

**PUBLIC HEALTH - MADISON AND  
DANE COUNTY**

Madison, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2015

# PUBLIC HEALTH - MADISON AND DANE COUNTY

## TABLE OF CONTENTS As of and for the Year Ended December 31, 2015

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	<u>Page(s)</u>
Independent Auditors' Report	i - iii
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Index to Notes to Financial Statements	7
Notes to Financial Statements	8 - 28
Required Supplementary Information	
Detailed Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	29
Schedule of Proportionate Share of the Net Pension Asset - Wisconsin Retirement System	30
Schedule of Employer Contributions - Wisconsin Retirement System	30
Notes to Required Supplementary Information	31
Supplementary Information	
Schedule of Expenditures of Federal and State Awards	32 - 34
Notes to the Schedule of Expenditures of Federal and State Awards	35
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	36 - 37
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	38 - 39
Schedule of Findings and Questioned Costs	40 - 47
Settlement of DHS Cost Reimbursement Award Schedules	48 - 53

## 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, 2015, 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, 2015 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.

### ***Emphasis of Matter***

As discussed in Note I, Public Health - Madison and Dane County adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinions are not modified with respect to this matter.

### ***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.

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

*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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2016 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 Virchow Krause, LLP*

Madison, Wisconsin  
July 15, 2016

# PUBLIC HEALTH - MADISON AND DANE COUNTY

## STATEMENT OF NET POSITION As of December 31, 2015

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 5,568,963
Receivables	
Accounts	17,601
Accrued interest	847
Due from other governments	56,790
Prepaid items	410,160
Restricted assets	
Net pension asset	1,556,679
Capital Assets	
Leasehold improvements	305,368
Machinery and equipment	662,227
Intangibles	478,857
Less: Accumulated depreciation	<u>(993,813)</u>
Total Assets	<u>8,063,679</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related amounts	<u>1,593,876</u>
Total Deferred Outflows of Resources	<u>1,593,876</u>
<b>LIABILITIES</b>	
Accounts payable	149,494
Accrued liabilities	5,036
Due to other governments	2,613,129
Noncurrent Liabilities	
Due within one year	975,842
Due in more than one year	<u>5,727,196</u>
Total Liabilities	<u>9,470,697</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenues	15,098
Pension related amounts	<u>31,435</u>
Total Deferred Inflows of Resources	<u>46,533</u>
<b>NET POSITION</b>	
Net investment in capital assets (deficit)	(106,598)
Restricted for	
Special programs per regulation	214,228
Pension	1,556,679
Unrestricted (deficit)	<u>(1,523,984)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 140,325</u>

See accompanying notes to financial statements.

## PUBLIC HEALTH - MADISON AND DANE COUNTY

### STATEMENT OF ACTIVITIES For the Year Ended December 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Health and human services	\$ 16,107,571	\$ 3,517,775	\$ 12,988,799	\$ 399,003
Interest and fiscal charges	<u>22,253</u>	<u>-</u>	<u>-</u>	<u>(22,253)</u>
Total Governmental Activities	<u>\$ 16,129,824</u>	<u>\$ 3,517,775</u>	<u>\$ 12,988,799</u>	376,750
	General Revenues			
	Miscellaneous			<u>2,334</u>
		<b>Change in net position</b>		379,084
		NET POSITION (Deficit) - Beginning of Year (as restated)		<u>(238,759)</u>
		<b>NET POSITION - END OF YEAR</b>		<u>\$ 140,325</u>

See accompanying notes to financial statements.

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2015

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 5,568,963
Receivables	
Accounts	17,601
Accrued interest	847
Due from other governments	56,790
Prepaid items	<u>410,160</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,054,361</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
Liabilities	
Accounts payable	\$ 149,494
Due to other governments	<u>2,613,129</u>
Total Liabilities	<u>2,762,623</u>
Deferred Inflows of Resources	
Unearned revenues	15,098
Unavailable revenues	<u>74,391</u>
Total Deferred Inflows of Resources	<u>89,489</u>
Fund Balances	
Nonspendable - prepaid items	410,160
Restricted for special programs	214,228
Assigned for subsequent year's budget	281,000
Unassigned	<u>2,296,861</u>
Total Fund Balances	<u>3,202,249</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 6,054,361</u></b>

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, 2015

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Total Fund Balances - Governmental Funds	\$ 3,202,249
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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	662,227
Intangibles	478,857
Less: Accumulated depreciation	(993,813)

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.

74,391

The net pension asset does not relate to current financial resources and is not reported in the governmental funds.

1,556,679

Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.

1,593,876

Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.

