

BARRON COUNTY, WISCONSIN
EXECUTIVE AUDIT SUMMARY (EAS)
DECEMBER 31, 2018

**BARRON COUNTY, WISCONSIN
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AUDIT FINDINGS AND RESULTS

Audit Report Summary

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of the County's financial records for the year ended December 31, 2018. The following is a summary of reports we have issued:

Audit Opinion

The financial statements are fairly stated. We issued what is known as an "unmodified" audit opinion.

- Additional language to explain the change in accounting principle for participation in the ETF plan for life insurance other postemployment benefits.

Internal Controls

Our report on internal control included the following deficiencies in internal controls over financial reporting. Please refer to the schedule of findings and questioned costs included in the *Federal and State Single Audit Report* for full details regarding these control deficiencies.

Material Weaknesses:

2018-002 Auditor Proposed Adjusting Journal Entry (Spillman Contract)

Significant Deficiencies:

2018-001 Limited Segregation of Duties

Compliance

As part of our audit, we tested the County's compliance with the requirements of laws, regulations, contracts and grants applicable to its federal and state programs as well as the County's internal controls over compliance. We reported that the County complied with these requirements and that we did not identify any deficiencies in the related internal controls.

Other Items

As part of our audit, we also provided assistance with the following reports:

- Compiled Highway Annual Report
- Unaudited Form A (Due May 15th)
- Audited Form A and Tax 16 Report (Due July 31st)
- Federal Data Collection Form (Due September 30th)



APPENDIX A

FORMAL REQUIRED COMMUNICATIONS

Honorable Members of the Board of Supervisors
Barron County, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Barron County, Wisconsin for the year ended December 31, 2018, and have issued our report thereon dated July 25, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Barron County, Wisconsin are described in Note 1 to the financial statements.

During the year ended December 31, 2018, the financial statements include the impact of adoption of Governmental Accounting Standards Board Statement No. 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, impacted the County by recognizing its net other postemployment benefit liability (asset) other than pensions. Accordingly, the cumulative effect of the accounting change is recorded at the beginning of the year in the financial statements of the governmental activities and business-type activities.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Estimated useful lives of depreciable capital assets – Management's estimate of depreciation and the useful lives of capital assets is based on authoritative guidance and past experience.

Estimated current portion of compensated absences payable – Management's estimate of the amount of the year-end compensated absences payable balance to be taken by employees within one year of December 31, 2018 is based on historical trends and anticipated leave time activity.

Actuarial assumptions – The actuarial assumptions used for the pension and other postemployment benefit related items are outlined in the notes to the basic financial statements.

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

The following material misstatement detected during the audit and were corrected by management: Transactions related to the Spillman contract.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated July 25, 2019.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. The following summarizes the significant findings or issues arising from the audit that were discussed, or the subject of correspondence, with management:

- Lack of segregation of duties and adjusting journal entries

Other audit findings or issues

We have provided a separate letter to you dated July 25, 2019, communicating internal control related matters identified during the audit.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) and the schedule of expenditures of state awards (SESA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA and SESA to determine that the SEFA and SESA comply with the requirements of the Uniform Guidance and the State Single Audit Guidelines, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA and SESA are appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA and SESA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated July 25, 2019.

Board of Supervisors
Barron County

With respect to the combining and individual fund statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated July 25, 2019.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Board of Supervisors and management of the Barron County, Wisconsin and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Rice Lake, Wisconsin
July 25, 2019



APPENDIX B

NEW ACCOUNTING AND REPORTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued new accounting standards that may restate portions of these financial statements in future periods. Listed below are the statements and a short summary of the standard's objective.

New accounting standards effective for the December 31, 2019 financial statements include:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement provides requirements for financial accounting and reporting of legally enforceable liabilities associated with the disposal of capital assets.

GASB Statement No. 84, *Fiduciary Activities*. This statement defines what activity is required to be reported in a fiduciary fund as well as establishing reporting requirements for fiduciary activities.

