

JEFFERSON COUNTY, WISCONSIN

FINANCE COMMITTEE PRESENTATION

For the Year Ended
December 31, 2015

COMPREHENSIVE ANNUAL FINANCIAL REPORT

- Independent Auditor's Report
- Management's Discussion and Analysis
- Items of Interest
 - Policy compliance
 - New Accounting Standards

AUDITOR'S COMMUNICATION TO THE BOARD OF COMMISSIONERS

- Required Communications
- Management Letter



JEFFERSON COUNTY, WISCONSIN

**AUDITOR'S COMMUNICATION TO THE
COUNTY BOARD**

For the Year Ended
December 31, 2015



JEFFERSON COUNTY, WISCONSIN
AUDITOR'S COMMUNICATION TO THE COUNTY BOARD
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13400 Bishops Lane, Suite 300
Brookfield, Wisconsin 53005

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

June 2, 2016

To the Board of Supervisors
Members of the County Board
Jefferson County
311 S Center Ave
Jefferson, Wisconsin 53549

Ladies and Gentlemen:

As part of our audit process we are required to have certain communications with those charged with governance at the beginning of our audit process and at the conclusion of the audit. Those communications include information related to the planned scope and timing of our audit, as well as other information required by audit standards. Our communication at the beginning of our audit process along with our questionnaire regarding consideration of fraud in a financial statement audit was sent to you on November 30, 2015.

In addition, auditing standards require the communication of internal control related matters to those charged with governance. Our management letter, as well as a listing of future pronouncements that may affect the County, are enclosed within this document.

This information is intended solely for the use of the Board of Supervisors and management of Jefferson County and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads 'Sikich LLP'.

Sikich LLP
By: Daniel A. Berg, CPA
Partner



13400 Bishops Lane, Suite 300
Brookfield, Wisconsin 53005

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

June 2, 2016

To the Board of Supervisors
Members of the County Board
Jefferson County
Jefferson, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Jefferson County, Wisconsin (the County) for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 30, 2015. Professional standards also require that we communicate to you the following information related to our audit.

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 I to the financial statements. During the year ended December 31, 2015, the County implemented GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which change the disclosures regarding pension information and also requires the net pension asset or liability to be shown on the statement of net position. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. 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.

With the implementation of GASB Statement Nos. 68 and 71, the estimated net pension asset was brought onto the statements of net position through a prior period adjustment. The net pension asset is determined through a series of actuarial calculations, and the County's proportionate share of the net pension asset is determined by their share of contributions into the plan. Information regarding the actuarial estimates used is determining the County's net pension

asset and the County's proportionate share of the net pension asset is disclosed in Note III.D. to the financial statements and the required supplementary information which accompanies the financial statements. We noted no other sensitive estimates affecting the County's financial statements.

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 trivial, and communicate them to the appropriate level of management. Management has corrected any such misstatements. We noted one such correction for a donated conservation easement in the amount of \$45,000. Further, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated June 2, 2016.

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 retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and the other required supplementary information, which is 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.

With respect to the supplementary information accompanying the basic financial statements, 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 principle generally accepted in the United State 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.

We were not engaged to report on Introductory Section and the Statistical Section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Supervisors and management of the Jefferson County, Wisconsin and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Sikich LLP

By: Daniel A. Berg, CPA

Partner

Jefferson County

Year End: December 31, 2015

Adjusting Journal Entries

Date: 1/1/2015 To 12/31/2015

Number	Date	Name	Account No	Amount
AJE-01	12/31/2015	LAND-EASEMENTS	900-182505-900- 900G	45,000.00
AJE-01	12/31/2015	DONATED CONSERVATION EASEMENTS	900-SIKICH-DCE-900 900G	(45,000.00)
		Record donated conervation easement		

PASSED ADJUSTMENTS

Jefferson County, Wisconsin GENERAL, HUMAN SERVICES
AND HEALTH SERVICES FUND
(NONMAJOR)
(OPINION UNITS)

For the Year Ended 12/31/2015

All entries posted as Debit (Credit)

