



JEFFERSON COUNTY, WISCONSIN

AUDITOR'S COMMUNICATION TO THE
COUNTY BOARD

For the Years Ended December 31, 2018



SIKICH.COM

JEFFERSON COUNTY, WISCONSIN
AUDITOR'S COMMUNICATION TO THE COUNTY BOARD
TABLE OF CONTENTS

	<u>Page(s)</u>
COVER LETTER	1
REQUIRED COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE	2-6
• Corrected Misstatements	
• Passed Adjustments	
MANAGEMENT LETTER.....	7-14
FIRM PROFILE	

13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

SIKICH.COM

June 4, 2019

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 October 8, 2018.

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,

Sikich LLP

Sikich LLP
By: Daniel A. Berg, CPA
Partner

13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

SIKICH.COM

June 4, 2019

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, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 October 8, 2018. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2018, except for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. 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. We noted no particularly sensitive estimates made by management during our audit of the financial statements, except for the actuarial reports on each pension fund and the other postemployment benefit plan. The financial statement disclosures are neutral, consistent, and clear.

The most sensitive estimate affecting the County's financial statements was the estimated net pension liability. The net pension liability is determined through a series of actuarial calculations, and the County's proportionate share of the net pension liability is determined by their share of contributions into the plan. Information regarding the actuarial estimates used in determining the County's net pension liability and the County's proportionate share of the net pension liability is disclosed in Note III.D. to the financial statements and the required supplementary information which accompanies the financial statements. We evaluated key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole. 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 clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes the uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's 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 4, 2019.

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 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.

We were engaged to report on other supplementary information, 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 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 the Introductory Section and the Statistical Section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and 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

Sikich LLP
By: Daniel A. Berg, CPA
Partner

Jefferson County

Year End: December 31, 2018

Adjusting journal entries

Date: 1/1/2018 To 12/31/2018

Account No: AJE-01 To AJE-02

Number	Date	Name	Account No	Debit	Credit
AJE-01	12/31/2018	A/R State Of Wisconsin	100-13106-142010- GF-100	43,440.00	
AJE-01	12/31/2018	Unearned Grant Revenue	100-13106-263001- GF-100		-43,440.00

Entry to book and defer revenue for FY 7/1/18-6/30/19.

Jefferson County, Wisconsin

**GOVERNMENTAL
ACTIVITIES**
(OPINION UNITS)

For the Year Ended 12/31/2018

All entries posted as Debit (Credit)

Description	Assets	(Liabilities)	(Retained Earnings/Fund Balance)	(Profit) Loss
GOVERNMENTAL ACTIVITIES				
Proposed entry to correct for errors noted in the depreciation calculation	\$ 59,681	\$ -	\$ -	\$ (59,681)
Unrecorded legal settlements	-	(100,000)	-	(100,000)
Variance in Gov Capital Assets	(43,145)	-	-	43,145
TOTAL GOVERNMENTAL ACTIVITIES	\$ 16,536	\$ (100,000)	\$ -	\$ (116,536)

JEFFERSON COUNTY, WISCONSIN

MANAGEMENT LETTER

December 31, 2018

13400 Bishops Lane, Suite 300
Brookfield, WI 53005
262.754.9400

SIKICH.COM

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

In planning and performing our audit of 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) as of and for the year ended December 31, 2018, 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 audit 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 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.

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.

The County's written responses to the 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.

Sikich LLP

Brookfield, Wisconsin

June 4, 2019

DEFICIENCIES

1. Uninsured Cash Balances

During the current fiscal year, the County had approximately \$2,183,000 in uninsured, uncollateralized deposits at a single financial institution. The investment policy does not require uninsured deposits be collateralized. We recommend that the County continue to evaluate the need for collateralization of uninsured deposits and the possible need for an amendment to the investment policy.

Management Response

The County recognizes this risk and has entertained discussions with the Finance Committee about changing the Investment Policy to require full insurance or collateralization of all County deposits. The County intends to review the Investment Policy during the upcoming year to incorporate current best practices. The person responsible for the resolution of this finding is Marc DeVries, Finance Director.

2. Accuracy of Capital Asset Listing

During our audit, we noted that depreciation expense was not calculating correctly on several assets and that some assets were entered into the capital asset software incorrectly. We recommend that the County reviews the capital asset listing to ensure assets are being depreciated correctly and in accordance with County policies.

Management Response

The conversion of records from JDE to Munis was difficult and we continue to find minor differences between the two systems and the way they treat capital assets. We believe we have almost everything resolved at this point, however we will continue to refine our asset listing as we settle in to the new system. The individual responsible for implementing corrections is Marc DeVries, Finance Director.

