

**PUBLIC HEALTH - MADISON AND
DANE COUNTY**
Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

PUBLIC HEALTH - MADISON AND DANE COUNTY

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INDEPENDENT AUDITORS' REPORT

To the Board of Health for Madison and Dane County
Public Health - Madison and Dane County
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Public Health - Madison and Dane County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Public Health - Madison and Dane County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Public Health - Madison and Dane County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Public Health - Madison and Dane County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Health for Madison and Dane County
Public Health - Madison and Dane County

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Public Health - Madison and Dane County as of December 31, 2016 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Public Health - Madison and Dane County's basic financial statements. The supplementary information, which includes the schedule of expenditures of federal and state awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Guidelines*, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the Board of Health for Madison and Dane County
Public Health - Madison and Dane County

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2017 on our consideration of Public Health - Madison and Dane County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Public Health - Madison and Dane County's internal control over financial reporting and compliance.

Baker Tilly Virchawwala, LLP

Madison, Wisconsin
June 28, 2017

PUBLIC HEALTH - MADISON AND DANE COUNTY

STATEMENT OF NET POSITION As of December 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 4,985,701
Receivables	
Accounts	9,854
Accrued interest	1,126
Due from other governments	247,710
Prepaid items	351,291
Capital Assets	
Leasehold improvements	305,368
Machinery and equipment	675,222
Intangibles	478,857
Less: Accumulated depreciation	<u>(1,116,294)</u>
Total Assets	<u>5,938,835</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related amounts	<u>5,744,633</u>
Total Deferred Outflows of Resources	<u>5,744,633</u>
LIABILITIES	
Accounts payable	167,473
Accrued liabilities	5,298
Due to other governments	1,231,349
Noncurrent Liabilities	
Due within one year	920,885
Due in more than one year	<u>6,555,475</u>
Total Liabilities	<u>8,880,480</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenues	100
Pension related amounts	<u>2,199,289</u>
Total Deferred Inflows of Resources	<u>2,199,389</u>
NET POSITION	
Net investment in capital assets (deficit)	(101,665)
Restricted for	
Special programs per regulation	362,538
Unrestricted (deficit)	<u>342,726</u>
TOTAL NET POSITION	<u>\$ 603,599</u>

See accompanying notes to financial statements.

PUBLIC HEALTH - MADISON AND DANE COUNTY

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
			Governmental Activities	
Governmental Activities				
Health and human services	\$ 16,237,383	\$ 3,405,889	\$ 13,315,740	\$ 484,246
Interest and fiscal charges	20,972	-	-	(20,972)
Total Governmental Activities	<u>\$ 16,258,355</u>	<u>\$ 3,405,889</u>	<u>\$ 13,315,740</u>	
			Change in net position	463,274
			NET POSITION - Beginning of Year	<u>140,325</u>
			NET POSITION - END OF YEAR	<u>\$ 603,599</u>

See accompanying notes to financial statements.

PUBLIC HEALTH - MADISON AND DANE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 4,985,701
Receivables	
Accounts	9,854
Accrued interest	1,126
Due from other governments	247,710
Prepaid items	<u>351,291</u>
TOTAL ASSETS	<u>\$ 5,595,682</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 167,473
Due to other governments	<u>1,231,349</u>
Total Liabilities	<u>1,398,822</u>
Deferred Inflows of Resources	
Unearned revenues	100
Unavailable revenues	<u>176,085</u>
Total Deferred Inflows of Resources	<u>176,185</u>
Fund Balances	
Nonspendable - prepaid items	351,291
Restricted for special programs	362,538
Assigned for subsequent year's budget	846,494
Unassigned	<u>2,460,352</u>
Total Fund Balances	<u>4,020,675</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,595,682</u>

See accompanying notes to financial statements.

PUBLIC HEALTH - MADISON AND DANE COUNTY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2016

Total Fund Balances - Governmental Funds	\$ 4,020,675
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	
Leasehold improvements	305,368
Machinery and equipment	675,222
Intangibles	478,857
Less: Accumulated depreciation	(1,116,294)
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	
	176,085
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(1,038,962)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	5,744,633
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(2,199,289)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.	
Bonds and notes payable	(744,818)
Compensated absences	(4,271,827)
Accrued interest	(5,298)
Other postemployment benefits	<u>(1,420,753)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>603,599</u>

See accompanying notes to financial statements.

PUBLIC HEALTH - MADISON AND DANE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	<u>General Fund</u>
REVENUES	
Intergovernmental	\$ 12,839,874
Public charges for services	3,336,880
Intergovernmental charges for services	97,534
Miscellaneous	<u>345,646</u>
Total Revenues	<u>16,619,934</u>
EXPENDITURES	
Current	
Health and human services	15,966,379
Debt Service	
Principal	162,819
Interest and fiscal charges	20,710
Total Expenditures	<u>16,149,908</u>
Excess of revenues over expenditures	<u>470,026</u>
OTHER FINANCING SOURCES	
Debt issued	300,000
Debt refunded	<u>48,400</u>
Total Other Financing Sources	<u>348,400</u>
Net Change in Fund Balances	818,426
FUND BALANCES - Beginning of Year	<u>3,202,249</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,020,675</u>

See accompanying notes to financial statements.

