County.

	12/31/2015	12/31/2014
General Fund Revenues		
Taxes	\$ 10,502,513	\$ 11,567,467
Intergovernmental	3,337,019	3,392,533
Licenses and permits	195,515	183,660
Fines and forfeits	225,920	212,517
Public charges for services	1,065,836	1,068,541
Intergovernmental charges for service	653,170	859,724
Miscellaneous	279,759	279,129
Total Revenue	<u>\$ 16,259,732</u>	<u>\$ 17,563,571</u>
General Fund Expenditures		
General government	\$ 5,378,261	\$ 5,431,691
Public safety	7,320,244	6,650,403
Public works	138,451	144,855
Health and Human Services	238,676	229,410
Culture and recreation	796,269	918,398
Conservation and development	598,548	592,812
Capital outlay	299,786	684,602
Total Expenditures	<u>\$ 14,770,235</u>	<u>\$ 14,652,171</u>

3. General Fund Revenue and Expenditure Analysis (Continued)

Presented below are the 2015 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, 2015 and 2014 follows:

	2015	2014
Revenues		
Property taxes	\$ 2,988,950	\$ 2,473,107
Intergovernmental	4,742,333	3,973,256
Charges for services	739,359	1,373,739
Total Revenues	<u>8,470,642</u>	<u>7,820,102</u>
Expenditures		
Human services	<u>8,083,034</u>	<u>7,777,197</u>
Excess of Revenues Over Expenditures	<u>387,608</u>	<u>42,905</u>
Other Financing Sources (Uses)		
Transfer in	-	341,486
Transfer out	(387,608)	(384,391)
Total Other Financing Sources (Uses)	<u>(387,608)</u>	<u>(42,905)</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 \$387,608 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 2015.

5. Rolling Hills Operating Results

A comparative summary of the County's nursing home operating results for the years ending December 31, 2015 and 2014 follows:

	2015	2014
Operating Revenues		
Charges for services	\$ 5,761,705	\$ 6,503,751
Operating Expenses		
Operation and maintenance	7,290,505	7,714,004
Depreciation	161,141	193,250
Total Operating Expenses	<u>7,451,646</u>	<u>7,907,254</u>
Operating Loss	<u>(1,689,941)</u>	<u>(1,403,503)</u>
Nonoperating Revenues (Expenses)		
Property taxes	1,357,816	871,294
Intergovernmental aids	1,004,411	791,716
Loss on disposal of capital assets	(14,873)	-
Total Nonoperating Revenues (Expenses)	<u>2,347,354</u>	<u>1,663,010</u>
Income before Transfers	657,413	259,507
Transfers in	-	436,304
Transfers out	-	(102,686)
Change in Net Position	<u>657,413</u>	<u>593,125</u>
Net Position - January 1, as originally reported	564,104	(29,021)
Cumulative effect of change in accounting principle	<u>1,312,521</u>	<u>-</u>
Net Position - January 1, restated	<u>1,876,625</u>	<u>(29,021)</u>
Net Position - December 31	<u>\$ 2,534,038</u>	<u>\$ 564,104</u>

Rolling Hills enterprise fund generated a net income of \$657,413 for 2015 compared to \$593,125 for the prior year. As of December 31, 2015, the fund reported a net position of \$2,534,038, with \$1,259,390 representing its investment in capital assets, \$17,295 restricted for residents, and \$1,284,636 restricted for pension benefits, leaving a deficit of \$27,283. As of December 31, 2015, the County's general fund has advanced cash of \$235,505; 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, 2015.