3. Timeliness of Cash Deposits

During our audit, we noted that cash receipts were not being deposited timely by departments to the treasurer's office. We recommend that cash receipts be brought to the treasurer's office for deposit, at least weekly, but when total receipts on hand are over \$1,000, those should be deposited the day they are received.

Management Response

The Finance Department will work with the Treasurer to message to the departments the importance of timely deposits. Our Munis system includes a cash receipting module that allows us to monitor undeposited receipts. The implementation of this module is expected to begin in late 2019 and will likely take several months to complete. Corrective action is anticipated to be fully completed by the end of 2020. The individuals responsible for this corrective action are Marc DeVries, Finance Director and John Jensen, Treasurer.

OTHER COMMENTS

1. Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued a number of pronouncements that may impact the County in the future.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimate of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this statement are effective for the fiscal year ending December 31, 2019. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, is intended to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments and the criteria is generally focused on (1) whether a government is controlling the assets of a fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this statement are effective for the fiscal year ending December 31, 2019. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is intended to improve accounting and financial reporting for in-substance defeasances of debt, prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the fiscal year ending April 30, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset and aims to enhance comparability of financial statements among governments. This statement also requires additional notes to the financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for the fiscal year ending March 31, 2021. Earlier application is encouraged.

GASB Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued in March 2018 and provides guidance on improving disclosures in the notes to the financial statements related to debt, including direct borrowings and direct placements of debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement is effective for fiscal years ending June 30, 2019 and thereafter.

OTHER COMMENTS (Continued)

1. Future Accounting Pronouncements (Continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 90, *Majority Equity Interest*, was issued in August 2018 and improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effect for reporting periods beginning after December 15, 2018. Effective for FPD for fiscal year ending April 30, 2020.

**APPENDIX A
STATUS OF PRIOR YEAR COMMENTS
FROM DECEMBER 31, 2017**

DEFICIENCIES

1. Payroll Segregation of Duties

Condition: During our walkthrough testing in the prior year, we noted that certain personnel in human resources have the ability to enter new wage rates and that same employee also has the responsibility to review the wage rates without any other independent checks. Additionally, during our testing, it was noted that several employees within human resources have the ability to change wage rates while there is not a report that gets generated similar to a change report that gets generated noting changes in wage rates, new employees, terminated employees, etc. This sort of access allows for the opportunity for an employee to make an unauthorized change to an employee's wage rate while controls may not be able to prevent or detect such a misstatement.

Recommendation: We recommend that edit reports be run each pay period showing any new employees and changed pay rates and positions. This edit report should be reviewed by a responsible official each pay period.

Status: This comment was still in effect during the year. Effective December 31, 2018, the County implemented a new accounting software that requires an employee outside of the actual input of new wage rates to approve the rates before being enacted. Therefore, this comment will not be applicable for the 2019 audit.

2. Uninsured Cash Balances

Condition: During the prior fiscal year, the County had approximately \$2,600,000 in uninsured, uncollateralized deposits at a single financial institution. The investment policy does not require uninsured deposits be collateralized.

Recommendation: We recommend that the County continue to evaluate the need for collateralization of uninsured deposits and the possible need for an amendment to the investment policy.

Status: The County recognizes this risk and has entertained discussions with the Finance Committee about changing the Investment Policy to require full insurance or collateralization of all County deposits. The County intends to review the Investment Policy during the upcoming year to incorporate current best practices. The person responsible for the resolution of this finding is Marc DeVries, Finance Director. This deficiency continued in the 2018 audit.

DEFICIENCIES (Continued)

3. Proper Review of Federal Reimbursement Requests

Condition: During our audit, we noted that certain status reports and reimbursement requests for the Hazard Mitigation Program do not get formally reviewed prior to being sent to the State. The Program Director prepares these reports and also reviews them prior to submission to the state.

Recommendation: We recommend that another layer of review be established so reports are reviewed prior to being sent to the State for reimbursement.

Status: There were no instances noted in the current year.

FIRM PROFILE



ORGANIZATION

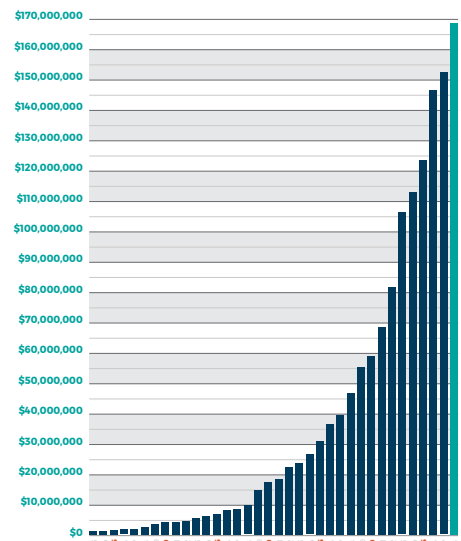
Sikich LLP, a leading professional services firm specializing in accounting, technology, investment banking* and advisory services**, has 750+ professionals throughout the country. Founded in 1982, Sikich now ranks as one of the country's Top 30 Certified Public Accounting firms and is among the top one 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	ENERGY	MANUFACTURING & DISTRIBUTION
CONSTRUCTION & REAL ESTATE	GOVERNMENT	NOT-FOR-PROFIT