PUBLIC HEALTH - MADISON AND DANE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds \$ 818,426

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	12,995
Depreciation is reported in the government-wide financial statements	(122,481)

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.

101,694

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(348,400)
Principal repaid	162,819

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	514,716
Other postemployment benefits	(63,495)
Accrued interest on debt	(262)
Net pension liability	(2,595,641)
Deferred outflows of resources related to pensions	4,150,757
Deferred inflows of resources related to pensions	<u>(2,167,854)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 463,274

PUBLIC HEALTH - MADISON AND DANE COUNTY

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PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Public Health - Madison and Dane County, Wisconsin ("department") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the department. The reporting entity for the department consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The department has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The department does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

The department reports the following major governmental fund:

General Fund - accounts for the department's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT Focus, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the department is entitled the resources and the amounts are available. Amounts owed to the department which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include public charges for services and interest. Other general revenues such as fines and forfeitures, inspection fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

Investment of department funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The City of Madison, the fiscal agent for the department, has adopted an investment policy which includes the department. That policy contains the following guidelines for allowable investments: obligations of the U.S. Government; obligations of U.S. Government agencies; time deposits (defined as savings accounts or certificates of deposits); and repurchase agreements with a public depository, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the U.S. Government.

Interest Rate Risk

The city will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to the changes in merit interest rates by:

- > Structuring the investment portfolio so that the securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- > Investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

Credit Risk

The city will minimize credit risk which is the risk of loss due to the failure of the security issuer to backer by:

- > Limiting investments to the types of securities listed elsewhere in this Investment Policy.
- > Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City of Madison will do business in accordance with Section V of the investment policy.
- > Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Concentration of Credit Risk

The policy also states that the city shall not invest more than 25% of the funds in certificates of deposits with any one financial institution.

Custodial Credit Risk

The city's investment policy states that funds in excess of insured or guaranteed limits be secured by some form of collateral. The fair market value of all collateral pledged will not be less than 110% of the amount of public funds to be secured at each institution.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note II. A. for further information.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

3. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Leasehold improvements	20 Years
Machinery and Equipment	10 Years
Intangibles	5 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

4. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

5. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation pay and comp time are also recorded as a liability.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Compensated Absences (cont.)

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2016, are determined on the basis of current salary rates and include salary related payments.

6. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes payable, accrued compensated absences, and other post employment benefits.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

7. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

8. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the department's policy to use restricted resources first, then unrestricted resources as they are needed.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Equity Classifications (cont.)

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the department. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the department that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The department has not adopted specific financial policies regarding assigned fund balances, however, financial managers have authority to assign fund balances for specific purposes. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The department considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the department would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note II. F. for further information.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Pension

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE II - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The department's deposits and investments at year end were comprised of the following:

	Carrying Value	Associated Risks
Deposits	<u>\$ 4,985,701</u>	Custodial credit

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the department's deposits may not be returned to the department.

The department does not have any deposits exposed to custodial credit risk.

See Note I.D.1. for further information on deposit and investment policies.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Grant drawdown prior to meeting all eligibility requirements	\$ 100	\$ -
Unavailable intergovernmental payments that were received after the availability period	- <hr/>	176,085
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 100</u>	<u>\$ 176,085</u>

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets being depreciated/amortized				
Leasehold improvements	\$ 305,368	\$ -	\$ -	\$ 305,368
Machinery and equipment	662,227	12,995	-	675,222
Intangibles	<u>478,857</u>	<u>-</u>	<u>-</u>	<u>478,857</u>
Total Capital Assets Being Depreciated/Amortized	<u>1,446,452</u>	<u>12,995</u>	<u>-</u>	<u>1,459,447</u>

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities (cont.)				
Less: Accumulated depreciation/amortization for Leasehold improvements	\$ (163,808)	\$ (20,572)	\$ -	\$ (184,380)
Machinery and equipment	(396,148)	(56,909)	-	(453,057)
Intangibles	<u>(433,857)</u>	<u>(45,000)</u>	<u>-</u>	<u>(478,857)</u>
Total Accumulated Depreciation/Amortization	<u>(993,813)</u>	<u>(122,481)</u>	<u>-</u>	<u>(1,116,294)</u>
Net Capital Assets Being Depreciated/Amortized	<u>452,639</u>	<u>(109,486)</u>	<u>-</u>	<u>343,153</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/ Amortization	<u>\$ 452,639</u>	<u>\$ (109,486)</u>	<u>\$ -</u>	<u>\$ 343,153</u>