(31,435)

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	(559,237)
Compensated absences	(4,786,543)
Accrued interest	(5,036)
Other postemployment benefits	<u>(1,357,258)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

**\$ 140,325**

## PUBLIC HEALTH - MADISON AND DANE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2015

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	<u>General Fund</u>
<b>REVENUES</b>	
Intergovernmental	\$ 12,674,916
Public charges for services	3,092,464
Intergovernmental charges for services	404,758
Miscellaneous	<u>281,168</u>
Total Revenues	<u>16,453,306</u>
<b>EXPENDITURES</b>	
Current	
Health and human services	15,795,203
Debt Service	
Principal	155,404
Interest and fiscal charges	<u>24,363</u>
Total Expenditures	<u>15,974,970</u>
Excess of revenues over expenditures	<u>478,336</u>
<b>OTHER FINANCING SOURCES</b>	
Refunding debt issued	39,026
Premium on debt issued	<u>1,054</u>
Total Other Financing Sources	<u>40,080</u>
<b>Net Change in Fund Balances</b>	518,416
FUND BALANCES - Beginning of Year	<u>2,683,833</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,202,249</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, 2015

Net change in fund balances - total governmental funds	\$	518,416
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements		15,940
Depreciation is reported in the government-wide financial statements		(170,943)
Net book value of assets retired		(5,293)
<p>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.</p>		
		55,602
<p>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.</p>		
Debt issued		(39,026)
Principal repaid		155,404
<p>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.</p>		
Compensated absences		(69,585)
Other postemployment benefits		(123,175)
Accrued interest on debt		1,056
Net pension asset		(885,121)
Deferred outflows of resources related to pensions		957,244
Deferred inflows of resources related to pensions		(31,435)
		379,084
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>379,084</b>

See accompanying notes to financial statements.

# PUBLIC HEALTH - MADISON AND DANE COUNTY

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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<b>NOTE</b>	<b>Page</b>
I Summary of Significant Accounting Policies	8
A. Reporting Entity	8
B. Government-Wide and Fund Financial Statements	8
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	9
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	10
1. Deposits and Investments	10
2. Prepaid Items	12
3. Restricted Assets	12
4. Capital Assets	12
5. Deferred Outflows of Resources	13
6. Compensated Absences	13
7. Long-Term Obligations	14
8. Deferred Inflows of Resources	14
9. Equity Classifications	14
II Detailed Notes on All Funds	16
A. Deposits and Investments	16
B. Receivables	16
C. Restricted Assets	17
D. Capital Assets	17
E. Long-Term Obligations	18
F. Lease Disclosures	20
G. Net Position/Fund Balances	20
H. Restatement of Net Position	21
III Other Information	21
A. Employees' Retirement System	21
B. Risk Management	27
C. Commitments and Contingencies	27
D. Other Postemployment Benefits	28
E. Effect of New Accounting Standards on Current-Period Financial Statements	28

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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**

The Board of Health of Madison & Dane County governs Public Health - Madison & Dane County, provides supervision to the Director, and assures the enforcement of state and local public health laws and regulations. Subject to approval of the Madison City Council and the Dane County Board of Supervisors, it may adopt rules necessary to protect and improve public health, determine service priorities and assign funding levels to those priorities, and enter into contracts for the provision of public health services.

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**

In June 2012, the GASB issued statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. In November 2013, the GASB issued statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. These standards were implemented January 1, 2015.

#### **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.

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

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### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

#### ***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.

### ***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.

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

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### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

#### ***Fund Financial Statements (cont.)***

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.

### ***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.

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

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

#### ***1. Deposits and Investments (cont.)***

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.

#### **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.



# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

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

#### **1. Deposits and Investments (cont.)**

##### **Custodial Credit Risk (cont.)**

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. 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.

#### **3. Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

#### **4. 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.

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

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

#### ***4. Capital Assets (cont.)***

##### ***Government-Wide Statements (cont.)***

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.

#### ***5. 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.

#### ***6. 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.

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, 2015, are determined on the basis of current salary rates and include salary related payments.

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

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

#### ***7. 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.

#### ***8. 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.

#### ***9. 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, 2015

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

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

#### ***9. 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. G. for further information.

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## NOTE II - DETAILED NOTES ON ALL FUNDS

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### *A. DEPOSITS AND INVESTMENTS*

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

	<u>Carrying Value</u>	<u>Associated Risks</u>
Deposits	<u>\$ 5,568,963</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.

### *B. RECEIVABLES*

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

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

**B. RECEIVABLES (cont.)**

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. 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	\$ 15,098	\$ -
Unavailable intergovernmental payments that were received after the availability period	<u>-</u>	<u>74,391</u>
 Total Unearned/Unavailable Revenue for Governmental Funds	 <u>\$ 15,098</u>	 <u>\$ 74,391</u>

**C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

***Net Pension Asset***

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Restricted assets at December 31, 2015 were \$1,556,679.

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets being depreciated/amortized				
Leasehold improvements	\$ 305,368	\$ -	\$ -	\$ 305,368
Machinery and equipment	699,220	15,940	52,933	662,227
Intangibles	<u>478,857</u>	<u>-</u>	<u>-</u>	<u>478,857</u>
Total Capital Assets Being Depreciated/Amortized	<u>1,483,445</u>	<u>15,940</u>	<u>52,933</u>	<u>1,446,452</u>