GASB Statement No. 85, *Omnibus 2017*. This statement provides additional accounting and reporting requirements for topics including; other postemployment benefits, investments, goodwill and component units.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement expands the footnote disclosure requirements related to debt.

New accounting standards effective for the December 31, 2020 financial statements include:

GASB Statement No. 87, *Leases*. This statement establishes authoritative guidance for accounting for leases. In addition to defining how to record leasing transactions, the statement also defines requirements for reporting leasing arrangement details within the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement changes recognition of interest on construction related debt. Previous guidance required capitalizing this interest into the historical cost of the capital asset. The new guidance requires the interest to be charged as expense in the period incurred.



CliftonLarsonAllen LLP
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APPENDIX C

The following information has been derived from management's financial statements. These tables are not intended to present all of the information and disclosures required by accounting principles generally accepted in the United States of America. Rather, the tables presented below are offered for the purpose of providing a multi-year trend analysis for discussion purposes. We were not engaged nor do we provide an opinion on the tables presented below. Please contact the Barron County Administration Office for copies of management's financial statements and refer to the independent auditors' report included therein for the opinions issued in connection with those financial statements.

FINANCIAL STATEMENT NOTATIONS

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1 General Fund: The General fund is the general operating fund of the County. It is used to account for all financial resources which are not required to be accounted for in another fund.

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
General Fund Balance Sheet Summary:				
Cash and Investments	\$ 14,485,138	\$ 15,911,136	\$ 12,685,868	\$ 12,322,486
Taxes Receivable:				
Current Taxes Receivable	10,747,793	10,718,068	10,555,552	10,109,140
Delinquent Taxes Receivable	947,987	964,560	1,272,741	1,154,233
Tax Deeds Owned by County	71,590	100,506	228,454	242,425
Accounts Receivable	793,169	497,835	447,584	610,004
Due from Other Funds	141,548	184,199	281,289	91,712
Advances to Other Funds	1,800,650	1,951,455	2,183,505	2,461,081
Other Assets	1,233,440	1,077,678	1,006,371	1,155,379
	<u>\$ 30,221,315</u>	<u>\$ 31,405,437</u>	<u>\$ 28,661,364</u>	<u>\$ 28,146,460</u>
Accounts Payable	\$ 675,228	\$ 751,351	\$ 637,989	\$ 539,267
Unearned Revenue	8,456	10,738	14,333	7,969
Special Deposits	27,437	16,996	21,881	18,771
Deferred Inflows:				
Tax Roll Items	10,747,793	10,718,068	10,555,552	10,109,140
Fund Balance:				
Nonspendable				
Delinquent Taxes	1,019,577	1,065,066	1,501,195	1,396,658
Advance to Waste-to-Energy	389,258	373,608	449,608	525,608
Advance to Highway Department	726,200	1,339,700	1,495,750	1,652,350
Advance to Highway Department - Gravel Pit	685,192	238,147	238,147	283,123
Long-Term Receivables	296,852	326,092	369,734	364,509
Prepaid Expenses	1,228,319	747,599	633,426	788,128
Inventories	5,121	3,987	3,211	2,742
Committed	1,016,888	1,576,066	189,166	175,555
Assigned	4,808,602	4,344,201	3,931,496	5,492,815
Unassigned	8,586,392	9,893,818	8,619,876	6,789,825
Total Fund Balance	18,762,401	19,908,284	17,431,609	17,471,313
Total Liabilities and Fund Balance	<u>\$ 30,221,315</u>	<u>\$ 31,405,437</u>	<u>\$ 28,661,364</u>	<u>\$ 28,146,460</u>
Revenues	\$ 19,071,170	\$ 19,126,575	\$ 17,785,716	\$ 17,487,301
Expenditures	(21,954,973)	(21,182,724)	(20,416,796)	(19,727,496)
Net Other Financing Sources (Uses)	1,737,920	4,532,824	2,591,376	2,681,234
Change in Fund Balance	<u>\$ (1,145,883)</u>	<u>\$ 2,476,675</u>	<u>\$ (39,704)</u>	<u>\$ 441,039</u>
% of Unassigned Fund Balance to General Fund Expenditures	39.1%	46.7%	42.2%	34.4%

FINANCIAL STATEMENT NOTATIONS

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2 Special Revenue Funds: Special Revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.