D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
Other long-term liabilities	<u>\$ 559,237</u>	<u>\$ 348,400</u>	<u>\$ 162,819</u>	<u>\$ 744,818</u>	<u>\$ 145,238</u>
Other Liabilities					
Vested compensated absences	4,786,543	346,204	860,920	4,271,827	775,647
Other post-employment benefits	1,357,258	72,495	9,000	1,420,753	-
Net pension liability (asset)	<u>(1,556,679)</u>	<u>2,595,641</u>	<u>-</u>	<u>1,038,962</u>	<u>-</u>
Total Other Liabilities	<u>4,587,122</u>	<u>3,014,340</u>	<u>869,920</u>	<u>6,731,542</u>	<u>775,647</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 5,146,359</u>	<u>\$ 3,362,740</u>	<u>\$ 1,032,739</u>	<u>\$ 7,476,360</u>	<u>\$ 920,885</u>

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

D. LONG-TERM OBLIGATIONS (cont.)

Other Long-Term Liabilities

The department's other long-term liabilities consist of general obligation debt issued by the City of Madison. The department's repayment schedule to the city equals the city's debt repayment schedule. Information on this debt is included below.

Other long-term liabilities at December 31, 2016 consist of the following:

Governmental Activities	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2016
Other Long-Term Liabilities					
2009 City of Madison notes	10/01/2009	10/01/2019	2.0 - 4.3%	\$ 72,106	\$ 21,622
2010 City of Madison notes	10/01/2010	10/01/2020	2.0 - 3.8%	147,000	98,000
2011 City of Madison notes	10/01/2011	10/01/2021	3.0 - 5.0%	70,000	34,997
2012 City of Madison notes	10/01/2012	10/01/2022	4%	142,900	85,729
2013 City of Madison notes	10/01/2013	10/01/2023	2.0 - 3.40%	99,000	69,282
2014 City of Madison notes	10/1/2014	10/01/2024	2.0 - 5.0%	84,270	67,409
2015 City of Madison notes	10/22/2015	10/01/2025	2.0 - 5.0%	39,026	19,379
2016 City of Madison notes	10/21/2016	10/01/2026	0.05 - 4.0%	348,401	<u>348,400</u>
Total Governmental Activities Other Long-Term Liabilities					<u>\$ 744,818</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities	
	Other Long-Term Liabilities	Principal
2017	\$ 145,238	\$ 21,562
2018	125,183	18,119
2019	101,350	15,490
2020	94,084	12,376
2021	69,613	8,974
2022-2026	<u>209,350</u>	<u>15,787</u>
Totals	<u>\$ 744,818</u>	<u>\$ 92,308</u>

Current Refunding

On October 19, 2016, the department issued \$48,400 in general obligation bonds with an average coupon rate of 3.00% to refund \$47,897 of outstanding notes with an average coupon rate of 4.50%. The net proceeds along with existing funds of the department were used to prepay the outstanding debt.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

D. LONG-TERM OBLIGATIONS (cont.)

***Current Refunding* (cont.)**

The cash flow requirements on the refunded debt prior to the current refunding was \$50,615 from 2017 through 2018. The cash flow requirements on the refunding notes are \$48,773 from 2017 through 2018. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,820.

E. LEASE DISCLOSURES

Lessee - Operating Leases

The department leases space with varying terms at several locations for operational purposes. Rental payments were made to related parties, Dane County and Madison CDA, in the amounts of \$121,277 and \$341,584, respectively. Total lease payments made in 2016 were \$601,863. Future noncancelable lease payments are as follows:

<u>Years</u>	<u>Governmental Activities</u>	<u>Principal</u>
2017	\$ 300,682	
2018	302,828	
2019	75,890	
2020	78,167	
 Totals	 \$ 757,567	

F. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2016, includes the following:

Governmental Activities

Net Investment in Capital Assets

Capital assets, net of accumulated depreciation/amortization	\$ 343,153
Less: Long-term debt outstanding	(744,818)
Plus: Unspent capital related debt proceeds	300,000
Total Net Investment in Capital Assets	(101,665)

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE II - DETAILED NOTES ON ALL FUNDS (cont.)

F. NET POSITION/FUND BALANCES (cont.)

Governmental Activities (cont.)

Restricted	
Special programs per regulation	\$ 362,538
Total Restricted	<u>362,538</u>
Unrestricted	<u>342,726</u>
Total Governmental Activities Net Position	\$ <u>603,599</u>

NOTE III - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$617,546 in contributions from the department.

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the department reported a liability (asset) of \$1,038,963 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The department's proportion of the net pension liability (asset) was based on the department's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the department's proportion was 0.06393693%, which was an increase of 0.00059009% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the department recognized pension expense of \$1,240,214.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2016, the department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 174,544	\$ 2,155,682
Changes in assumptions	721,860	-
Net differences between projected and actual earnings on pension plan investments	4,224,299	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	43,607
Employer contributions subsequent to the measurement date	<u>623,930</u>	<u>-</u>
Totals	<u>\$ 5,744,633</u>	<u>\$ 2,199,289</u>

\$623,930 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 1,329,534	\$ 533,507
2018	1,329,534	533,507
2019	1,329,534	533,507
2020	1,109,005	529,172
2021	23,094	69,596

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
Variable Fund Asset Class				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the department's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Department's proportionate share of the net pension liability (asset)	\$7,287,304	\$1,038,963	\$(3,841,104)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

At December 31, 2016, the department reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The department is covered by the City of Madison's and the County of Dane's insurance policies. Refer to the City's and County's financial statements for more information.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

From time to time, the department is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the department attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the department's financial position or results of operations.