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

**D. CAPITAL ASSETS (cont.)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities (cont.)</b>				
Less: Accumulated depreciation/amortization for				
Leasehold improvements	\$ (143,236)	\$ (20,572)	\$ -	\$ (163,808)
Machinery and equipment	(383,417)	(60,371)	47,640	(396,148)
Intangibles	<u>(343,857)</u>	<u>(90,000)</u>	<u>-</u>	<u>(433,857)</u>
Total Accumulated Depreciation/Amortization	<u>(870,510)</u>	<u>(170,943)</u>	<u>47,640</u>	<u>(993,813)</u>
Net Capital Assets Being Depreciated/Amortized	<u>612,935</u>	<u>(155,003)</u>	<u>5,293</u>	<u>452,639</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation/Amortization	<u>\$ 612,935</u>	<u>\$ (155,003)</u>	<u>\$ 5,293</u>	<u>\$ 452,639</u>

**E. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds and Notes Payable					
Other long-term liabilities	\$ 675,615	\$ 39,026	\$ 155,404	\$ 559,237	\$ 114,922
Other Liabilities					
Vested compensated absences	4,716,958	1,170,809	1,101,224	4,786,543	860,920
Other post-employment benefits	<u>1,234,083</u>	<u>130,732</u>	<u>7,557</u>	<u>1,357,258</u>	<u>-</u>
Total Other Liabilities	<u>5,951,041</u>	<u>1,301,541</u>	<u>1,108,781</u>	<u>6,143,801</u>	<u>860,920</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 6,626,656</u>	<u>\$ 1,340,567</u>	<u>\$ 1,264,185</u>	<u>\$ 6,703,038</u>	<u>\$ 975,842</u>

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

**E. 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, 2015 consist of the following:

<b>Governmental Activities</b>					Balance
<u>Other Long-Term Liabilities</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>December 31, 2015</u>
2008 City of Madison notes	10/15/2008	10/01/2018	3.5 - 4.3%	\$ 239,483	\$ 71,845
2009 City of Madison notes	10/01/2009	10/01/2019	2.0 - 4.3%	72,106	28,829
2010 City of Madison notes	10/01/2010	10/01/2020	2.0 - 3.8%	147,000	122,500
2011 City of Madison notes	10/01/2011	10/01/2021	3.0 - 5.0%	70,000	41,997
2012 City of Madison notes	10/01/2012	10/01/2022	4%	142,900	100,017
2013 City of Madison notes	10/01/2013	10/01/2023	2.0 - 3.40%	99,000	79,188
2014 City of Madison notes	10/1/2014	10/01/2024	2.0 - 5.0%	84,270	75,835
2015 City of Madison notes	10/22/2015	10/1/2025	2.0 - 5.0%	39,026	<u>39,026</u>
Total Governmental Activities Other Long-Term Liabilities					<u>\$ 559,237</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 114,922	\$ 20,207
2017	114,646	16,465
2018	95,267	12,447
2019	71,348	8,815
2020	64,082	6,076
2021-2025	<u>98,972</u>	<u>6,762</u>
Totals	<u>\$ 559,237</u>	<u>\$ 70,772</u>

**Current Refunding**

On October 22, 2015, the department issued \$39,026 in general obligation bonds to refund \$40,080 of outstanding bonds. The net proceeds along with existing funds of the department were used to prepay the outstanding debt. The difference in the cash flow requirements on the refunded debt prior to the current refunding and any economic gain or loss were not significant.



**PUBLIC HEALTH - MADISON AND DANE COUNTY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

**E. LONG-TERM OBLIGATIONS (cont.)**

The cash flow requirements on the refunded debt prior to the current refunding was \$- from through . The cash flow requirements on the refunding bonds are \$- from through . The current refunding resulted in an economic (difference between the present values of the debt service payments on the old and new debt) of \$-.

**F. 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 \$117,563 and \$251,871, respectively. Total lease payments made in 2015 were \$511,384. Future noncancelable lease payments are as follows:

<u>Years</u>	<u>Governmental Activities</u>
2016	\$ 291,924
2017	300,682
2018	302,828
2019	75,890
2020	<u>78,167</u>
Totals	<u>\$ 1,049,491</u>

**G. NET POSITION/FUND BALANCES**

Net position reported on the government wide statement of net position at December 31, 2015, includes the following:

**Governmental Activities**

Net Investment in Capital Assets	
Other capital assets, net of accumulated depreciation/amortization	\$ 452,639
Less: Long-term debt outstanding	<u>(559,237)</u>
Total Net Investment in Capital Assets (deficit)	<u>(106,598)</u>
Restricted	
Special programs per regulation	214,228
Pension	<u>1,556,679</u>
Total Restricted	<u>1,770,907</u>

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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

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### **G. NET POSITION/FUND BALANCES (cont.)** **Governmental Activities (cont.)**

Unrestricted (deficit)	<u>(1,523,984)</u>
Total Governmental Activities Net Position	<u>\$ 140,325</u>

### **H. RESTATEMENT OF NET POSITION**

Net position has been restated as a result of the implementation of GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the net pension asset and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The details of this restatement are as follows:

	<u>Governmental Activities</u>
Net Position - December 31, 2014 (as reported)	\$ (3,317,191)
Add: Net pension asset	2,441,800
Add: Deferred outflows related to pensions	<u>636,632</u>
Net position - December 31, 2014 (as restated)	<u>\$ (238,759)</u>

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## NOTE III - OTHER INFORMATION

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### **A. EMPLOYEES' RETIREMENT SYSTEM**

#### **Summary of Significant Accounting Policies**

**Pension.** For purposes of measuring the net pension liability (asset), 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.