	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Special Revenue Fund Balances:				
Health and Human Services	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
County Sales Tax	1,863,276	1,763,357	2,008,619	2,261,154
Child Support Collection Agency	150,000	160,300	150,000	150,000
Office on Aging Programs	328,051	325,913	366,868	383,755
ATV Trails	13	12	13	2,636
State Aid Forestry Fund	2,900	3,200	2,348	2,500
Recreation Deputy	70	66	2,774	20,003
Animal Control Officer	255,589	224,836	203,450	193,204
Fleet Vehicle	121,874	128,672	144,041	128,696
Jail Assessment Fees	15,731	44,269	73,127	94,254
Recycling Project	500,861	213,502	100,950	148,551
Maintenance of Dams	428,049	386,320	513,123	434,781
Wildlife Habitat	859	761	807	2,347
Housing Rehabilitation Loans	174,760	109,166	105,641	96,020
Dog License Fund	1,000	1,000	1,000	1,000
	\$ 4,593,033	\$ 4,111,374	\$ 4,422,761	\$ 4,668,901

3 Debt Service Funds: Debt Service Funds are used to account for the accumulation of resources for, and the payment of certain general long-term debt principal, interest and related charges.

	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Debt Service Funds Balances:				
Justice Center Bonds - 2002	\$ 10,320	\$ 11,254	\$ 12,662	\$ 13,959
Justice Center Bonds - 2001	1,087	1,771	1,978	3,275
Government Center Honeywell HVAC Upgrade	251	251	251	(750)
UW Barron County Campus Honeywell HVAC Upgrade	250	250	250	(750)
	\$ 11,908	\$ 13,526	\$ 15,141	\$ 15,734

FINANCIAL STATEMENT NOTATIONS

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4 Capital Project Funds: Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed from proprietary funds.

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Capital Project Fund Balance:				
Capital Projects Fund	\$ 1,410,481	\$ 618,716	\$ 1,092,704	\$ 671,163

5 Enterprise Funds: Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprise—where the intent of the governing body is that the costs of providing the services is to be recovered from those using the services.

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Waste to Energy Plant				
Balance Sheet Summary:				
Cash and Investments	\$ 658,748	\$ 631,314	\$ 592,116	\$ 700,811
Accounts Receivable	359,621	365,001	592,323	273,904
Prepaid	500	1,760	3,520	-
Restricted Assets	170,729	-	-	67,288
Capital Assets	1,758,501	1,582,093	1,862,066	2,208,726
Deferred Outflow of Resources	319,219	301,653	-	69,750
	<u>\$ 3,267,318</u>	<u>\$ 2,881,821</u>	<u>\$ 3,050,025</u>	<u>\$ 3,320,479</u>
Accounts Payable	\$ 146,950	\$ 168,306	\$ 685,592	\$ 190,314
Advance from General Fund	389,258	373,608	449,608	525,608
General Obligation Bonds	970,000	1,190,000	1,400,000	1,605,000
Accrued Employee Leave	87,883	75,833	-	-
WRS Pension & LRLIF OPEB Liability	34,804	39,080	-	-
Deferred Inflow of Resources	339,306	124,645	-	17
Net Position:				
Net Investment in Capital Assets	788,501	392,093	462,066	603,726
Restricted for Pension Asset	170,729	-	-	67,288
Unrestricted	339,887	518,256	52,759	328,526
	<u>\$ 3,267,318</u>	<u>\$ 2,881,821</u>	<u>\$ 3,050,025</u>	<u>\$ 3,320,479</u>
Changes to Net Position:				
Operating Income (Loss)	<u>\$ 388,768</u>	<u>\$ 395,524</u>	<u>\$ (484,715)</u>	<u>\$ 335,981</u>

FINANCIAL STATEMENT NOTATIONS

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6 Internal Service Funds: Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other government units, on a cost reimbursement basis.

