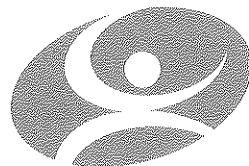


**MANAGEMENT COMMUNICATIONS**

**LINCOLN COUNTY, WISCONSIN**

**DECEMBER 31, 2011**



**Schenck**  
SC

**CPAs AND SO MUCH MORE.**

LINCOLN COUNTY, WISCONSIN

December 31, 2011

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**Schenck**  
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CPAs AND SO MUCH MORE.

To the County Board  
Lincoln County, Wisconsin

We have completed our audit of the basic financial statements of Lincoln County (the "County") for the year ended December 31, 2011. The County's financial statements, including our report thereon dated July 25, 2012, 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.



## 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, 2011, 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 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.

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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

### *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. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. 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 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 in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

Management'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. We proposed seven audit entries as the result of our audit. The audit entries were posted by the County.

#### *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 25, 2012. 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 prior year and current year comments and recommendations sections of this letter.

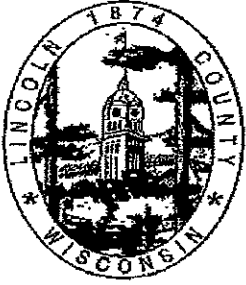
This communication, which does not affect our report dated July 25, 2012 on the financial statements of the County, is intended solely for the information and use of the County Board, management, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Certified Public Accountants  
Green Bay, Wisconsin  
July 25, 2012

Schenck SC  
July 25, 2012  
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**LINCOLN COUNTY FINANCE DEPARTMENT  
SAFETY BUILDING**

**801 North Sales Street, Suite 211**

**MERRILL, WI 54452-1632**

**Phone: (715) 539-1030**

**FAX: (715) 539-8056**

Dan Leydet, Finance Director  
Heather Marheine, County Accountant  
Dawn Bergs, County Accountant

Elayne Lang, Payroll Clerk  
Amy Kohnhorst, Fiscal Clerk/  
Accounts Payable

July 25, 2012

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

We are providing this letter in connection with your audit of the financial statements of the Lincoln County, Wisconsin as of December 31, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County, Wisconsin and the respective changes in the financial position and where applicable, cash flows thereof, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items in No. 37 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 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 25, 2012, the following representations made to you during your audit.

1. The 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 as required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
2. We have made available to you all-

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July 25, 2012  
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- a. Financial records and related data, and all audit or relevant monitoring reports, if any, received from funding sources.
- b. Minutes of the meetings of the County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedules of expenditures of federal awards and state financial assistance.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
8. We have taken timely and appropriate steps to remedy fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that you have reported to us.
9. We have a process to track the status of audit findings and recommendations.
10. 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.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the County is contingently liable.
  - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
  - d. Joint ventures, jointly governed organizations, and other related organizations.
  - e. 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.
  - f. Participation in a public entity risk pool.



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July 25, 2012  
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14. 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.
15. There are no:
  - a. 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.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
16. 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.
17. 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.
18. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
19. 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.
20. The financial statements properly classify all funds and activities.
21. 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.
22. Components of net assets (invested in capital assets, net of related debt, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
23. Provisions for uncollectible receivables have been properly identified and recorded.
24. 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.
25. Revenues are appropriately classified in the statement of activities within program revenues, and general revenues.
26. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
27. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.

28. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
29. 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.
30. 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.
31. We agree with the findings of specialists in evaluating the 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.
32. 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 entity's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
33. 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.
34. 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.
35. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
36. Provision has been made for any material loss that is probable from environmental remediation liabilities associated with Lincoln County Landfill. We believe that such estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately described in the financial statements.
37. 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.

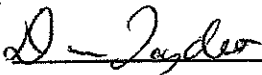
- b. We have prepared the schedule of expenditures of federal awards in accordance with OMB Circular A-133 and the schedule of state financial assistance in accordance with *State Single Audit Guidelines*, and have identified and disclosed in the schedules of expenditures of federal awards and state 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 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 supplementary information no later than the date we issue the supplementary information and the auditor's 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.

Schenck SC  
July 25, 2012  
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- 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 auditor's 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 OMS Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMS'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 OMS Circular A-133 and the *State Single Audit Guidelines* and we have provided you with 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 OMS Circular A-133.
- x. We are responsible for preparing and implementing a corrective action plan for each audit finding

Schenck SC  
July 25, 2012  
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38. We have evaluated and classified any subsequent events as recognized or non-recognized 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: Dan Leydet, Finance Director

## SUMMARY FINANCIAL INFORMATION

### 1. Governmental Fund Balances

Presented below is a summary of the County's governmental fund balances on December 31, 2011, including a comparison to the prior year. This information is provided for assisting management in assessing financial results for 2011 and for indicating financial resources available at the start of the 2012 budget year.