6. Solid Waste Operating Results

A comparative summary of the County's solid waste operating results for the years ending December 31, 2015 and 2014 follows:

	2015	2014
Operating Revenues		
Charges for services	\$ 1,757,986	\$ 1,631,008
Operating Expenses		
Operation and maintenance	1,519,294	1,465,835
Depreciation	117,574	178,319
Total Operating Expenses	1,636,868	1,644,154
Operating Income (Loss)	121,118	(13,146)
Nonoperating Revenues		
Intergovernmental aids	144,564	145,399
Interest income	3,736	6,011
Total Nonoperating Revenues	148,300	151,410
Income Before Transfers	269,418	138,264
Transfers out	(298,763)	(299,363)
Change in Net Position	(29,345)	(161,099)
Net Position - January 1, as originally reported	2,726,224	2,887,323
Cumulative effect of change in accounting principle	32,326	-
Net Position - January 1, restated	2,758,550	2,887,323
Net Position - December 31	\$ 2,729,205	\$ 2,726,224

At December 31, 2015, the County has cash and investments of \$2,613,591 restricted for closure and long-term care financial responsibilities while unrestricted cash totaled \$479,705, an increase of \$117,748 over the prior year including a transfer of \$298,763 for debt service.

7. Highway Department Operating Results

A comparative summary of the highway department's operating results for the years ending December 31, 2015 and 2014 follows:

	2015	2014
Operating Revenues		
Charges for services	\$ 3,095,146	\$ 3,091,559
Operating Expenses		
Operation and maintenance	6,162,274	6,614,259
Depreciation	703,249	662,744
Total Operating Expenses	6,865,523	7,277,003
Operating Loss	(3,770,377)	(4,185,444)
Nonoperating Revenues		
Property taxes	3,085,349	3,115,011
Intergovernmental aids	1,215,666	981,845
Gain (Loss) on disposal of capital assets	12,430	(6,218)
Total Nonoperating Revenues	4,313,445	4,090,638
Income (Loss) Before Transfers	543,068	(94,806)
Transfers in	-	10,885
Transfers out	-	(58,507)
Change in Net Position	543,068	(142,428)
Net Position - January 1, as originally reported	7,771,475	7,913,903
Cumulative effect of change in accounting principle	709,771	-
Net Position - January 1, restated	8,481,246	7,913,903
Net Position - December 31	\$ 9,024,314	\$ 7,771,475

The highway enterprise fund reported a cash balance of \$987,253 as of December 31, 2015 compared to \$384,112 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, 2015 (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 years ending December 31, 2015 and 2014 follows:

	Workers Compensation	
	2015	2014
Operating Revenues		
Intergovernmental charges for services	\$ 491,809	\$ 479,813
Other operating revenues	9,072	979
Total Operating Revenues	<u>500,881</u>	<u>480,792</u>
Operating Expenses		
Contractual services	122,139	48,315
Insurance and other fixed charges	(23,711)	3,739
Total Operating Expenses	<u>98,428</u>	<u>52,054</u>
Operating Income	402,453	428,738
Nonoperating Revenues		
Interest income	7,246	8,181
Net Income before Transfers	409,699	436,919
Transfer in from general fund	-	253,767
Change in Net Position	<u>409,699</u>	<u>690,686</u>
Net Position - January 1	<u>2,013,727</u>	<u>1,323,041</u>
Net Position - December 31	<u>\$ 2,423,426</u>	<u>\$ 2,013,727</u>

During 2015, the County adopted a minimum net position balance equal to 3 potential loss occurrences limit, or \$1,500,000. In addition, the policy includes the total unpaid losses per the annual Workers' Compensation Reserve Analysis report, which equals \$328,678 at December 31, 2015 and \$412,419 at March 31, 2016.

The estimate of unpaid losses at December 31, 2015 are accrued and removed from net position, resulting in a surplus for 2015 in accordance with the County's policy. This surplus is the direct result of two very favorable claim loss years in 2014 and 2015, as noted above.

9. Information Systems and Technology Internal Service Funds

The County maintains two internal service funds for information systems and technology. Prior to 2014, these activities were included in the general fund. A summary of each fund's operating results for the year ending December 31, 2015 and 2014 follows:

	Information Systems		Information Technology	
	2015	2014	2015	2014
Operating Revenues				
Intergovernmental charges for services	\$ 48,623	\$ 58,699	\$ 135,220	\$ 130,237
Operating Expenses				
Salaries and fringe benefits	278,254	264,959	-	-
Contractual services	636,512	424,923	63,305	56,338
Supplies	85	704	-	-
Total Operating Expenses	914,851	690,586	63,305	56,338
Operating Income (Loss)	(866,228)	(631,887)	71,915	73,899
Nonoperating Revenues				
General property taxes	875,198	712,382	-	-
Net Income before Transfers	8,970	80,495	71,915	73,899
Transfer in	-	-	-	382,748
Transfer out	(8,978)	(68,745)	-	-
Change in Net Position	(8)	11,750	71,915	456,647
Net Position - January 1	11,750	-	456,647	-
Net Position - December 31	\$ 11,742	\$ 11,750	\$ 528,562	\$ 456,647

At the present time, the majority of the revenues to finance expenses of the information systems internal service fund are provided by general property taxes. In 2016, the property tax levy of this fund totaled \$941,803.

As part of future budgets, we recommend the County develop a methodology to assess information systems costs to user departments, with the appropriate tax levy being reallocated to the benefiting funds. Capital assets related to the information system could be charged directly to the information systems internal service fund, with corresponding depreciation recovered through user charges while capital assets purchased directly for a department should continue to be charged directly to the benefiting department.

NEW ACCOUNTING STANDARDS

1. GASB Statement No. 72 Fair Value Measurement and Application

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurement, primarily for investments.

GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also provides guidance on how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. It establishes a hierarchy of inputs to valuation techniques used to measure fair value. That fair value hierarchy has three levels of inputs based on the objectivity and reliability of the information. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs for similar assets or liabilities. Finally, Level 3 inputs are unobservable inputs. GASB Statement No. 72 requires additional footnote disclosures about fair value measurement, the level of fair value hierarchy and valuation techniques used.

The new standard is effective for years beginning after June 15, 2015, although early application is encouraged. We recommend that the County review the new standard, determine its investments that are subject to fair value measurement and value those investments according to the valuation techniques and inputs outlined in the Statement. We are able to assist you in implementing this standard.

NEW ACCOUNTING STANDARDS (Continued)

2. Accounting and Reporting for Other Post-employment Benefits

In June 2015, the Governmental Accounting Standards Board (GASB) issued two new pronouncements relating to other post-employment benefits (OPEB). GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions* significantly change the accounting and financial reporting of post-employment benefits that was established in GASB Statement Nos. 43 and 45. The primary purpose of these Statements is to improve accounting and financial reporting of OPEB obligations and enhance transparency of OPEB related information in your financial statements similar to how GASB Statements Nos. 67 and 68 were designed.

Currently, governments report a liability related to other post-employment liabilities for the unfunded portion of the annual required contribution, which includes an amortization of the Unfunded Actuarial Liability (UAL) over an open period of time, not to exceed 30 years. Upon implementing the new standards, the County will recognize the difference between total OPEB liability and any plan assets (net OPEB liability) in the government-wide and proprietary financial statements, often resulting in a significant increase in the OPEB liability reported in your financial statements. The new standards also require that the entry age normal cost method be used to determine the liability, deferred inflows and outflows of resources to be reported for changes in economic and demographic assumptions and differences between expected and actual experience, and additional note disclosures and schedules.

The new standards are effective for financial statements for OPEB plans for fiscal years beginning after June 15, 2016 and for employers for fiscal years beginning after June 15, 2017. We recommend that the County evaluate impact of the new standards with your actuary, and determine an implementation strategy to minimize your costs while ensuring adequate communication of the impact of these changes will have on your financial statements. As you develop your implementation strategy, you should evaluate the following:

- Do you anticipate any changes in benefits? If yes, you should approve benefit changes prior to implementation, as any changes in benefits in the future are treated as current year activity.
- What is your valuation measurement date? You can roll back to a valuation date 12 months prior to year end, allowing you to complete your actuarial valuation prior to year end or you can roll forward to your reporting date, requiring your actuarial valuation to be completed after year end but before you anticipate issuance of your financial statements.

This comment is for informational purposes only.