The department has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

D. OTHER POSTEMPLOYMENT BENEFITS

Employees of the department are employed by the County of Dane. Refer to the financial statements of the county for details on other post employment benefits.

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- > Statement No. 81, *Irrevocable Split-Interest Agreements*
- > Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC HEALTH - MADISON AND DANE COUNTY

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 12,738,499	\$ 12,928,473	\$ 12,839,874	\$ (88,599)
Public charges for services	2,816,959	2,816,959	3,336,880	519,921
Intergovernmental charges for services	504,310	504,310	97,534	(406,776)
Miscellaneous	226,500	253,000	345,646	92,646
Total Revenues	<u>16,286,268</u>	<u>16,502,742</u>	<u>16,619,934</u>	<u>117,192</u>
EXPENDITURES				
Current				
Health and human services	16,432,082	16,748,545	15,966,379	782,166
Debt Service				
Principal	114,922	114,922	162,819	(47,897)
Interest and fiscal charges	18,498	18,498	20,710	(2,212)
Total Expenditures	<u>16,565,502</u>	<u>16,881,965</u>	<u>16,149,908</u>	<u>732,057</u>
Excess (deficiency) of revenues over expenditures	<u>(279,234)</u>	<u>(379,223)</u>	<u>470,026</u>	<u>849,249</u>
OTHER FINANCING SOURCES				
Refunding debt issued	-	-	48,400	48,400
Debt issued	-	-	300,000	300,000
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>348,400</u>	<u>348,400</u>
Net Change in Fund Balance	(279,234)	(379,223)	818,426	1,197,649
FUND BALANCE - Beginning of Year	<u>3,202,249</u>	<u>3,202,249</u>	<u>3,202,249</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,923,015</u>	<u>\$ 2,823,026</u>	<u>\$ 4,020,675</u>	<u>\$ 1,197,649</u>

See independent auditors' report and accompanying notes to required supplementary information.

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PUBLIC HEALTH - MADISON AND DANE COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

Fiscal Year Ending	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of the Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability/ (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/16	0.06393689%	\$ 1,038,962	\$ 8,286,613	12.54%	98.20%
12/31/15	0.06337564%	(1,556,679)	9,269,634	16.79%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/16	\$ 587,706	\$ 587,706	\$ -	\$ 8,604,770	6.83%
12/31/15	614,386	614,386	-	9,035,091	6.80%

PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

The budgeted amounts presented include any amendments made. The director may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

The department is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions. There were no changes in assumptions.

S U P P L E M E N T A R Y I N F O R M A T I O N

PUBLIC HEALTH - MADISON AND DANE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2016

Federal Grantor/Program Title	Federal CFDA Number	Pass- Through Agency	Pass-Through Grantor's Number	Expenditures	Payments to Subrecipients
FEDERAL AWARDS					
U.S. Department of Agriculture					
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557				
WIC Total Grants		WI DHS	660-154710	\$ 1,216,388	\$ -
WIC Breastfeeding Peer Counseling		WI DHS	660-154760	22,577	-
Total U.S. Department of Agriculture				<u>1,238,965</u>	-
U.S. Environmental Protection Agency					
State Indoor Radon Grants	66.032				
Radon Regional Information Center		WI DHS	660-150321	10,998	-
Total U.S. Environmental Protection Agency				<u>10,998</u>	-
U.S. Department of Health and Human Services					
Injury Prevention and Control Research and State and Community Based Programs	93.136				
Opioid RX Pathway project (09/01/2015 - 08/31/2016)		WI DHS	660-150211	34,249	34,249
Opioid RX Pathway project (09/01/2016 - 08/31/2017)		WI DHS	760-150211	17,075	17,075
				<u>51,324</u>	<u>51,324</u>
Public Health Emergency Preparedness	93.069				
Bioterrorism Focus A Planning (July 1, 2015 to June 30, 2016)		WI DHS	660-155015	161,074	-
PHEP EBOLA 2 (July 01, 2014 to September 30, 2016)		WI DHS	660-111111	18,252	-
Bioterrorism Focus A Planning (July 1, 2016 to June 30, 2017)		WI DHS	760-155015	94,135	-
				<u>273,462</u>	-
Immunization Cooperative Agreements	93.268				
Immunization Grants		WI DHS	560-155020	108,730	-
Immunization				<u>108,730</u>	-

PUBLIC HEALTH - MADISON AND DANE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2016