	12/31/11	12/31/10
General Fund		
Nonspendable:		
Property Taxes	\$ 1,517,856	\$ 1,320,926
Prepaid	271,127	229,190
Advances	233,042	289,236
Inventory	5,954	40,643
Restricted:		
Insurance Deposits	54,983	58,983
Veterans	3,044	-
Land Records	139,094	-
Land Conservation	909	-
Register of Deeds	48,920	-
UW Extension	12,589	-
Sheriff	79,232	-
Committed:		
Roads Fund	250,000	-
Family Care	1,201,232	-
Building Project	91,675	181,754
Assigned		
Veterans	2,000	-
Surveyor	69,358	-
Land Records	330	-
Land Conservation	20,581	-
Zoning	6,690	-
Register of Deeds	3,315	-
UW Extension	7,167	-
Sheriff	20,463	-
Emergency Management	2,500	-
CIP not committed	2,222,199	2,118,110
Unassigned	5,153,535	6,029,698
<b>Total General Fund</b>	<b>11,417,795</b>	<b>10,268,540</b>

1. **Governmental Fund Balances (Continued)**

	12/31/11	12/31/10
County roads and bridges		
Assigned	735,698	566,929
Social services		
Restricted	75,130	78,428
Assigned	313,754	594,271
Developmental disabilities		
Restricted	-	116,277
Assigned	-	60,992
County health		
Restricted	349,013	-
Assigned	190,551	544,462
Commission on aging		
Assigned	-	62,466
Dog license		
Assigned	1,000	1,000
Community development		
Restricted	127,158	271,451
Emergency medical		
Assigned	601,333	304,874
Jail assessment		
Restricted	43,818	31,646
Total Special Revenue Funds	<u>2,437,455</u>	<u>2,632,796</u>
Debt Service Fund		
Nonspendable	671	-
Assigned	22,071	40,185
	<u>22,742</u>	<u>40,185</u>
Capital Project Fund		
Committed	-	507,285
Total Governmental Fund Balances	<u>\$ 13,877,992</u>	<u>\$ 13,448,806</u>

**Unassigned General Fund**

The unassigned general fund balance represents the County's available and unappropriated cash available for any County purpose. The County's unassigned fund balance totals \$5,153,535. Of this balance, the County considers \$3,707,723 required for cash flow needs leaving a balance of \$1,445,812, or 10% of general fund expenditures during 2011, unassigned.

**Special Revenue Funds**

The County's special revenue funds total \$2,437,455 as of December 31, 2011 compared to \$2,632,796 for the prior year. The decrease is primarily due to the transfer of the Developmental Disabilities fund to a proprietary fund.

**Capital Project Fund**

The County's capital project fund balance of \$0 as of December 31, 2011 compared to a fund balance of \$507,285 for the prior year. The decrease is due primarily to the spend down of resources on the courthouse renovation during 2011.

## 2. Health Self-Insurance Fund

The County has established a self-insurance internal service fund to provide health insurance coverage to County employees and retirees. A summary of 2011 transactions, including a comparison to 2010, is presented below:

	2011	2010
Operating Revenues		
Charges to county departments and retirees	\$ 5,188,548	\$ 4,952,572
Operating Expenses		
Insurance payments and claims	5,907,994	5,716,847
Administrative and fiscal services	782,521	818,356
Total Operating Expenses	<u>6,690,515</u>	<u>6,535,203</u>
Operating Loss	<u>(1,501,967)</u>	<u>(1,582,631)</u>
Nonoperating Revenues		
Interest revenue	<u>28,875</u>	<u>57,033</u>
Change in net assets	(1,473,092)	(1,525,598)
Net Assets - January 1	<u>2,342,011</u>	<u>3,867,609</u>
Net Assets - December 31	<u>\$ 868,919</u>	<u>\$ 2,342,011</u>

The self-insurance fund generated an operating loss of \$1,501,967 compared to an operating loss of \$1,582,631 for the prior year. At year end, based on 2011 claims paid, the net asset balance represents approximately 13% of its annual claims expenses compared to 41% for the prior year. The decrease relates primarily to the unexpected and substantial claim expenses in 2011.

In addition to its net asset balance, the County has accrued a claims liability of \$640,488 for claims related to services provided but not paid prior to the end of January, 2012.