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## NOTE III - OTHER INFORMATION (cont.)

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### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

#### **General Information About the Pension Plan**

**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.

**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.

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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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**PUBLIC HEALTH - MADISON AND DANE COUNTY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - OTHER INFORMATION (cont.)**

**A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

	2005	2.6%	7%
	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

**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 \$637,409 in contributions from the department.

Contribution rates as of December 31, 2015 are:

Employee Category	Employee	Employer
General	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At December 31, 2015, the department reported an asset of \$1,556,679 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. 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 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, 2014, the department's proportion was 0.06337566%, which was an increase of 0.00144032% from its proportion measured as of December 31, 2013.

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - OTHER INFORMATION (cont.)**

**A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

For the year ended December 31, 2015, the department recognized pension expense of \$595,663.

At December 31, 2015, the department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 225,670	\$ -
Net differences between projected and actual earnings on pension plan investments	753,820	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	31,435
Employer contributions subsequent to the measurement date	<u>614,386</u>	<u>-</u>
Totals	<u>\$ 1,593,876</u>	<u>\$ 31,435</u>

\$614,386 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 239,905	\$ 7,167
2017	239,905	7,167
2018	239,905	7,167
2019	239,905	7,167
2020	19,869	2,767

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## NOTE III - OTHER INFORMATION (cont.)

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### A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

**Actuarial assumptions.** The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
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% - 5.8%
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, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## NOTE III - OTHER INFORMATION (cont.)

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### 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:

<u>Asset Class</u>	<u>Long-Term Real Rate of Return</u>	<u>Target Allocation</u>
US Equities	5.3%	21%
International Equities	5.7	23
Fixed Income	1.7	36
Inflation Sensitive Assets	2.3	20
Real Estate	4.2	7
Private Equity/Debt	6.9	7
Multi-Asset	3.9	6
Cash	0.9	-20

**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.

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

**NOTE III - OTHER INFORMATION (cont.)**

**A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

**Sensitivity of the department's proportionate share of the net pension asset to changes in the discount rate.** The following presents the department's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the department's proportionate share of the net pension 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 asset/(liability)	\$ (4,391,661)	\$ 1,556,679	\$ 6,254,438

**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://legis.wisconsin.gov/lab/> and reference report number 15-11.

At December 31, 2015, 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.

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.



# PUBLIC HEALTH - MADISON AND DANE COUNTY

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended December 31, 2015

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## **NOTE III - OTHER INFORMATION (cont.)**

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### ***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. 72, Fair Value Measurement and Application*
- > *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. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- > *Statement No. 77, Tax Abatement Disclosures*
- > *Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 12,536,261	\$ 12,661,815	\$ 12,674,916	\$ 13,101
Public charges for services	2,632,880	2,632,880	3,092,464	459,584
Intergovernmental charges for services	503,800	503,800	404,758	(99,042)
Miscellaneous	262,000	262,000	281,168	19,168
<b>Total Revenues</b>	<u>15,934,941</u>	<u>16,060,495</u>	<u>16,453,306</u>	<u>392,811</u>
<b>EXPENDITURES</b>				
Current				
Health and human services	16,365,010	16,675,679	15,795,203	880,476
Debt Service				
Principal	106,889	106,889	155,404	(48,515)
Interest and fiscal charges	-	-	24,363	(24,363)
<b>Total Expenditures</b>	<u>16,471,899</u>	<u>16,782,568</u>	<u>15,974,970</u>	<u>807,598</u>
Excess (deficiency) of revenues over expenditures	<u>(536,958)</u>	<u>(722,073)</u>	<u>478,336</u>	<u>1,200,409</u>
<b>OTHER FINANCING SOURCES</b>				
Refunding debt issued	31,693	31,693	39,026	7,333
Premium on debt issued	-	-	1,054	1,054
<b>Total Other Financing Sources</b>	<u>31,693</u>	<u>31,693</u>	<u>40,080</u>	<u>8,387</u>
<b>Net Change in Fund Balance</b>	(505,265)	(690,380)	518,416	1,208,796
FUND BALANCE - Beginning of Year	<u>2,683,833</u>	<u>2,683,833</u>	<u>2,683,833</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,178,568</u>	<u>\$ 1,993,453</u>	<u>\$ 3,202,249</u>	<u>\$ 1,208,796</u>

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

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET -  
WISCONSIN RETIREMENT SYSTEM  
For the Year Ended December 31, 2015

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<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Asset</u>	<u>Proportionate Share of the Net Pension Asset</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Asset</u>
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, 2015

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<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 614,386	\$ 614,386	\$ -	\$ 9,035,091	6.80%

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

## **PUBLIC HEALTH - MADISON AND DANE COUNTY**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2015**

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#### ***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 that occurred within the fiscal year.

The department is required to present the last ten fiscal 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.

