# MARQUETTE COUNTY, WISCONSIN

## REQUIRED AUDIT COMMUNICATIONS TO THE COUNTY BOARD OF SUPERVISORS

**Year Ended December 31, 2019**

**Johnson Block & Company, Inc.**
**Certified Public Accountants**
**2500 Business Park Road**
**Mineral Point, Wisconsin 53565**
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**Fax: (608) 987-3391**

**MARQUETTE COUNTY, WISCONSIN**

**Year Ended December 31, 2019**

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# COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

The County Board of Supervisors
Marquette County
Montello, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marquette County, Wisconsin for the year ended December 31, 2019. 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 to you in our letter dated November 14, 2019. Professional standards require that we provide you with the following information related to our audit.

## Significant Audit Findings

*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 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no 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 estimate affecting the financial statements was:

1. Management’s estimate of the pension asset and deferred outflows and inflows of resources are based on various factors. These estimates were computed by the pension plan administrator.
2. Management’s estimate of depreciable lives of fixed assets was based on the estimated useful life of the related fixed asset.
3. Management’s estimate of the other postemployment benefits is based on various factors. The estimated liability was computed by an actuarial study.

We evaluated the key factors and assumptions used to develop these amounts in determining that they are reasonable in relation to the financial statements.

The financial statements are neutral, consistent and clear.



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*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. Appendix 1 summarizes misstatements detected as a result of audit procedures that were corrected by management. Appendix 2 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, professional standards define a disagreement with management as a matter, 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 31, 2020.

*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 the budgetary comparison schedules, the schedule of changes in the County's total OPEB liability and related ratios, the local retiree life insurance fund schedules, and the Wisconsin Retirement System schedules, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Attached are recommendations and informational points to management that are not material weaknesses or significant deficiencies.

Restriction on Use

This information is intended solely for the information and use of management, the County Board and others within the administration and is not intended to be, and should not be, used by anyone other than these specified.

Very truly yours,

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
July 31, 2020

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# MANAGEMENT LETTER

The County Board of Supervisors
Marquette County
Prairie du Chien, Wisconsin

In planning and performing our audit of the financial statements of the Marquette County, Wisconsin for the year ended December 31, 2019, we considered the County's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following pages that accompany this letter summarize our comments and suggestions regarding those matters. This letter does not affect our report dated July 31, 2020, on the financial statements of the County.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the County's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Johnson Block & Company, Inc.

Johnson Block and Company, Inc.
July 31, 2020



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## ADJUSTING JOURNAL ENTRIES

We are frequently requested by our clients to discuss the overall condition of their accounting records and what our role is as your audit firm. We believe that these matters should be discussed at each audit. The following section describes your accounting process in general terms and the ways in which we work with your staff.

The Marquette County processes accounting transactions based on the type of transaction involved. Money coming in is processed using a cash receipt system. The payment of bills is done through an accounts payable system. Employees' salaries are paid using a payroll system. Customer billing and accounts receivable are processed through a billing system. Utility materials and labor are charged to projects through a work order system. These systems are responsible for recording and summarizing the vast majority of your financial statements.

Beyond the systems described in the preceding paragraph, another system is used to make corrections and to record non-cash transactions. This system involves preparing general journal entries. Journal entries provide the ability to make changes to the financial data entered in the other systems. As your auditor, our role is to substantiate year end financial balances and information presented by your accounting personnel, and compare it to supporting information and outside confirmations. When information in your records does not agree with audit evidence, an adjusting entry is necessary to correct your records. Sometimes these entries are identified by your staff as they get ready for the audit. Other adjustments are prepared by us as we discover that your general ledger balances need to be changed to reflect the correct balances.

For the 2019 audit, we proposed adjustments and reclassifications to your records. The proposed entries were accepted by Marquette County's management. All of these changes are reflected properly in your audited financial statements.