### 3. County Highway Internal Service Fund

The County's highway department operates as an internal service fund, with County road maintenance and construction costs financed by a special revenue fund. A summary of 2011 transactions, including a comparison to 2010, is presented below:

	2011	2010
Operating Revenues		
Interdepartmental charges for services	\$ 4,003,238	\$ 3,360,686
Intergovernmental charges for services	2,803,129	2,216,913
Other operating revenue	37,244	20,249
Total Operating Revenues	<u>6,843,611</u>	<u>5,597,848</u>
Operating Expenses		
General services	5,558,887	5,607,693
Administrative and fiscal services	504,199	343,985
Depreciation and amortization	473,815	530,030
Total Operating Expenses	<u>6,536,901</u>	<u>6,481,708</u>
Operating Income (Loss)	<u>306,710</u>	<u>(883,860)</u>
Nonoperating Revenues (Expenses)		
Sale of capital assets	36,950	117,044
Donations and other nonoperating revenues	71,768	58,672
Total Nonoperating Revenues (Expenses)	<u>108,718</u>	<u>175,716</u>
Change in Net Assets	415,428	(708,144)
Net Assets - January 1	<u>4,537,966</u>	<u>5,246,110</u>
Net Assets - December 31	<u>\$ 4,953,394</u>	<u>\$ 4,537,966</u>

The highway department had an operating income of \$306,710 in 2011 compared to an operating loss of \$883,860 in 2010. The increase was due to an increase of operating revenues of 22.3% while expenses only increased 8.5%. The County's machinery cost pool had an income of \$29,898 in 2011, while it had a loss of \$270,961 in 2010.

#### 4. Solid Waste Landfill

The County has a Solid Waste Landfill operating as a proprietary fund. A summary of 2011 transactions, including a comparison to 2010, is presented below:

	2011	2010
Revenues		
Public charges for services	\$ 2,913,477	\$ 1,468,165
Interdepartmental charges for services	-	215
Intergovernmental charges for services	214,809	274,529
Miscellaneous	-	7,583
Total Revenues	<u>3,128,286</u>	<u>1,750,492</u>
Expenses		
General services	1,225,518	1,402,978
Future closing costs	311,554	532,336
Depreciation and amortization	514,299	338,784
Total Expenditures	<u>2,051,371</u>	<u>2,274,098</u>
Operating Income (Loss)	<u>1,076,915</u>	<u>(523,606)</u>
Nonoperating Revenues		
Interest income	<u>53,991</u>	<u>83,394</u>
Loss before Transfers	1,130,906	(440,212)
Transfer out	<u>(200,000)</u>	<u>(200,000)</u>
Change in Net Assets	930,906	(640,212)
Net Assets - January 1	<u>4,682,786</u>	<u>5,322,998</u>
Net Assets - December 31	<u>\$ 5,613,692</u>	<u>\$ 4,682,786</u>

The Solid Waste Landfill reported an operating income of \$1,076,915 and an operating loss of \$523,606 for the years ending December 31, 2011 and 2010, respectively. The increase was due to a new revenue stream from decontaminating soil. Current assets and restricted cash total \$8.02 million while liabilities are \$4.3 million.

5. Forestry

The County's forestry operations are accounted for as a proprietary fund. A summary of 2011 transactions, including a comparison to 2010, is presented below:

	2011	2010
<b>Revenues</b>		
Public charges for services	\$ 1,331,541	\$ 990,034
Interdepartmental charges for services	1,990	1,990
<b>Total Revenues</b>	<b>1,333,531</b>	<b>992,024</b>
<b>Expenses</b>		
General services	772,490	793,511
Depreciation and amortization	19,596	33,239
<b>Total Expenditures</b>	<b>792,086</b>	<b>826,750</b>
<b>Operating Income</b>	<b>541,445</b>	<b>165,274</b>
<b>Nonoperating Revenues</b>		
Grant income	236,206	210,768
Donations	6,589	5,515
Sale of capital assets	4,000	3,300
<b>Total Nonoperating Revenues</b>	<b>246,795</b>	<b>219,583</b>
<b>Income before Transfers</b>	<b>788,240</b>	<b>384,857</b>
<b>Transfer out</b>	<b>(503,282)</b>	<b>(412,456)</b>
<b>Change in Net Assets</b>	<b>284,958</b>	<b>(27,599)</b>
<b>Net Assets - January 1</b>	<b>4,247,444</b>	<b>4,275,043</b>
<b>Net Assets - December 31</b>	<b>\$ 4,532,402</b>	<b>\$ 4,247,444</b>

At December 31, 2011, the fund has cash and investments of \$1,956,477. In addition to the transfer of funds to the general fund, the general fund also retains interest earned on Forestry fund cash balances as part of its general fund budget.

## CURRENT YEAR COMMENTS AND RECOMMENDATIONS

### Separation of Duties Between Personnel and Finance Departments

The personnel department is responsible for entering new employees and changing wage rates. At times, the personnel department has not always been entering these changes timely into the County's computer system, therefore, the payroll clerk has been entering new employees, changing wage rates, and processing payroll.

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 personnel 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 personnel department.