**SINGLE AUDIT SECTION**

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended December 31, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass- Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	Accrued/ (Deferred) Beginning Balance	Cash Received (Returned)	Expenditures	Adjustments	(Accrued)/ Deferred Ending Balance
<b>FEDERAL AWARDS</b>									
<b>U.S. Department of Agriculture</b>									
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557								
WIC Total Grants		WI DHS	460-154710	\$ 1,257,313	\$ (15,094)	\$ 15,094	\$ -	\$ -	\$ -
WIC Breastfeeding Peer Counseling		WI DHS	460-154760	22,256	(11,012)	11,012	-	-	-
WIC Total Grants		WI DHS	560-154710	1,263,213	-	1,263,213	1,263,213	-	-
WIC Breastfeeding Peer Counseling		WI DHS	560-154760	23,585	-	23,585	23,585	-	-
<b>Total U.S. Department of Agriculture</b>					<u>(26,106)</u>	<u>1,312,904</u>	<u>1,286,798</u>	<u>-</u>	<u>-</u>
<b>U.S. Environmental Protection Agency</b>									
State Indoor Radon Grants	66.032								
Radon Regional Information Center		WI DHS	560-150321	10,998	-	10,998	10,998	-	-
<b>Total U.S. Environmental Protection Agency</b>					<u>-</u>	<u>10,998</u>	<u>10,998</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>									
Refugee and Entrant Assistance - State Administered Programs	93.566								
Refugee Health Screening -2015		WI DCF	none	104,325	-	13,161	21,828	-	(8,667)
Public Health Emergency Preparedness	93.069								
Public Health Emergency Preparedness (July 1, 2013 to June 30, 2014)		WI DHS	460-155015	233,869	(500)	-	-	500	-
Bioterrorism Preparedness (July 1, 2014 to June 30, 2015)		WI DHS	560-155050	4,320	-	4,320	4,320	-	-
Bioterrorism Focus A Planning (July 1, 2014 to June 30, 2015)		WI DHS	560-155015	234,046	(55,681)	130,504	74,823	-	-
Bioterrorism Focus Planning (December 01, 2014 to June 30, 2015)		WI DHS	560-155016	31,552	-	31,552	31,552	-	-
Bioterrorism Focus A Planning (July 1, 2015 to June 30, 2016)		WI DHS	660-155015	240,452	-	94,170	79,878	-	14,292
PHEP EBOLA 2 (July 01, 2014 to September 30, 2016)		WI DHS	660-11111	80,444	-	60,550	61,818	-	(1,268)
<b>Total U.S. Department of Health and Human Services</b>					<u>(56,181)</u>	<u>321,096</u>	<u>252,391</u>	<u>500</u>	<u>13,024</u>
Immunization Cooperative Agreements	93.268								
Immunization		WI DHS	560-155020	108,651	-	108,651	108,651	-	-

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended December 31, 2015

Federal Grantor/Program Title	Federal CFDA Number	Pass- Through Agency	Direct Grant Number/ Pass-Through Grantor's Number	Program or Award Amount	Accrued/ (Deferred) Beginning Balance	Cash Received (Returned)	Expenditures	Adjustments	(Accrued)/ Deferred Ending Balance
<b>FEDERAL AWARDS (cont.)</b>									
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283								
MKE Screening B&C		WI DHS	660-150156	6,585	-	1,646	971	-	675
Medical Assistance Program	93.778								
Maternal Child Health--Consolidated		WI DHS	460-159320	10,196	(352)	352	-	-	-
Maternal Child Health--Consolidated		WI DHS	560-159320	9,841	-	9,812	9,812	-	-
					<u>(352)</u>	<u>10,164</u>	<u>9,812</u>	<u>-</u>	<u>-</u>
HIV Care Formula Grants	93.917								
HIV Prevention		WI DHS	460-155957		2,541	-	-	(2,541)	-
HIV Prevention		WI DHS	560-155957	25,260	-	25,260	25,260	-	-
					<u>2,541</u>	<u>25,260</u>	<u>25,260</u>	<u>(2,541)</u>	<u>-</u>
HIV Prevention Activities - Health Department Based	93.940								
HIV Prevention		WI DHS	560-155957	15,740	-	15,740	15,740	-	-
Maternal and Child Health Services Block Grant to the States	93.994								
Maternal Child Health--Consolidated		WI DHS	460-159320	188,114	(5,791)	6,495	-	-	704
Maternal Child Health--Consolidated		WI DHS	560-159320	176,752	-	176,228	176,228	-	-
					<u>(5,791)</u>	<u>182,723</u>	<u>176,228</u>	<u>-</u>	<u>704</u>
Prevention Health and Human Services Block Grant	93.991								
Prevention--Health and Human Services		WI DHS	560-159220	29,256	-	29,256	29,256	-	-
<b>Total U.S. Department of Health and Human Services</b>					<u>(59,783)</u>	<u>707,697</u>	<u>640,137</u>	<u>(2,041)</u>	<u>5,736</u>
<b>TOTAL FEDERAL AWARDS</b>					<u>\$ (85,889)</u>	<u>\$ 2,031,599</u>	<u>\$ 1,937,933</u>	<u>\$ (2,041)</u>	<u>\$ 5,736</u>