Because we are providing assistance to your staff by proposing changes to correct your financial information, you should be aware of these processes. Many of our clients rely on us to make year end adjustments as we have described. In many cases, we have the experience or expertise to compute, and identify, corrections to your records. We work with many clients on similar issues, so it may be more efficient for you to have us do some of the one-time adjustments, rather than your staff spending hours researching the proper adjustment.

Due to the technical nature of financial reporting and complying with financial reporting standards, most clients have their CPA firm prepare the year end financial statements and note disclosures. We have provided these services to the County of Marquette.

We are communicating this information to you to give you a better understanding of what we do and how the year end process works. Our job as auditors is to bring in an outside perspective and provide a level of comfort that your financial reporting system is materially correct and accurately reflects the financial activity for the year. However, in many cases, our services go beyond auditing. Our experience and training can provide a very cost-effective means of providing the year end accounting assistance that you need.

We hope that by providing this information on what we do, you will have a better understanding of our role, and the various ways that we work with your staff.

## PASSED JOURNAL ENTRIES

Passed journal entries may occur due to transaction timing, industry practices or lack of overall significance. See Appendix 2 for passed journal entries.

## OTHER COMMENTS ON OPERATIONS AND INTERNAL CONTROL

### 1. Preparation of Financial Statements

County staff does not prepare the financial statements and accompanying notes. The County has designated an individual responsible for reviewing and accepting the financial statements and related notes.

### 2. Petty Cash Accounts

Currently the County has $7,167 for petty cash accounts. We recommend reviewing the need and the amounts needed for petty cash and adjust the balances accordingly. In addition, a petty cash proof should be done periodically.

### 3. Clerk of Court

An important control is verifying the cash balance to the various trust reports, amounts owed to various governments and the fees to be retained by the County. As of December 31, 2019, there was a variance of $2,018 from the cash account to the various reports. We understand that finance and the Clerk of Court will work together to reconcile going forward.

### 4. Sheriff - Inmate Trust Account

During the review of the December bank reconciliation we noted old deposits in transit of approximately $1,400 outstanding. We recommend that these be cleaned up and verify if they were in error, doubled up or what actually happened with the deposits for them to still be outstanding. The cash balance on the reconciliation is most likely overstated by $1,400.

The Sheriff Department also had a cash account that was not recorded on the general ledger. The cash account is used mostly to deposit fees collected for records request and civil process. Later amounts are deposited with the Treasurer. Balance in the account was $100. We recommend either recording on the general ledger or depositing funds directly with the Treasurer and closing the account.

### 5. Treasurer Cash Account

During our bank confirmation procedures, a cash account was discovered that the Treasurer's department was using for tax refunds, reimbursing taxing districts for credit card payments for the first property tax payments, passport payments, etc. This account was not recorded on the general ledger and the December 31, 2019 balance was $1,413. We recommend recording on the general ledger and possibly reduce the activity and follow general cash disbursement and cash receipting procedures so activity is reviewed and approved.

### 6. Fully Depreciated Capital Assets

We noted during the prior year audit that the County has a large amount of fully depreciated assets included in their current asset listing.

We recommend that the County review the capital asset listing to ensure that all assets are still within the County's possession and in use. The County should also consider reviewing its capital asset policy and extending the standard useful lives going forward if asses are typically in service for longer than the current useful lives.

7. Decentralized Cash Collections

Many governments collect cash at numerous decentralized locations that are separate from the primary system of accounting procedures and controls. The opportunity for theft is often higher at those locations because one person is frequently involved in most, if not all, aspects of a transaction (i.e. lack of segregation of duties).

Management is responsible for designing and implementing controls and procedures to detect and prevent fraud. As a result, we recommend that management review its decentralized cash collection procedures and controls on a periodic basis and make changes a necessary to strengthen the internal control environment. Reviewing the adequacy of the controls is a responsibly of the governing body.

