MANAGEMENT COMMUNICATIONS

MARINETTE COUNTY, WISCONSIN

DECEMBER 31, 2012

MARINETTE COUNTY, WISCONSIN
December 31, 2012

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CPAs AND SO MUCH MORE.

To the County Board
Marinette County, Wisconsin

We have completed our audit of the basic financial statements of Marinette County (the "County") as of and for the year ended December 31, 2012. The County's financial statements, including our report thereon dated July 12, 2013, are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

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

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

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

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

Planned Scope and Timing of the Audit

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

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Significant Audit Findings

Consideration of Internal Control

In planning and performing our audit of the financial statements of the County as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented on pages 73 - 74 of the annual report.

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

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

Finding 2012-01 Financial Reporting for Federal and State Financial Assistance

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note A to the financial statements. The County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended December 31, 2012. We noted no significant transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. 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 accumulated sick leave is based upon analysis of the employees sick leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the accumulated sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the liability for closure and postclosure care costs is based on landfill capacity and anticipated costs to be incurred during and after closing of the landfill. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 12, 2013. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

This communication, which does not affect our report dated July 12, 2013 on the financial statements of the County, is intended solely for the information and use of the County Board, management, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
July 12, 2013

FINANCE DEPARTMENT

1926 Hall Avenue, Marinette WI 54143

July 12, 2013

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 primary government financial statements of Marinette County, Wisconsin, (the "County"), which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of December 31, 2012, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the primary government financial statements for the purpose of expressing opinions as to whether the primary government financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items in No. 52 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 12, 2013, 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 November 8, 2012.

2. The primary government financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3. 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

Patrick Kass	Kristi Yates	Laura Mans	Hollie Viestenz
Finance Director	Accountant	Payroll Coordinator	Accounting Coordinator
715.732.7422	715.732.7423	715.732.7420	715.732.7419

5. Significant assumptions we used in making accounting estimates are reasonable.

6. 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 the requirements of accounting principles generally accepted in the United States of America.

7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed. 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.

8. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the County's accounts.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

10. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. 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.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity 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.

12. 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.

13. 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.

14. We have disclosed to you all known 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.

15. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

16. 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

17. We have made available to you all financial records and related data.

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have a process to track the status of audit findings and recommendations.

20. 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.

21. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

22. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

24. 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.

25. As part of your audit, you assisted with preparation of the financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance.

26. In regards to the capital asset depreciation service performed by you, we have –

    a. Made all management decisions and performed all management functions.

b. Designated an individual with suitable skill, knowledge, or experience to oversee the services.

c. Evaluated the adequacy and results of the services performed.

d. Accepted responsibility for the results of the services.

27. 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.

28. 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.

29. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

30. 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.

31. The financial statements properly classify all funds and activities.

32. 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.

33. 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.

34. Provisions for uncollectible receivables have been properly identified and recorded.

35. 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.

36. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

37. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

38. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.

39. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

40. The County meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.

41. 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 are available and have determined that net position were properly recognized under the policy.

42. 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.

43. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, and supporting schedules (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.

44. 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

45. 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.

46. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

47. 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.

48. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.

49. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.

50. 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.

51. We do not plan to make frequent amendments to our other post-retirement benefit plans.

52. With respect to federal and state award programs:

    a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration including requirements relating to preparation of the schedule of federal awards and the schedule of state financial assistance.

b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133 and the schedule of state financial assistance in accordance with *State Single Audit Guidelines*, and have identified and disclosed in the schedules of expenditures of federal awards and state financial assistance, expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and the schedule of state financial assistance (SSFA) in accordance with the requirements of the *State Single Audit Guidelines* and we believe the SEFA and SSFA, including their form and content, are fairly presented in accordance with the Circular and the Guidelines. The methods of measurement and presentation of the SEFA and SSFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SSFA.

d. If the SEFA and SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SSFA information no later than the date we issue the supplementary information and the auditors' report thereon.

e. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and the *State Single Audit Guidelines*.

f. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.

g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.

h. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relating to each major federal and state programs and related activities.

i. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.

j. We have complied with the direct and material compliance requirements, (except for noncompliance disclosed to you) including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal and state awards.

k. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments,* and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.*

n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

o. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

q. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

r. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.

s. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

t. We have charged costs to federal and state awards in accordance with applicable cost principles.

u. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.

v. We 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.

w. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

x. We are responsible for preparing and implementing a corrective action plan for each audit finding.