**PUBLIC HEALTH - MADISON AND DANE COUNTY**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended December 31, 2015

State Grantor/Program Title	State ID Number	Direct Grant Number/ Pass-Through Grantor's Number	Accrued/ (Deferred) Beginning Balance	Cash Received (Returned)	Expenditures	(Accrued)/ Deferred Ending Balance
<b>STATE AWARDS</b>						
<b>Wisconsin Department of Health Services</b>						
Well Woman-non LPHD	435.156999	460-156999	\$ (7,780)	\$ 7,780	\$ -	\$ -
Well Woman GPR CC	435.157010	560-157010	-	36,675	36,675	-
Well Woman GPR CC	435.157010	660-157010	-	32,925	66,212	(33,287)
Subtotal 435.157010			-	69,600	102,887	(33,287)
Well Woman CC GPR Refusal	435.157011	560-157011	-	22,432	22,432	-
WIC Farmers Market	435.154720	560-154720	-	5,001	5,001	-
CONS CONTRACTS Childhood Lead	435.157720	560-157720	-	30,520	30,520	-
CONS CONTRACTS MCH	435.159320	560-159320	(352)	10,164	9,812	-
TPCP-WIS-WINS	435.181005	560-181005	-	15,241	15,110	131
TPCP-COM INTRVNTNS-LHD	435.181011	560-181012	-	131,842	131,842	-
<b>Total State Awards</b>			<u>\$ (8,132)</u>	<u>\$ 292,580</u>	<u>\$ 317,604</u>	<u>\$ (33,156)</u>

## **PUBLIC HEALTH – MADISON AND DANE COUNTY**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2015**

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#### **NOTE 1 – BASIS OF PRESENTATION**

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The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state grant activity of Public Health – Madison and Dane County (“department”) under programs of the federal and state government for the year ended December 31, 2015. 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.

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#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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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 some 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.

Adjustments to the schedule represent changes to the accrued or deferred balances as of the beginning of the year.

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#### **NOTE 3 – CARS REPORT DATES**

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The Schedule of Expenditures of Federal and State Awards includes adjustments through the April 1, 2016 Community Aids Reporting System (CARS) report.

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#### **NOTE 4 – PASS-THROUGH AGENCIES**

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Federal funds were passed through the following state agencies:

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

#### **NOTE 5 – INDIRECT COST RATE**

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

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, Wisconsin

We have audited, 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, the financial statements of the governmental activities and major fund of Public Health – Madison and Dane County (“department”) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the department’s basic financial statements, and have issued our report thereon dated July 15, 2016.

***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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These material weaknesses are items 2015-001 and 2015-002.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. This significant deficiency is item 2015-003.

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*.

***Department's Response to Findings***

The department's response to the findings 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 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 result 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.

*Baker Tilly Virchow Krause, LLP*

Madison, Wisconsin  
July 15, 2016

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, Wisconsin

***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, 2015. The department's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's 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 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, 2015.

### ***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 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 and 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 a 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.

### ***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 Virchow Krause, LLP*

Madison, Wisconsin  
July 15, 2016

**PUBLIC HEALTH – MADISON AND DANE COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- > Material weakness(es) identified?        X   yes             no
- > Significant deficiency(ies) identified?        X   yes             none reported

Noncompliance material to basic financial statements noted?             yes        X   no

**FEDERAL OR STATE AWARDS**

Internal control over major programs:

- |  | Federal Programs                             | State Programs                               |
|--|--|--|
| > Material weakness(es) identified?  | <u>      </u> yes <u>  x  </u> no            | <u>      </u> yes <u>  x  </u> no            |
| > Significant deficiencies identified that are not considered to be material weakness(es)? | <u>      </u> yes <u>  x  </u> none reported | <u>      </u> yes <u>  x  </u> 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 516(a) of the Uniform Guidance?             yes        X   no

	Federal Programs	State Programs
Auditee qualified as low-risk auditee?	<u>      </u> yes <u>  X  </u> no	<u>      </u> yes <u>  X  </u> no

Identification of major federal program:

CFDA Number	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
Federal	State
\$ 750,000	\$ 250,000

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

## PUBLIC HEALTH – MADISON AND DANE COUNTY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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#### SECTION I – SUMMARY OF AUDITORS' RESULTS (cont.)

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Identification of major state program:

<u>State Number</u>	<u>Name of State Program</u>
435.181011	Tobacco Prevention and Control Program – Community Interventions

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

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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 2015-001: MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING***

***Repeat of Finding 2014-001***

***Criteria:*** Statement on Auditing Standards (SAS) No. 115 states 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. In addition, material misstatements were noted in the general ledger during the financial audit. As a result, we consider this to be a material weakness 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 material 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 materially correct year-end financial statements.



## PUBLIC HEALTH – MADISON AND DANE COUNTY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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

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##### ***FINDING 2015-001: MATERIAL WEAKNESS – INTERNAL CONTROL OVER FINANCIAL REPORTING*** (cont.)

###### ***Management's Response***

City management has knowledgeable staff that is familiar with the requirements of generally accepted accounting principles (GAAP). Finance Department staff prepares fund financial statements, some footnote disclosures, and most conversion entries for reconciliation to the entity-wide financial statements.

Additionally, Finance staff accountants review auditor prepared draft reports to compare amounts, footnote disclosures, and other information. Furthermore, various City agency staff utilizes a financial statement checklist provided by our audit firm when reviewing the draft reports to ensure GAAP is being adhered to and that all required disclosures are present.