Below are example procedures and controls to help mitigate the risk of loss at decentralized cash collection points:

- Implement a centralized receipting process with adequate segregation of duties
- For cash collections, ensure pre-numbered receipts are being used and all receipts in the sequence are being reviewed by someone other than the person receipting the cash receipts and receipts tie to deposits
- Perform surprise procedures at decentralized locations (cash counts, walkthrough of processes, etc.)
- Require regular cash deposits to minimize collections on-hand
- Limit the number of separate bank accounts
- Segregate the duties as much as possible – the person receipting the cash should be separate from the person preparing deposits and the person reconciling bank accounts should be separate from the cash collection activity
- Perform a month-to-month or year-to-year comparisons to look for unusual changes in collections
- If collecting from a drop box site, consider sending two people to collect funds, especially during peak times

As always, the cost of controls and staffing must be weighed against the benefits of safeguarding your assets.

8. Fraud Policy

The County has a fraud policy, but the existence of the policy is not communicated to employees on an annual basis. Management setting the tone for the County is the best defense against fraud. Part of the annual fraud training should be notifying employees that they are required to report suspicious activity and the procedures to follow for reporting to management, department heads, or the County board.

9. Cash Receipts – backup information

During our test of cash receipts procedures and controls, it was noted that currently the Treasurer discards supporting documentation for the cash receipt once they have created the cash receipt and entered the receipt into the accounting system. Mistakes can happen from time to time, so we recommend keeping any source documentation and filing with the receipt or in a binder and not discarding. If the receipt was coded wrong or if a county department or the auditor wanted to verify the receipt and check the account coding or the description/details then the documentation would be available.

## CONCLUDING REMARKS

We would like to thank you for allowing us to serve you. We are committed to assisting you in the long-term financial success of the Marquette County and our comments are intended to draw to your attention issues which need to be addressed by the County to meet its goals and responsibilities.

The comments and suggestions in this communication are not intended to reflect in any way on the integrity or ability of the personnel of the Marquette County. They are made solely in the interest of establishing sound internal control practices required by changing professional standards. The Marquette County's staff is deeply committed to maintaining the financial reporting system so that informed decisions can be made. They were receptive to our comments and suggestions.

We will review the status of these comments during each audit engagement.

If you have any questions or comments regarding this communication or the financial statements, do not hesitate to contact us.

# Appendix 1 – Adjusting Journal Entries

**Marquette County**
**For the Year Ended December 31, 2019**

| Account | Description | Debit | Credit |
|---|---|---|---|
| **Adjusting Journal Entries JE # 1001** | | | |
| To adjust begining fund balance to prior year ending per the audit report. Per 2018 audit trial balance - it was an adjustment | | | |
| 40-000-34400-000-000 | Fund Balance | 5,974.00 | |
| 40-099-57751-000-000 | EMS Stations | | 5,974.00 |
| **Total** | | **5,974.00** | **5,974.00** |
| **Adjusting Journal Entries JE # 1002** | | | |
| To record property tax charge back and assessor error refunds to expense account | | | |
| 10-015-51910-385-000 | Illegal Taxes and Refunds | 832.56 | |
| 10-099-41110-000-000 | General Property Taxes | | 832.56 |
| **Total** | | **832.56** | **832.56** |
| **Adjusting Journal Entries JE # 1003** | | | |
| To record adjustment for Vision Insurance Payable - Misc correction 9provided by client) | | | |
| 10-000-11100-000-000 | Cash | 77.04 | |
| 10-099-48040-000-000 | Misc General Revenue | | 77.04 |
| **Total** | | **77.04** | **77.04** |
| **Adjusting Journal Entries JE # 1004** | | | |
| To adjust ending EMS receivable to net estimate after factoring in old A/R balances and current year W/O in comparison with | | | |
| 10-000-13410-000-000 | EMS Accounts Receivable | 35,701.36 | |
| 10-029-46230-000-000 | Ambulance User Fees | | 35,701.36 |
| **Total** | | **35,701.36** | **35,701.36** |
| **Adjusting Journal Entries JE # 1005** | | | |
| To adjust year-end compensated absences accrual - Retirement % for county expense needed to be cut in half. Employee | | | |
| 70-000-29620-000-000 | Accrued Employee Benefits | 14,803.05 | |
| 70-071-53210-000-000 | Employee Tax & Fringe Cost Pool | | 14,803.05 |
| **Total** | | **14,803.05** | **14,803.05** |
| **Adjusting Journal Entries JE # 1006** | | | |
| Client provided entry to record close out for Dec county road work charged to Fund 29 | | | |
| 29-071-53310-230-000 | Winter Maint - Snow & Ice | 29,040.93 | |
| 29-071-53310-232-000 | County Oiling & Maint | 188,350.45 | |
| 70-000-25200-000-000 | Due to Special Revenue Fund | 217,391.38 | |
| 29-000-15700-000-000 | Due from Highway Int Service Fund | | 217,391.38 |
| 70-071-47430-000-000 | Revenue/Services - Hwy Co Maint | | 217,391.38 |
| **Total** | | **434,782.76** | **434,782.76** |