Federal Grantor/Program Title	Federal CFDA Number	Pass- Through Agency	Pass-Through Grantor's Number	Expenditures	Payments to Subrecipients
FEDERAL AWARDS (cont.)					
U.S. Department of Health and Human Services (cont.)					
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283				
MKE Screening B&C (7/1/2015 - 6/30/2015)		WI DHS	660-150156	\$ 5,614	\$ -
MKE Screening B&C (7/1/2016 - 6/30/2017)		WI DHS	760-157120	<u>1,677</u>	<u>-</u>
				<u>7,291</u>	<u>-</u>
Medicaid Cluster	93.778				
Medical Assistance Program		WI DHS	660-159320	9,374	-
Maternal Child Health--Consolidated				<u>9,374</u>	<u>-</u>
HIV Care Formula Grants	93.917				
HIV Prevention		WI DHS	660-155957	9,832	-
				<u>9,832</u>	<u>-</u>
HIV Prevention Activities - Health Department Based	93.940				
HIV Prevention		WI DHS	660-155957	15,740	-
				<u>15,740</u>	<u>-</u>
Maternal and Child Health Services Block Grant to the States	93.994				
Maternal Child Health--Consolidated		WI DHS	460-159320		-
Maternal Child Health--Consolidated		WI DHS	660-155957	176,551	-
				<u>176,551</u>	<u>-</u>
Prevention Health and Human Services Block Grant	93.991	WI DHS			
Prevention--Health and Human Services			560-159220	30,779	-
				<u>30,779</u>	<u>-</u>

PUBLIC HEALTH - MADISON AND DANE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2016

Federal Grantor/Program Title	CFDA Number	Pass-Through Agency	Pass-Through Grantor's Number	Payments to Expenditures	Payments to Subrecipients
FEDERAL AWARDS (cont.)					
U.S. Department of Health and Human Services (cont.)					
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	WI DCF	437003 - G16	\$ 24,241	\$ -
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	WI DCF	437003 - G16	<u>112,822</u>	<u>-</u>
				<u>137,063</u>	<u>-</u>
Total U.S. Department of Health and Human Services				<u>820,145</u>	<u>51,324</u>
TOTAL FEDERAL AWARDS				<u>\$ 2,070,108</u>	<u>\$ 51,324</u>

PUBLIC HEALTH - MADISON AND DANE COUNTY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Year Ended December 31, 2016

State Grantor/Program Title	State ID Number	Direct Grant Number	Expenditures	Payments to Subrecipients
STATE AWARDS				
Wisconsin Department of Health Services				
Well Woman GPR CC (7/1/2015) - 6/30/2016	435.157010	660-157010	\$ 65,488	\$ -
Well Woman GPR (7/1/2016- 6/30/2017)	435.157010	760 -157010	55,272	-
			<u>120,760</u>	<u>-</u>
WIC Farmers Market	435.154720	660-154720	4,015	
HIV PREV PS & LINKAGES	435.155957	660-155957	15,428	
Childhood Lead	435.157720	660-157720	29,231	
CONS CONTRACTS MCH	435.159320	660-159320	9,374	
TPCP-COM INTRVNTNS-LHD	435.181012	660-181012	131,842	
TPCP-WIS-WINS	435.181005	660-181005	<u>22,163</u>	<u>-</u>
TOTAL STATE AWARDS			\$ 332,813	\$ -

PUBLIC HEALTH – MADISON AND DANE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal and state award activity of Public Health – Madison and Dane County (“department”) under programs of the federal and state government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the department, it is not intended to and does not present the financial position or changes in net position of the department.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – INDIRECT COST RATE

The department has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

NOTE 4 – CARS REPORT DATES

The Schedule of Expenditures of Federal and State Awards includes adjustments through the April 1, 2017 Community Aids Reporting System (CARS) report.

NOTE 5 – PASS-THROUGH AGENCIES

Federal Funds were passed through the following state agencies:

WI DHS – Wisconsin Department of Health Services
WI DCF – Wisconsin Department of Children and Families

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITORS' REPORT

To the Board of Health
Public Health - Madison and Dane County
Madison, WI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Public Health - Madison and Dane County ("department"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Public Health - Madison and Dane County's basic financial statements, and have issued our report thereon dated June 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

To the Board of Health
Public Health - Madison and Dane County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Department's Response to Findings

The department's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Madison, Wisconsin
June 28, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
STATE SINGLE AUDIT GUIDELINES

INDEPENDENT AUDITORS' REPORT

To the Board of Health
Public Health - Madison and Dane County
Madison, WI

Report on Compliance for Each Major Federal and Major State Program

We have audited Public Health - Madison and Dane County's ("department") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the department's major federal and major state programs for the year ended December 31, 2016. The department's major federal and major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the department's major federal and major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or a major state program occurred. An audit includes examining, on a test basis, evidence about the department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and major state program. However, our audit does not provide a legal determination of the department's compliance.

To the Board of Health
Public Health - Madison and Dane County

Opinion on Each Major Federal and Major State Program

In our opinion, the department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance or the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on each major federal and major state program is not modified with respect to this matter.