53. 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: Patrick Kass
Pat Kass, Finance Director

SUMMARY FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION

1. **Governmental Fund Balances**

Presented below is a summary of the County's governmental fund balances on December 31, 2012, including a comparison to the prior year. This information is provided for assisting management in assessing financial results for 2012 and for indicating financial resources available at the start of the 2013 budget year.

	12/31/12	12/31/11
General Fund		
Nonspendable		
Delinquent property taxes	$ 3,002,995	$ 3,066,545
Loans receivable	309,810	378,936
Inventories and prepaid items	48,791	752,562
Restricted		
Sheriff department honor guard uniforms	583	583
Sheriff department canine	8,773	8,093
Family counseling	39,732	41,212
Veterans transportation	26,790	21,840
Wildlife habitat	6,999	8,881
County forest land acquisition	8,816	43,600
Committed		
Property tax reduction fund	19,058,908	19,058,908
Service level stabilization	2,000,000	2,000,000
Forestry heavy equipment	213,246	177,051
Tourism	17,322	19,532
Land information	115,815	150,000
Environmental site assessment	23,749	23,749
Assigned		
Capital maintenance	588,138	441,174
Future health insurance costs	313,330	844,163
County department budget carryovers	124,194	406,070
Subsequent years budget	600,000	480,000
Unassigned	7,447,835	6,763,533
Total General Fund	33,955,826	34,686,432
Special Revenue Funds		
Health and human services	1,518,374	1,831,127
Library grants	12,318	11,784
County roads and bridges	771,758	695,567
Solid waste long-term care	279,359	286,986
Dog license	1,000	1,000
Library donation	150,589	169,856
Revolving loan	162,078	94,075
Teen court	4,209	4,497
Community development block grant	97,378	314,854
Land records modernization	101,483	61,772
Jail assessments	250,977	183,321
Forestry & parks development	400,000	612,246
Peshtigo Library McCauley Trust	202,338	205,956
Peshtigo Library Falkenberg Trust	21,899	23,634
Total Special Revenue Funds	3,973,760	4,496,675
Debt Service Funds	953,990	1,087,438
Total Governmental Fund Balances	$ 38,883,576	$ 40,270,545

2. County Roads and Bridges Special Revenue Fund

The County utilizes a special revenue fund to account for general property taxes and state aids used to reimburse the Highway Department's internal service fund for the maintenance and construction of County roads and bridges. A comparative statement of the Highway Department's special revenue fund for 2012 and 2011 follows:

	2012	2011
Revenues		
General property taxes	$ 2,249,075	$ 2,693,073
State aid - transportation	1,173,444	1,550,282
Other highway construction aid	166,467	108,324
Total Revenues	3,588,986	4,351,679
Expenditures		
General maintenance	1,514,196	1,404,547
Winter maintenance	893,959	927,382
Road construction	387,546	1,744,204
Bridge construction	10,478	4,081
STP road construction	-	80,349
County aid bridges	25,489	73,779
County road construction	876,542	522,184
Total Expenditures	3,708,210	4,756,526
Excess (Deficiency) of Revenues Over Expenditures	(119,224)	(404,847)
Other Financing Sources		
Transfer in	195,415	205,000
Net Change in Fund Balance	76,191	(199,847)
Fund Balance - January 1	695,567	895,414
Fund Balance - December 31	$ 771,758	$ 695,567

3. **Summary of Health and Human Services Department Special Revenue Fund**

Presented below is a summary of the Health and Human Services special revenue fund for the year ended December 31, 2012 with a comparison to the prior year.