**Marquette County**
**For the Year Ended December 31, 2019**

| Account | Description | Debit | Credit |
|---|---|---|---|
| **Adjusting Journal Entries JE # 1007** | | | |
| To transfer out Hwy net income to fund 29. | | | |
| 29-000-11100-000-000 | Treasurer's Cash | 916,206.77 | |
| 29-000-15700-000-000 | Due from Highway Int Service Fund | 224,384.26 | |
| 70-071-59210-000-000 | Trans. To Gen. Fund | 1,140,591.03 | |
| 29-071-49230-000-000 | Transfer from Hwy Int Svc Fund | | 1,140,591.03 |
| 70-000-11100-000-000 | Treasurer's Cash | | 916,206.77 |
| 70-000-25200-000-000 | Due to Special Revenue Fund | | 224,384.26 |
| **Total** | | **2,281,182.06** | **2,281,182.06** |
| **Adjusting Journal Entries JE # 6002** | | | |
| Write-off unsued inventory accounts | | | |
| 70-000-16111-900-000 | Inv - Concrete Planks | 300.00 | |
| 70-000-16112-900-000 | NON - Inventory Parts | 1,644.96 | |
| 70-000-16111-400-000 | Inv - Fencing | | 558.26 |
| 70-000-16114-900-000 | Inv - Drums & Containers | | 375.97 |
| 70-071-53311-000-730 | County Maintenance | | 1,010.73 |
| **Total** | | **1,944.96** | **1,944.96** |
| **Adjusting Journal Entries JE # 6003** | | | |
| Close out underrecovery of small tools. Client requested | | | |
| 70-000-13600-000-000 | Unbilled Accounts Receivable | 5,199.79 | |
| 70-071-53220-000-000 | Field Small Tools Cost Pool | | 5,199.79 |
| **Total** | | **5,199.79** | **5,199.79** |
| **Adjusting Journal Entries JE # 6004** | | | |
| Close out fringe benefit cost pool. (Client requested) | | | |
| 70-071-53210-000-000 | Employee Tax & Fringe Cost Pool | 45,596.46 | |
| 70-000-26430-000-000 | Unearned Revenue-Cost Pools | | 45,596.46 |
| **Total** | | **45,596.46** | **45,596.46** |
| **Adjusting Journal Entries JE # 6005** | | | |
| Correction to entry HWY67EOY closing B&G costy pool (Client requested) | | | |
| 70-071-53311-000-000 | Routine Maintenance - CNTY | 7,708.07 | |
| 70-071-53111-000-000 | General Office Expenses | | 444.19 |
| 70-071-53230-000-000 | Shop Ops Cost Pool | | 4,929.73 |
| 70-071-53331-000-000 | Routine & Winter Maint - LOCAL | | 2,334.15 |
| **Total** | | **7,708.07** | **7,708.07** |