Department's Response to Finding

The department's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the department's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Health
Public Health - Madison and Dane County

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State *Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchawwala, LLP

Madison, Wisconsin
June 28, 2017

PUBLIC HEALTH – MADISON AND DANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *unmodified*

Internal control over financial reporting:

- | | | |
|--|---|--|
| > Material weakness (es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| > Significant deficiency (ies) identified? | <input checked="" type="checkbox"/> yes | <input type="checkbox"/> none reported |

Noncompliance material to financial statements noted?

- | | |
|------------------------------|--|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
|------------------------------|--|

FEDERAL OR STATE AWARDS

Internal control over major programs:

- | | Federal Programs | | State Programs | |
|--|------------------------------|---|------------------------------|---|
| > Material weakness (es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| > Significant deficiency (ies) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |

Type of auditor’s report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance?

- | | |
|------------------------------|--|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
|------------------------------|--|

Auditee qualified as low-risk auditee?

- | | Federal Programs | State Programs | |
|------------------------------|--|------------------------------|--|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |

Dollar threshold used to distinguish between type A and type B programs:

- | Federal | State |
|-----------|-----------|
| \$750,000 | \$250,000 |

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

PUBLIC HEALTH – MADISON AND DANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION I – SUMMARY OF AUDITORS’ RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

Identification of major state programs:

<u>CFDA Number</u>	<u>Name of State Program</u>
435.157010	Wisconsin Well Women Program
435.181012	Tobacco Prevention and Control Program – Community Interventions

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The City of Madison has the fiduciary responsibilities over Public Health – Madison and Dane County (“department”). The financial statement findings below have been duplicated from the City of Madison’s single audit report.

FINDING 2016-001: SIGNIFICANT DEFICIENCY – INTERNAL CONTROL OVER FINANCIAL REPORTING

Repeat of Finding 2015-001

Criteria: Auditing Standards contained in AU-C Sec. 265 state that the city should have internal control procedures that enable the preparation of financial statements by city personnel that are free from material errors.

Condition: Auditing standards require that we perform procedures to obtain an understanding of your government and its internal control environment as part of the annual audit. This includes an analysis of the city’s year-end financial reporting process and preparation of your financial statements, including the schedule of expenditures of federal and state awards. A properly designed system of internal control allows for the presentation of year-end financial data and financial statements without material errors. At this time, the city does not have internal controls in place that allow for the preparation of complete and accurate financial statements, including an independent review by someone other than the preparer. As a result, we consider this to be a significant deficiency in internal control over the city’s financial reporting.

Cause: Due to staffing constraints, the city relies on the auditors to prepare some financial statement disclosures. Errors in the general ledger and financial statements were not identified by city personnel.

Effect: The auditors assisted with the preparation of the annual financial statements and identified audit entries or changes to the city-prepared financial statements.

Recommendation: The city may consider and implement additional internal control procedures in order to prepare its year-end financial statements.

PUBLIC HEALTH – MADISON AND DANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-001: MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING (cont.)

Management's Response:

Our external audit teams from Baker Tilly, do assist with the preparation of the entity-wide financial statements, combining statements for cash flows, and some of the required footnote disclosures. However, Finance Department staff prepares fund financial statements, conversion entries for the financial statement reconciliations, some footnote disclosures, MD & A, required supplementary information, and the statistical section of the Comprehensive Annual Financial Report (CAFR). We have reviewed, approved, and accepted responsibility for the audited financial statements, and related notes. Additionally, city management does formally review the fund financial statements prior to external audit teams' arrival. We will continue to make progress towards completing the full CAFR annually, but still rely on our auditor's expertise to more efficiently assist us given GFOA's CAFR submission deadline of June 30.

Further, city management hired a professional grant manager during the last quarter of 2016. This position has further established and improved internal controls within the City's ERP software including grant master workflow approvals for applications and project set-up, as well as recording and maintaining reporting effective dates. Written policies and procedures were also developed to better assist and train city agency staff whom are responsible for reporting and requesting both federal and state awards. City staff are currently implementing more formal reviews for grant applications, and management approvals of expenditures and revenues prior to their timely report submissions. It is planned that these reviews and approvals will be monitored semi-annually and/or more frequently during subsequent fiscal periods.

FINDING 2016-002: SIGNIFICANT DEFICIENCY – INFORMATION TECHNOLOGY CONTROL ENVIRONMENT

This is a repeat of a portion of finding 2015-003

Criteria: We performed our audit under Auditing Standard AU-C Sec. 315, which required us to review the city's internal controls over information technology. As a result, we identified certain controls that we considered to be key controls that were not in place during the year under audit.

Condition: The City of Madison has internal controls in place to help safeguard the city's assets. During our audit, we noted certain areas where internal controls over information technology should be strengthened, including the following:

IT Area	IT Finding	Management Response
Backup and Restoration	<i>Financial system data restoration is not tested.</i>	While we don't have a formal backup testing procedure, we are restoring production data from backup to the test environment on an almost weekly basis. We will coordinate with Finance and our software vendor to develop formal backup testing procedures as soon as practical.