	2012	2011
Revenues		
County tax levy	$ 2,905,679	$ 3,198,039
State aid		
Health	313,068	368,217
Human services	10,110,646	10,170,874
Client collections and refunds		
Health	47,779	91,303
Human services	5,583,780	5,797,236
Total Revenues	18,960,952	19,625,669
Expenditures		
Agency management	215,754	130,424
Income maintenance programs and support staff	1,054,443	1,155,502
Health and human services programs	18,003,508	17,823,113
Total Expenditures	19,273,705	19,109,039
Excess (Deficiency) of Revenues Over Expenditures	(312,753)	516,630
Other Financing Uses		
Transfer out	-	(331,484)
Net Change in Fund Balance	(312,753)	185,146
Fund Balance - January 1	1,831,127	1,645,981
Fund Balance - December 31	$ 1,518,374	$ 1,831,127

COMMENTS AND OBSERVATIONS

COMMENTS AND OBSERVATIONS

1. Internal Control Over Library Receipts and Deposits

During our 2012 interim audit testing at the Library, we noted that the receipting system did not have adequate internal control over cash receipts and deposits. The Library currently has a notebook to write in collections received each day. The money collected is then placed into a drawer. We noted that the receipt notebook rarely agreed with the deposit made with the County Treasurer. Deposits were apparently made in lump-sum amounts without comparison to actual amounts received. This weakens internal control by not providing an audit trail from amounts received to amounts deposited.

In order to increase control over funds collected at the Library, we recommend that the county consider installing an automated receipt system similar to ones used in other departments. All collections can be receipted using the automated receipt program and then used to determine the amount to deposit with the County Treasurer.

MANAGEMENT RESPONSE: We agree with this recommendation and are exploring adapting the County's Land Information automated receipt program for use at the Library.

2. Internal Control Over Register of Deeds Receipts and Deposits

During our 2012 interim audit testing at the Register of Deeds, we noted that the receipting system did not have adequate internal control over cash receipts and deposits. The Register of Deeds is currently closing the cash drawer, reconciling the reports, preparing and making the deposit with the treasurer.

In order for optimal internal controls, these functions should be segregated. The Register of Deeds office does have enough personnel to segregate the controls. It was performed that way a few years ago and we recommend that the Register of Deeds office return to the way receipting and depositing was done previously.

MANAGEMENT RESPONSE: We agree with this recommendation and Administration will address this issue with Register of Deeds with a recommendation to return to the way receipting and depositing was done previously.

3. Review of Voided Receipts

During our 2012 interim audit testing, we noted that some departments receipts are voided for various reasons but there is not an individual who reviews the voided receipts. We believe that voided receipts should be monitored by someone other than the person who receipts to monitor why voids happen.

We recommend the County have an individual, most likely the department head, be assigned to review any voided receipts in that department on a weekly basis.

MANAGEMENT RESPONSE: We agree with this recommendation and the County Finance Department will address this issue by advising County Departments that any voided receipts be reviewed on weekly basis by the Department Head or designee.

4. Separation of Duties between Human Resources and Finance Departments

The human resources department currently notifies the payroll staff in the finance department of new employees, initial pay rates, changes in employee pay rates, and termination of specific employees. The finance department is responsible for setup of all new employees including entry of initial wage rates. The payroll staff subsequently enters any changes in pay rates directly into the County's payroll system.

Generally, employees processing payroll transactions should not have access to personnel records or be responsible for processing changes to the employee personnel database in the payroll system. This separation prevents the entering of unauthorized changes to the payroll system by employees who process payroll transactions.

In order to increase internal control over payroll transactions we recommend the human resources department enter all employee personnel additions and changes directly into the payroll system. Periodically, printouts of changes to the employee personnel database should be printed and reviewed by a supervisor in the human resources department.