OTHER COMMENTS AND OBSERVATIONS

Uniform Grant Guidance Documentation

In our prior year management communication, we discussed the U.S. Office of Management and Budget's ("OMB") Uniform Grant Guidance and its impact on the County's 2015 audit. Uniform Grant Guidance requires organizations that receive Federal Awards to enhance their control documentation over managing these grants in an effort to strengthen oversight over federal awards and increase efficiency and effectiveness of single audits. This documentation would consist of overall County policies and procedures, key controls at the department level and more detailed focus of key controls at the individual grant level.

In our current year audit, we completed the audit of your federal programs following the guidance of the Uniform Grant Guidance, which required us to review documentation of your policies and procedures and design tests to ensure your internal controls are operating effectively and you are compliant with particular requirements of federal grants. Because the State of Wisconsin combines state and local funding with federal awards, documentation at the local level can become more complex when you realize certain federal programs, like medical assistance, fund portions of a number of specific programs managed by the County and controls at each program may be slightly different.

At the present time, the County has not implemented the requirements of Uniform Grant Guidance, as discussed in Finding 2015-001. While the results of our audit did not disclose any findings or questioned costs on the major federal programs we reviewed, our testing was based on a review of controls obtained through a discussion with key County staff and a review of available policies and procedures; however, we believe enhanced documentation of key controls over compliance requirements at the individual grant level would be beneficial and provide the County with an opportunity to communicate employee roles and responsibilities within the County's grant management process. While the level of documentation required is subject to interpretation, we believe a comprehensive and well-designed flowchart of key controls and responsible staff not only satisfies your responsibility under the Uniform Grant Guidance but also enhances accountability and serves a critical role in training staff during periods of transition. In addition, Uniform Guidance requires specific policies over cost allowability, conflict of interest, procurement, and other functional areas which need to be fully developed and implemented during 2016 to become fully compliant with Uniform Grant requirements.

We therefore recommend the County enhancing its Uniform Grant Guidance documentation during 2016, ensuring the documentation can be easily applied and modified as new grants is added or processes changed. We are available to assist the County in evaluating its policies, procedures and documentation of compliance with the requirements of the Uniform Grant Guidance.

MANAGEMENT'S RESPONSE: The County's Finance Committee is currently exploring options for updating our Uniform Grant Guidance documentation. The Finance Committee has been in discussions on whether we should hire an outside expert to work with the County personnel to update our documentation or have an internal employee lead this effort. This topic is being discussed with a decision and some form of action taking place by December 31, 2016.

APPENDIX

MONROE COUNTY FINANCE



14345 County Hwy B
Suite 2

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

Sparta WI 54656

July 15, 2016

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 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, 2015, 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. 56 are considered material based on the materiality criteria specified in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 15, 2016, 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 January 11, 2016, 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 pension and other post-employment benefits and incurred but not reported claims and have adequately considered the qualifications of the specialists 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 pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
54. We do not plan to make frequent amendments to our pension and other post-retirement benefit plans.
55. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*, No. 77, *Tax Abatement Disclosures*, as discussed in Note D.5. The County is therefore unable to disclose the impact that adopting these GASB Statements will have on its financial position and the results of its operations when the Statements are adopted.
56. With respect to federal and state award programs:
 - a. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance 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 the Uniform Guidance 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 Uniform Guidance 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 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 the Uniform Guidance 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 federal and state statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal and state programs and have identified and disclosed to you the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards 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 federal and state statutes, regulations, and the terms and conditions of federal and state awards 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 federal and state awards (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 Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal or state awards.
- j. We have disclosed any communications from federal and state awarding agencies 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's Uniform Guidance (2 CFR Part 200, subpart E) OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, if applicable.
- 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 period covered by the auditors' report.

- 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 federal and state statutes, regulations and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance and the *State Single Audit Guidelines*.
 - u. We have issued management decisions for audit findings that relate to federal and state awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal and state award provided to the subrecipient.
 - 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 the Uniform Guidance 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 ensured the reporting package does not contain protected personally identifiable information.
 - z. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
 - aa. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
57. 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, County Administrator

Signed:


Tina Osterberg, Finance Director

Signed:


Shelley Bohl, County Clerk

Signed:


Annette Erickson, County Treasurer