Description	Assets	(Liabilities)	(Retained Earnings/Fund Balance)	(Profit) Loss
GENERAL FUND				
Remove effect of Workers Compensation Incurred but not Reported liability	\$ -	\$ 179,228	\$ -	\$ (179,228)
Remove effect of Dental Incurred but not Reported liability		20,000		(20,000)
HUMAN SERVICES FUND				
Remove effect of Workers Compensation Incurred but not Reported liability		29,578		(29,578)
HEALTH SERVICES FUND (NONMAJOR)				
Remove effect of Workers Compensation Incurred but not Reported liability		13,881		(13,881)
TOTAL GOVERNMENTAL ACTIVITIES	\$ -	\$ 242,687	\$ -	\$ (242,687)

JEFFERSON COUNTY, WISCONSIN

MANAGEMENT LETTER

December 31, 2015





13400 Bishops Lane, Suite 300
Brookfield, Wisconsin 53005

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

To the Board of Supervisors
Members of the County Board
Jefferson County
Jefferson, Wisconsin

In planning and performing our audit of the governmental activities, the business-type activity, the each major fund and the aggregate remaining fund information of Jefferson County, Wisconsin (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 our auditing procedures 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 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 have not been 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 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 deficiencies described in the attachment to this letter as Significant Deficiencies 1-3 to be significant deficiencies.

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

This communication is intended solely for the information and use of management, the Board of Supervisors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. We are available to discuss any of these comments and to assist in their implementation if requested.

A handwritten signature in cursive script, appearing to read "L. P. Sipich".

Naperville, Illinois
June 2, 2016

SIGNIFICANT DEFICIENCIES

1. Access Rights in the Financial Accounting Software

Internal controls should be designed so that individuals with access rights to initiate transactions in the County's financial accounting system do not also have access to approve their own transactions and do not have access to the County's assets. During our audit we reviewed access rights in the County's financial accounting software. We noted several individuals with access rights that conflicted with their job duties. For example, we noted several individuals in the Finance department have access to set up new vendors, enter invoices, approve invoices, and generate payments. We noted that individuals in the Highway department have access to enter invoices and journal entries on behalf of other departments. Finally, we noted that individuals in the Highway department can enter and post their own journal entries without a separate independent review or approval.

The County is about to purchase and implement a new financial accounting software package. During the implementation process, we recommend that the County review all of its business processes, paying special attention to the job duties of the individuals that have access to the system and implement internal controls using the establishment of user rights in the accounting system that are consistent with their job duties. The County should avoid granting unnecessary access rights to individuals and also should not give individuals access rights in the system that conflict with their ability to access the County's assets. Finally, full administrative access should continue to be restricted to an individual that does not have access to the County's assets, such as an individual in the Technology or Administrative department.

Management Response

With the new financial system that will be implemented in the near future we will be looking at better approval process and segregation of duties. We currently are implementing approval processes for journal entries at the Highway Department.

I also would like to point out that it was discussed with the Auditors that all invoices are approved by committees either through a check report or the actual invoices. Human Services and Highway department checks are processed at the Finance Department and the actual payment report and/or invoices are reviewed. The rest of the County departments, the vouchers are submitted by the departments and approved by the Department Head or designee. All those vouchers are reviewed by the Finance Director and then the payment report and/or invoices are all reviewed by the Finance Committee for payment. Checks over \$5,000 are signed and reviewed by the County Clerk or County Treasurer.

Sikich Snapshot

Organization

Sikich is a dynamic professional services firm specializing in accounting, technology, investment banking* and advisory services**. Founded in 1982, Sikich now ranks as one of the country's Top 35 Certified Public Accounting firms and is among the top 1 percent of all enterprise resource planning solution partners in the world. From corporations and not-for-profits to state and local governments, Sikich clients can use a broad spectrum of services and products that help them reach long-term, strategic goals.

Industries

Sikich provides services and solutions to a wide range of industries. We have devoted substantial resources to develop a significant base of expertise and experience in:

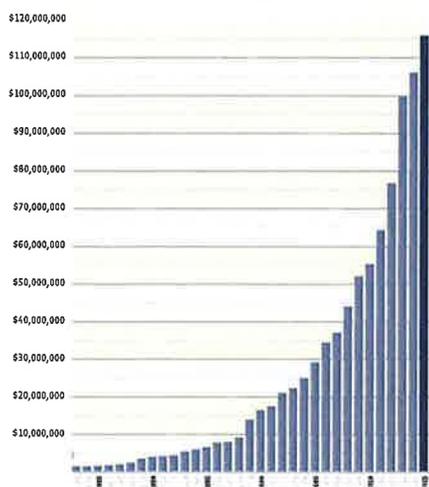
- Agriculture
- Construction & Real Estate
- Energy
- Government
- Manufacturing & Distribution
- Not-for-Profit