PUBLIC HEALTH – MADISON AND DANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-002: SIGNIFICANT DEFICIENCY – INFORMATION TECHNOLOGY CONTROL ENVIRONMENT (cont.)

IT Area	IT Finding	Management Response
Automated / Scheduled Processes	<i>Some automated jobs send out notifications only if the job failed. However, certain system failures prevent the notification from being sent. As a result, some job failure went unnoticed.</i>	We agree and will explore ways to assess the status of automated jobs as soon as practical.
Unique User Authentication	<i>BT reviewed the user list for financial systems and noted usage of some generic accounts.</i>	IT will review the generic accounts list with Finance and our software vendor to determine accounts to be removed and develop a plan to remove them. Another system is scheduled for obsolescence as a managed data source in late 2017.
Private Information Security	<i>Payroll information is emailed to employee as a PDF file with passwords that are not unique.</i>	We agree and will work with the Finance Department and our software vendor to implement this as soon as practical. In regards to password management, employees do have the ability today to change their own passwords for the portal, but not for viewing the PDF file. The latter becomes a moot point if the document is no longer attached to email.
Password	<i>Passwords of certain financial systems have weaker settings.</i>	This issue relates to 3 rd party systems. IT will coordinate with the Finance Department and Water Utility to reach out to those vendors and pursue Active Directory integration. Another system is scheduled for obsolescence as a managed data source in late 2017.
Privileged Accounts	<i>Changes are approved and tested. However, the developer of the change also implements the change in the production environment.</i>	Complete segregation of duties is not possible due to a small staff size. However, internal code reviews do take place for substantive changes that can affect data integrity. We will work to formalize this. IT staff utilizes a change process that includes an electronic form as part of our call and change tracking system. Changes are detailed, reviewed by affected parties and approved by supervisory staff.

PUBLIC HEALTH – MADISON AND DANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 2016-002: SIGNIFICANT DEFICIENCY – INFORMATION TECHNOLOGY CONTROL ENVIRONMENT (cont.)

Cause: Due to staffing constraints, some technology controls have not been implemented.

Effect: Weaknesses in the internal controls over information technology may increase the possibility of misstatements due to errors or fraud.

Recommendation: The city may consider and implement additional policies, processes, and internal controls over its information technology to reduce the risk of misstatements to the financial records.

Management's Response:

See table above for management responses.

SECTION III – FEDERAL OR STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2016-003

Program CFDA Number and Title:

10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children

Federal Grantor:

U.S. Department of Agriculture

Pass-through Agency:

Wisconsin Department of Health Services

Pass-through Award Numbers:

660-154710, 660-154760

Criteria: The terms and conditions of the award specify the award period for which expenditures may be incurred.

Condition/Context: During our testing of forty program expenditures for the WIC program, we noted that one expenditure was incurred prior to the period of performance. The sample was not statistically valid.

Cause: The expenditure was for an allowable cost, however, it related to a prior period and was not accrued. The department's practice is to accrue expenditures for the previous month. This expenditure was submitted more than one month after it was incurred and therefore it was recorded to the wrong accounting period.

Effect: Expenditures were charged and reimbursed outside of the period of performance as indicated in the award agreement.

PUBLIC HEALTH – MADISON AND DANE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (cont.)

FINDING 2016-003 (cont.)

Questioned Costs: Known questioned costs include \$285 for CFDA No. 10.557 that were incurred prior to the period of performance.

Recommendation: We recommend that expenditures that were not incurred during the period of performance are identified during the expenditure review process and then excluded from reimbursement claims.

Management's Response:

Prior to the submission of invoices all expenditures will be verified that the expenditure date falls within the current performance period. Also final invoices will be reviewed to ensure all expenditures are reported correctly on the final invoice. Additionally, appropriate cut-off procedures either monthly, or annually will be reviewed and performed to ensure all required accruals are recorded to the correct accounting period.

SECTION IV – OTHER ISSUES

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes no

2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Health Services yes _____ no
Department of Children and Families yes _____ no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? _____ yes no

4. Name and signature of partner



Amanda Blomberg, CPA, Firm Director

5. Date of report

June 28, 2017

PUBLIC HEALTH - MADISON AND DANE COUNTY

BIOT FOCUS A PLANNING
 SETTLEMENT OF DHS COST REIMBURSEMENT AWARD
 For the year ended 12/31/2016

DHS identification number	CARS profile 155015	CARS profile 155015
Award amount	\$ 240,452	\$ 224,860
Award period	7/1/2015 - 6/30/2016	7/1/2016 - 6/30/2017
Period of award within audit period	1/1/2016 - 6/30/2016	7/1/2016 - 12/31/2016
 A. Expenditures reported to DHS for payment	 \$ 161,074	 \$ 94,135
B. Actual allowable cost of award		
Program expenses		
Wages	95,813	87,474
Benefits	-	-
Purchased Services	12,072	1,816
Supplies	40,194	4,845
Capital Outlay	12,995	-
Total program expenses	161,074	94,135
Management and general expenses allocated to program		
Total management and general expenses allocated to program	-	-
C. Less program revenue and other offsets to costs	-	-
F. Total Allowable costs	\$ 161,074	\$ 94,135