**Marquette County**
**For the Year Ended December 31, 2019**

| Account | Description | Debit | Credit |
|---|---|---|---|
| **Adjusting Journal Entries JE # 6006** | | | |
| Record fuel Handling costs to appropriate accounts (Client requested) | | | |
| 70-071-53111-000-000 | General Office Expenses | 1,500.45 | |
| 70-071-53220-000-000 | Field Small Tools Cost Pool | 28.43 | |
| 70-071-53230-000-000 | Shop Ops Cost Pool | 973.90 | |
| 70-071-53232-000-000 | Fuel Handling Cost Pool | | 2,502.78 |
| **Total** | | **2,502.78** | **2,502.78** |
| **Adjusting Journal Entries JE # 6007** | | | |
| Record correction to HWY86EOY closing shop op (Client requested) | | | |
| 70-071-53230-000-000 | Shop Ops Cost Pool | 3,955.83 | |
| 70-071-53240-000-000 | Machinery Ops cost Pool | | 3,955.83 |
| **Total** | | **3,955.83** | **3,955.83** |
| **Adjusting Journal Entries JE # 6008** | | | |
| Close out underrecovery of small toos (Client requested) | | | |
| 70-000-13600-000-000 | Unbilled Accounts Receivable | 28.43 | |
| 70-071-53220-000-000 | Field Small Tools Cost Pool | | 28.43 |
| **Total** | | **28.43** | **28.43** |
| **Adjusting Journal Entries JE # 6009** | | | |
| Combine unbilled receivable and unearned revenue accounts for small tools and fringe benefits | | | |
| 70-000-26430-000-000 | Unearned Revenue-Cost Pools | 21,434.20 | |
| 70-000-13600-000-000 | Unbilled Accounts Receivable | | 21,434.20 |
| **Total** | | **21,434.20** | **21,434.20** |

# Appendix 2 – Passed Journal Entries

**Marquette County**
**For the Year Ended December 31, 2019**

| Account | Description | Debit | Credit |
|---|---|---|---|
| **Proposed JE # 7001** | | | |
| Record adjustment to prepaid health insurance | | | |
| 10-013-51430-134-000 | Health Ins | 7,055.00 | |
| 10-000-16200-000-000 | Prepaid Employees' Insurance | | 7,055.00 |
| **Total** | | **7,055.00** | **7,055.00** |
| **Proposed JE # 7002** | | | |
| Entry to reduce A/P by amounts listed on schedule with debit balances | | | |
| 10-000-21100-000-000 | Vouchers Payable | 23,182.05 | |
| 10-007-51270-810-000 | Equipment | | 23,182.05 |
| **Total** | | **23,182.05** | **23,182.05** |
| **Proposed JE # 7003** | | | |
| To record amount for Dec work as a ending receivable and adjust for 2018 revenue recorded in 2019. | | | |
| 70-000-14400-000-000 | A/R Local Gov -Towns/Villages/Cities | 169,662.02 | |
| 70-071-47300-000-000 | Intergovernmental - Other Local Gov | 861.98 | |
| 70-000-34400-000-000 | Fund Balance | | 170,524.00 |
| **Total** | | **170,524.00** | **170,524.00** |
| **Proposed JE # 7004** | | | |
| Record additional Medicaid revenue | | | |
| 25-000-13000-000-000 | Accounts Receivable | 35,571.00 | |
| 25-000-13000-000-000 | Accounts Receivable | 38,036.00 | |
| 25-063-46592-000-000 | Clinical Services Program Revenue | | 35,571.00 |
| 25-063-46592-000-000 | Clinical Services Program Revenue | | 38,036.00 |
| **Total** | | **73,607.00** | **73,607.00** |
| **Proposed JE # 7005** | | | |
| Record additional revenue from prior years | | | |
| 25-000-13000-000-000 | Accounts Receivable | 38,112.00 | |
| 25-063-48020-000-000 | Revenue from Prior Years | | 38,112.00 |
| **Total** | | **38,112.00** | **38,112.00** |
| **Proposed JE # 7006** | | | |
| Reclassify current year revenue to the prior year | | | |
| 25-063-48020-000-000 | Revenue from Prior Years | 18,833.00 | |
| 25-000-34510-000-000 | Appropriations | | 18,833.00 |
| **Total** | | **18,833.00** | **18,833.00** |