Finance Department staff work closely with our auditors to proactively consult on a variety of financial reporting issues throughout the year to prevent material misstatements to the financial statements.

Finance Department management staff did implement fund financial statement reviews in fiscal year 2013 to prevent material misstatements. There have been no material adjustments to the fund financial statements identified during the city-wide audit engagement for 2015.

The City did “go-live” with the first ERP system solution on 1/2/2015, and additionally upgraded to a new version release during October of 2015. This took much effort amongst the Finance Department staff to accomplish these software solution upgrades. Additionally, Finance Department staff drafted new sets of internal control procedural documents for auditor review in January and February of 2016 given new ERP system processes.

It is Finance Department management's goal to embark upon a detailed mapping project within the ERP software (GASB-34 Report Writer module), or within Microsoft Excel, in an attempt to begin preparing entity-wide financial statements for the 2017/2018 fiscal years.

Currently, Finance Department management staff is working to hire a professional Grants Manager/Internal Auditor to lead and facilitate the preparation of complete and accurate schedules of expenditures of federal and state awards.

## PUBLIC HEALTH – MADISON AND DANE COUNTY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2015

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

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##### ***FINDING 2015-002: MATERIAL WEAKNESS – INFORMATION TECHNOLOGY CONTROLS – USER ACCESS***

***This is a repeat of a portion of finding 2014-002***

***Criteria:*** We performed our audit under Statements on Auditing Standards (SAS) Nos. 104-111, which required us to review the city's internal controls over major accounting processes. 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:*** A properly designed system of internal control includes establishing proper information technology controls. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in your accounting processes would be discovered by your staff in a timely manner. At this time, the proper information technology controls regarding user access are not in place.

***Cause:*** Due to staffing constraints, some accounting activities are not adequately segregated.

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

***Recommendation:*** We recommend that a designated employee review the controls over user access, the related risks, and potential controls to determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis.

##### ***Management's Response***

Within the MUNIS software, changes to data tables create an audit history indicating the field level change made and the user who performed the action. These audit records are secured from database removal by the establishment of system security permissions. The permissions are separated by functional areas, such as General Ledger, Accounts Payable, Purchasing, and Account Receivable. The exception to the audit table functional area is Payroll and Human Resources. Payroll and Human Resources audit records cannot be deleted from the system regardless of permissions.

There is a secondary audit level placed on the updating of the system security permissions themselves. These updates are also written to audit history, indicating any changes made to an individual's system security permissions.

The Finance Department has set system security permissions so that audit table purging cannot be performed by any individual who has direct supervisor responsibility within a functional area. Furthermore, there are two individuals within the City that have permissions granted for audit maintenance at both a functional and system security level.

**PUBLIC HEALTH – MADISON AND DANE COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

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

***FINDING 2015-003: SIGNIFICANT DEFICIENCY – INFORMATION TECHNOLOGY CONTROL ENVIRONMENT***

***This is a repeat of a portion of finding 2014-002***

***Criteria:*** We performed our audit under Statements on Auditing Standards (SAS) Nos. 104-111, 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
<i>Unique User Authentication</i>	<i>BT reviewed the MUNIS user list and the network user list and found some generic accounts. Some of these generic accounts are shared.</i>	Tyler Technologies has informed us the generic accounts cannot be removed or disabled without causing irreparable harm to their software.
<i>Elevated Privileges</i>	<i>Changes in certain systems are approved and tested. However, the developer of the change is often the person who implements the change in the production environment.</i>	IT staff utilize a change process that includes an electronic form as part of our call and change tracking system. Changes are detailed, routed to affected parties and approved by supervisory staff. Complete segregation of duties is not possible due to a small staff size. However, the change process combined with the supervisory oversight fulfills this need.
<i>Change Control - Package Software</i>	<i>Tyler MUNIS - The frequent updates Tyler requires the City to perform on MUNIS make it difficult if not impossible for the City to properly test the updates prior to implementation in the production environment. Tyler can access the application server directly via GoToAssist and can implement updates without the knowledge of the City's IT department. Additionally, development and testing environments are on the production server.</i>	On April 12, 2016 the SSAE 16 report was requested from our ERP vendor, Tyler Technologies. Our City Attorney’s Office is reviewing the Non-Disclosure Agreement requested by Tyler.

**PUBLIC HEALTH – MADISON AND DANE COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

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

**FINDING 2015-003: SIGNIFICANT DEFICIENCY – INFORMATION TECHNOLOGY CONTROL ENVIRONMENT (cont.)**

IT Area	IT Finding	Management Response
<i>Passwords</i>	<i>Passwords of certain systems have weaker settings.</i>	This refers to six legacy applications. Although these remaining six legacy applications are scheduled for replacement in our Capital Improvements Program, we researched the legacy platform. Even though these applications are up to twenty years old, we are implementing a programming solution that will provide for passing through active directory. This will be implemented this summer and fall.
<i>User Access Review</i>	<i>IT generates user access permissions report and sends this report to the security contact of each agency/department. The objective is to have the security contact or the department head review the user list in their area. However, not all security contacts/department heads review their user lists. To compensate for this control, IT routinely checks for users who have not accessed their account for over 60 days.</i>	On an annual basis IT has been producing a report on access rights by individual. This is distributed to agency security contacts to review and identify any necessary changes. We have implemented a stronger follow up process with agencies in order to document their reviews.