PUBLIC HEALTH - MADISON AND DANE COUNTY

WIC TOTAL GRANTS
SETTLEMENT OF DHS COST REIMBURSEMENT AWARD
For the Year Ended 12/31/16

DHS identification number	CARS profile 154710
Award amount	\$ 1,216,388
Award period	1/1/2016 - 12/31/2016
Period of award within audit period	1/1/2016 - 12/31/2016
A. Expenditures reported to DHS for payment	\$ 1,216,388
B. Actual allowable cost of award	
Program expenses	
Wages	710,174
Benefits	353,808
Purchased Services	147,277
Supplies	5,129
Capital Outlay	-
Total program expenses	1,216,388
Management and general expenses allocated to program	
Total management and general expenses allocated to program	-
C. Less program revenue and other offsets to costs	-
F. Total Allowable costs	<u>\$ 1,216,388</u>

PUBLIC HEALTH - MADISON AND DANE COUNTY

IMMUNIZATIONS
SETTLEMENT OF DHS COST REIMBURSEMENT AWARD
For the year ended 12/31/2016

DHS identification number	CARS profile 155020
Award amount	\$ 108,730
Award period	1/1/2016 - 12/31/2016
Period of award within audit period	1/1/2016 - 12/31/2016
A. Expenditures reported to DHS for payment	\$ 108,730
B. Actual allowable cost of award	
Program expenses	
Wages	82,390
Benefits	22,443
Purchased Services	1,371
Supplies	2,526
Capital Outlay	-
Total program expenses	108,730
Management and general expenses allocated to program	
Total management and general expenses allocated to program	-
C. Less program revenue and other offsets to costs	-
F. Total Allowable costs	<u>\$ 108,730</u>

PUBLIC HEALTH - MADISON AND DANE COUNTY

TPCP-COM INTRVNTS-LHD
SETTLEMENT OF DHS COST REIMBURSEMENT AWARD
For the year ended 12/31/2016

DHS identification number	CARS profile 181012
Award amount	\$ 131,842
Award period	1/1/2016 - 12/31/2016
Period of award within audit period	1/1/2016 - 12/31/2016
A. Expenditures reported to DHS for payment	\$ 131,842
B. Actual allowable cost of award	
Program expenses	
Wages	85,841
Benefits	39,501
Purchased Services	4,899
Supplies	1,601
Capital Outlay	-
Total program expenses	131,842
Management and general expenses allocated to program	
Total management and general expenses allocated to program	-
C. Less program revenue and other offsets to costs	-
F. Total Allowable costs	<u>\$ 131,842</u>

PUBLIC HEALTH - MADISON AND DANE COUNTY

MATERNAL CHILD HEALTH
SETTLEMENT OF DHS COST REIMBURSEMENT AWARD
For the year ended 12/31/2016

DHS identification number	CARS profile 159320	CARS profile 435 .159320
Award amount	\$ 204,794	\$ -
Award period	1/1/2016 - 12/31/2016	1/1/2013 - 12/31/2013
Period of award within audit period	1/1/2016 - 12/31/2016	1/1/2013 - 12/31/2013
 A. Expenditures reported to DHS for payment	\$ 195,300	\$ -
B. Actual allowable cost of award		
Program expenses		
Wages	135,886	-
Benefits	39,457	-
Purchased Services	1,301	-
Supplies	18,656	-
Capital Outlay	-	-
Total program expenses	195,300	\$ -
Management and general expenses allocated to program		
Total management and general expenses allocated to program	-	\$ -
C. Less program revenue and other offsets to costs	-	\$ -
F. Total Allowable costs	<u>\$ 195,300</u>	<u>\$ -</u>

PUBLIC HEALTH - MADISON AND DANE COUNTY

DEPT OF CHILDREN AND FAMILIES MIECHV
SETTLEMENT OF DHS COST REIMBURSEMENT AWARD
For the year ended 12/31/2016

DCF identification number	437003 - G16	437003 - G16
Award amount	\$ 112,822	\$ 184,248
Award period	10/01/2015 - 09/30/2016	10/01/2016 - 09/30/2017
Period of award within audit period	1/1/2016 - 09/30/2016	10/01/2016 - 12/31/2016
A. Expenditures reported to DCF for payment	\$ 112,822	\$ 24,241
B. Actual allowable cost of award		
Program expenses		
Wages	53,234	18,212
Benefits	21,590	5,442
Purchased Services	26,529	562
Supplies	11,469	25
Capital Outlay	-	-
Total program expenses	112,822	24,241
Management and general expenses allocated to program		
Total management and general expenses allocated to program	-	-
C. Less program revenue and other offsets to costs	-	-
F. Total Allowable costs	<u>\$ 112,822</u>	<u>\$ 24,241</u>