SIKICH TOTAL REVENUE



STATISTICS

2018 Revenue\$169M
 Total Partners ~100
 Total Personnel 750+
Personnel count as of January 1, 2019

2018 AWARDS

- Oracle® NetSuite **5 Star Award**
- *Accounting Today* Top 100 Firms - ranked #28 nationally
- Best Places to Work in Illinois
- Best Places to Work in Indiana
- Milwaukee's Best and Brightest Companies to Work For®
- Chicago's Best and Brightest Companies to Work For®
- Microsoft Dynamics Inner Circle
- Boston's Best and Brightest Companies to Work For®
- Bob Scott's Top 100 Value Added Reseller Stars (VARs) -ranked #8

SERVICES

ACCOUNTING, TAX & ASSURANCE

TECHNOLOGY

- Business Application
- Cloud & Infrastructure
- Consulting & Implementation
- Security and Compliance

ADVISORY

- Business Succession Planning
- Insurance Services
- Forensic and Valuation Services
- Human Resources Consulting
- Investment Banking
- Marketing & Design
- Public Relations
- Retirement Plan Services
- Supply Chain
- Wealth Management

* Securities offered through Sikich Corporate Finance LLC, member FINRA/SIPC.

** Investment advisory services offered through Sikich Financial, an SEC Registered Investment Advisor.

2017 AWARDS

- Bob Scott's Top 100 (VARs) - ranked #7
- *Accounting Today* Top 100 VARs - ranked #6
- Vault Accounting Top Ranked
- When Work Works Award
- WorldatWork Work-Life Seal of Distinction
- Microsoft Dynamics Inner Circle and President's Club
- Best Places to Work in Illinois
- Milwaukee's 101 Best and Brightest Companies to Work For®
- Best Places to Work in Indiana
- Chicago's 101 Best and Brightest Companies to Work For®
- *Milwaukee Journal Sentinel* Top Workplaces in Milwaukee
- *Chicago Tribune's* Top Workplaces
- *Crain's List* Chicago's Largest Privately Held Companies - ranked #234
- Boston's 101 Best and Brightest Companies to Work For®
- National Best and Brightest in Wellness
- National Best and Brightest Companies to Work For

2016 AWARDS

- *Accounting Today* Top Regional Leaders and Firms: Great Lakes - ranked #4
- *Milwaukee Business Journal* Largest Management Consulting Firms - ranked #10
- *Milwaukee Business Journal* Largest Milwaukee-Area Accounting Firms - ranked #8
- *Inc. 5000* - ranked #4613
- *INSIDE Public Accounting* Top 50 Largest Accounting Firms - ranked #31 nationally
- Milwaukee's 101 Best and Brightest Companies to Work For®
- WICPA Excellence Award - Public Service Award
- *Accounting Today* Top 100 VARs - ranked #7
- Bob Scott's Top 100 VARs - ranked #7
- Boston's 101 Best and Brightest Companies to Work For®
- US Small and Mid-Sized Business (SMB) Champions Club Heartland Partner of the Year, Microsoft's US SMB Champions Club
- *Milwaukee Journal Sentinel* Top Workplaces in Milwaukee

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 2017 Sikich LLP received its 10th consecutive unmodified ("pass") peer review report, the highest level of recognition conferred upon a public accounting firm for its quality control systems.

MICROSOFT PARTNER

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

Gold

Microsoft Partner



2018/2019
INNER CIRCLE
for Microsoft Dynamics

- **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)
- **Certified for Microsoft Dynamics (NAV)**

SIKICH IS PROUD TO BE PART OF:

THE LEADING EDGE ALLIANCE

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



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.



LOCATIONS

Akron, OH
(330) 864-6661

Decatur, IL
(217) 423-6000

Kansas City, MO
(816) 673-7534

Rockford, IL
(815) 282-6565

Boston, MA
(508) 485-5588

Denver, CO
(720) 200-0142

Milwaukee, WI
(262) 754-9400

Springfield, IL
(217) 793-3363

Chicago, IL
(312) 648-6666

Ft. Wayne, IN
(260) 485-0665

Minneapolis, MN
(763) 445-2632

St. Louis, MO
(314) 275-7277

Columbus, OH
(614) 633-5270

Indianapolis, IN
(317) 842-4466

Naperville, IL
(630) 566-8400