Statistics

2015 Revenues	\$116.6M
Total Partners	93
Total Employees	607
Total Personnel	700

Personnel count as of April 6, 2016

Sikich Total Revenues



Awards

- Vault Accounting Top Ranked 2017
- *Accounting Today* Top 100 Firms: ranked 31st nationally, 2016
- *Accounting Today* Regional Leaders – Top Firms: Great Lakes: ranked 4th, 2016
- *Milwaukee Business Journal* Largest Management Consulting Firms: ranked 10th, 2016
- *Milwaukee Business Journal* Largest Milwaukee-Area Accounting Firms: ranked 11th, 2016
- *WorldatWork* Work-Life 2016 Seal of Distinction
- Best Places to Work in Illinois, 2016
- Best Places to Work in Indiana, 2016
- Milwaukee's 101 Best and Brightest Companies to Work For®, 2016
- WICPA Excellence Award - Public Service Award (Firm), 2016
- *INSIDE Public Accounting* Top 50 Largest Accounting Firms: ranked 31st nationally, 2015
- *Inc. 5000*: ranked #4344, 2015
- *Crain's List* Chicago's Largest Privately Held Companies: ranked #250, 2015
- *Accounting Today* Top 100 Value Added Reseller: ranked 7th, 2015
- Bob Scott's Top 100 Value Added Reseller: ranked 9th, 2015
- National Best & Brightest Companies to Work For®, 2015
- Chicago's 101 Best and Brightest Companies to Work For®, 2015
- National Best & Brightest in Wellness, 2015
- *Chicago Tribune's* Top Workplaces, 2015
- Edge Award - 2015 Community Service
- Microsoft Dynamics Inner Circle and President's Club, 2014
- *Bob Scott's Insights* Value Added Reseller Stars, 2014

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Certifications

All professional accounting staff with more than one year of experience have earned or are working toward earning the Certified Public Accountant designation. Sikich is a member of the American Institute of Certified Public Accountants' Governmental Audit Quality Center and the Employee Benefit Plan Audit Quality Center. We adhere to the strict requirements of membership which assure we meet the highest standards of audit quality. In 2014, Sikich LLP received its 9th consecutive unmodified ("pass") peer review report, the highest level of recognition conferred upon a public accounting firm for its quality control systems.



Microsoft Partner

Gold Enterprise Resource Planning

Microsoft Partner

Sikich has earned a Microsoft ERP Gold competency; ranked among the top 1 percent of all Microsoft Dynamics partners worldwide; and carries the following certifications:

- Microsoft Small Business Specialist
- MCP (Microsoft Certified Professional)
- MCSE (Microsoft Certified System Engineer)
- CCNA (Cisco Certified Network Associate)
- CCDA (Certified Cisco Design Associate)
- CCEA (Citrix Certified Enterprise Administrator)
- MRMS (Microsoft Retail Management Systems)
- CISA (Certified Information Systems Auditor)
- CNE (Certified Novell Engineer)
- MS CSM (Microsoft Customer Service Manager)
- MS CAE (Microsoft Certified Account Executive)
- MCDBA (Microsoft Certified Database Admin.)



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The Leading Edge Alliance (LEA) is the second largest international association of independent accounting firms.* The LEA is an international professional association of independently-owned accounting and consulting firms. Members are top quality firms who share an entrepreneurial spirit and a drive to be the premier provider of professional services in their chosen markets. The Alliance provides Sikich with an unbeatable combination: the comprehensive size and scope of a large multinational company while offering their clients the continuity, consistency, and quality service of a local firm.

**International Accounting Bulletin, 2011*



Sikich is proud to be part of PrimeGlobal

PrimeGlobal is one of the top five largest associations of independent accounting firms in the world, providing a wide range of tools and resources to help member firms furnish superior accounting, auditing, and management services to clients around the globe.

Securities are offered through Sikich Corporate Finance LLC, a registered broker/dealer with the Securities and Exchange Commission and a member of FINRA and SIPC.

Advisory services offered through Sikich Financial, a Registered Investment Advisor. Securities offered through: Triad Advisors, Member FINRA and SIPC. Triad Advisors and Sikich Financial are not affiliated.

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