MANAGEMENT RESPONSE: We agree with this recommendation and will explore if this is feasible.

5. Protective Payee Procedures

The human services department has established protective payee procedures that have created a foundation for proper documentation, review, approval, and reporting. During testing, it was determined that there were procedures not being followed, with the possibility of additional procedures being implemented.

Three out of six disbursements selected for testing were not properly supported by adequate documentation, which is required to accompany all disbursements. One of the six was for a client personal allowance check which was not signed for by the client or guardian. Currently, when a client resides in an Adult Family Home or other such Facility, the home or facility receives the check and the client does not verify the funds are received. It is important the clients sign for all personal funds received showing accountability that they did indeed receive and approve the disbursed funds to themselves or a guardian.

Furthermore, there were a number of outstanding checks issued between January and March 2012 that were not cashed by March 30, 2012, additionally there were three voided checks that were deleted from QuickBooks. With the outstanding checks, the possibility lies that a check is outstanding for some time, deleted from QuickBooks, and then cashed leaving little to no audit trail. It is important that an individual outside the daily operations of the Protective Payee and without access to the software review the check sequence frequently, preferably monthly. The review of the check sequence will help to ensure continuity and an adequate audit trail that voids are being conducted properly.

We recommend the department enforce current Protective Payee procedures and add necessary procedures for client personal allowance checks and outstanding checks as discussed above. The reinforcement and implementation of these procedures will help to increase internal control over Protective Payee.

MANAGEMENT RESPONSE: Written procedures have been revised to include additional guidance regarding personal allowance checks and the proper handling of outstanding checks. A meeting was held with staff regarding these revisions, and also to discuss the entire current procedure and its enforcement.

Personal allowance checks must be endorsed by the clients. If they are unable to sign, cash or expend their personal monies independently, then the checks are to be made out to Guardians, Providers or Other Caregivers, who will provide a detailed transaction listing of expenditures to Social Workers monthly.

Each month all checks outstanding more than 90 days will be researched and voided if over 180 days. Checks will not be deleted, and staff have been trained on the proper way to void a check in QuickBooks. The procedure to review the check sequence is being explored, and will be done on a monthly basis.

6. Other County Policies

It came to our attention during the audit of instances where there may be related party interest with County employees and businesses the County currently contracts with. The County currently does have a conflict of interest policy but we are unsure if it is being followed in all instances.

We believe that all governments should have a conflict of interest policy in place to protect both the County and the employees. It is important that if the County is contracting with a business that has a County employee with a related interest in that business that it is disclosed with the County Clerk, and that the County Board be made aware of the related interest.

We recommend that the County review its current conflict of interest policy and ensure it is being followed by all employees and the County.

MANAGEMENT RESPONSE: The County will review the conflict in interest policy and implement procedures to insure compliance.

7. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities

For the year ended December 31, 2012, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities.* These statements are intended to provide users of financial statements with information on how past transactions will impact the County's future financial statements.

The effects on the current year financial statements are to change the classification of "Net Assets" to "Net Position" and to create two additional categories on the Statement of Net Position and the Balance Sheet for deferred outflows and deferred inflows.

A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. The County reported the loss on advance refunding of debt and retirement system unfunded liability amortization as a deferred outflow in the financial statements occurs in the government-wide and proprietary fund Statements of Net Position.

A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. The government-wide Statement of Net Position and governmental funds Balance Sheet report a deferred inflow for the 2013 property tax levy. Since the governmental fund financial statements use the modified accrual basis of accounting, there is an additional item reported in those balance sheets for unavailable revenues. The unavailable revenue reported is for interest on delinquent taxes, long-term receivables and loans receivable.

Both of these items have been previously reported in the County's financial statements under either "Assets" or "Liabilities", so there is no change to fund balance or net position.

This comment is for informational purposes.