**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.

**PUBLIC HEALTH – MADISON AND DANE COUNTY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2015

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**SECTION III – FEDERAL AND STATE FINDINGS AND QUESTIONED COSTS**

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None reported.

**PUBLIC HEALTH – MADISON AND DANE COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended December 31, 2015

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**SECTION IV – OTHER ISSUES**

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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        X   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        X   no
- Department of Children and Families \_\_\_\_\_ yes        X   no
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? \_\_\_\_\_ yes        X   no

4. Name and signature of partner

  
\_\_\_\_\_  
Heather S. Acker, CPA, Partner

5. Date of report July 15, 2016

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

**BIOT Focus A Planning  
Settlement of DHS Cost Reimbursement Award  
For the Year Ended December 31, 2015**

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DHS identification number	CARS profile 155015	
Award amount	\$ 234,046	\$ 240,452
Award period	7/1/2014 - 6/30/2015	7/1/2015 - 6/30/2016
Period of award within audit period	1/1/2015 - 6/30/2015	7/1/2015 - 12/31/2015
 A. Expenditures reported to DHS for payment	 \$ 74,823	 \$ 79,878
B. Actual allowable cost of award		
<b>Program expenses</b>		
Wages	74,823	68,526
Benefits	-	-
Purchased Services	-	4,385
Supplies	-	6,967
Capital Outlay	-	-
Total program expenses	<u>74,823</u>	<u>79,878</u>
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>\$ 74,823</u>	<u>\$ 79,878</u>

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

**WIC Total Grants**

**Settlement of DHS Cost Reimbursement Award**

For the Year Ended December 31, 2015

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DHS identification number	CARS profile 154710
Award amount	\$ 1,263,213
Award period	1/1/2015 - 12/31/2015
Period of award within audit period	1/1/2015 - 12/31/2015
A. Expenditures reported to DHS for payment	\$ 1,263,213
B. Actual allowable cost of award	
<b>Program expenses</b>	
Wages	807,818
Benefits	305,527
Purchased Services	130,502
Supplies	19,366
Capital Outlay	-
Total program expenses	1,263,213
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>\$ 1,263,213</u>



**PUBLIC HEALTH - MADISON AND DANE COUNTY**

**Immunizations**

**Settlement of DHS Cost Reimbursement Award**

For the Year Ended December 31, 2015

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DHS identification number	CARS profile 155020
Award amount	\$ 108,651
Award period	1/1/2015 - 12/31/2015
Period of award within audit period	1/1/2015 - 12/31/2015
A. Expenditures reported to DHS for payment	\$ 108,651
B. Actual allowable cost of award	
<b>Program expenses</b>	
Wages	86,846
Benefits	21,332
Purchased Services	-
Supplies	473
Capital Outlay	-
Total program expenses	108,651
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>\$ 108,651</u>

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

**TPCP-COM INTRVNTS-LHD**

**Settlement of DHS Cost Reimbursement Award**

For the Year Ended December 31, 2015

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DHS identification number		CARS profile 181012
Award amount	\$	131,842
Award period		1/1/2015 - 12/31/2015
Period of award within audit period		1/1/2015 - 12/31/2015
A. Expenditures reported to DHS for payment	\$	131,842
B. Actual allowable cost of award		
<b>Program expenses</b>		
Wages		88,989
Benefits		34,921
Purchased Services		6,463
Supplies		1,469
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**

**Refugee Health Screening - 2015  
Settlement of DHS Cost Reimbursement Award  
For the Year Ended December 31, 2015**

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DHS identification number		CARS profile none
Award amount	\$	104,325
Award period		1/1/2015 - 12/31/2015
Period of award within audit period		1/1/2015 - 12/31/2015
A. Expenditures reported to DHS for payment	\$	21,828
B. Actual allowable cost of award		
<b>Program expenses</b>		
Wages		15,424
Benefits		5,454
Purchased Services		950
Supplies		-
Capital Outlay		-
Total program expenses		<u>21,828</u>
Management and general expenses allocated to program		
Total management and general expenses allocated to program		-
C. Less program revenue and other offsets to costs		<u>-</u>
F. Total Allowable costs	\$	<u><u>21,828</u></u>

**PUBLIC HEALTH - MADISON AND DANE COUNTY**

**Maternal Child Health  
Settlement of DHS Cost Reimbursement Award  
For the Year Ended December 31, 2015**

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DHS identification number	CARS profile 159320
Award amount	\$ 196,435
Award period	1/1/2015 - 12/31/2015
Period of award within audit period	1/1/2015 - 12/31/2015
A. Expenditures reported to DHS for payment	\$ 195,852
B. Actual allowable cost of award	
<b>Program expenses</b>	
Wages	117,273
Benefits	45,286
Purchased Services	-
Supplies	33,293
Capital Outlay	-
Total program expenses	195,852
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>\$ 195,852</u>