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Highway Department				
Summary Balance Sheets:				
Cash and Investments	\$ 9,252,756	\$ 6,920,271	\$ 6,424,920	\$ 2,860,230
Gravel Pit Closure Cash	-	-	-	109,144
Restricted Assets	1,513,649	1,030,787	1,068,279	1,914,804
Accounts Receivable	1,472,970	2,299,986	2,685,774	1,690,800
Inventories	2,045,418	1,967,227	1,961,596	2,035,387
Other Assets	18,883	10,952	14,692	6,741
Capital Assets	12,399,466	11,404,010	11,474,423	11,239,264
Deferred Outflow of Resources	879,260	990,780	1,390,516	256,043
	<u>\$ 27,582,402</u>	<u>\$ 24,624,013</u>	<u>\$ 25,020,200</u>	<u>\$ 20,112,413</u>
Accounts Payable	\$ 187,006	\$ 191,814	\$ 1,218,088	\$ 1,007,152
Unearned Revenue	1,115,340	1,155,279	1,255,924	1,000,191
Advances from Other Funds	1,411,392	1,577,847	1,733,897	1,935,473
Accrued Employee Leave	533,633	589,046	620,820	603,180
WRS Pension & LRLIF OPEB Liability	189,682	128,358	437,338	-
Deferred Inflow of Resources	922,081	409,396	592,790	62
Net Position:				
Net Investment in Capital Assets	12,399,466	11,404,010	11,474,423	11,239,264
Restricted for Frac Sand Contracts	-	-	-	519,149
Restricted for Multi-Purpose Shed	-	-	-	284,670
Restricted for Pension Asset	463,291	-	-	247,007
Unrestricted	10,360,511	9,168,263	7,686,920	3,276,265
	<u>\$ 27,582,402</u>	<u>\$ 24,624,013</u>	<u>\$ 25,020,200</u>	<u>\$ 20,112,413</u>
Income (Loss) Before Contributions & Transfers	\$ 1,876,791	\$ 889,937	\$ 1,845,526	\$ 1,599,209
Capital Contributions	32,952	281,424	448,196	137,608
Net Transfers	912,663	239,569	1,301,266	464,109
Change in Accounting Principle	(171,411)	-	-	495,385
Change in Net Position	<u>\$ 2,650,995</u>	<u>\$ 1,410,930</u>	<u>\$ 3,594,988</u>	<u>\$ 2,696,311</u>
 Current Ratio (1+ desired)	57.35	48.07	7.48	4.52

FINANCIAL STATEMENT NOTATIONS

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7 Long-Term Obligations	12/31/2018	12/31/2017	12/31/2016	12/31/2015
General Obligation Bonds	\$ 6,295,000	\$ 7,930,000	\$ 9,365,000	\$ 10,780,000
General Obligation Notes	3,029,006	4,131,894	5,225,651	6,337,851
General Obligation Debt	9,324,006	12,061,894	14,590,651	17,117,851
Forest Crop Loans Payable	-	30,436	30,436	31,851
Multi-Employer Other Post-Employment Benefits Liability	917,876	-	-	-
Multi-Employer Pension Liability/(Asset)	(3,311,981)	889,519	1,732,885	(2,583,875)
Vested Sick Leave and Vacation:				
Payable by Governmental Funds	2,007,421	1,904,241	1,785,221	1,769,957
Payable by Highway Department	533,633	589,046	620,820	603,180
Payable by Waste-to-Energy	87,883	75,833	-	-
	\$ 9,558,838	\$ 15,550,969	\$ 18,760,013	\$ 16,938,964
 Equalized Valuation	 \$ 4,311,203,400	 \$ 4,104,693,800	 \$ 3,967,773,800	 \$ 3,851,192,500
 General Obligation Debt Limit	 \$ 215,560,170	 \$ 205,234,690	 \$ 198,388,690	 \$ 192,559,625
 General Obligation Debt as Percent of Debt Limitation	 4.3%	 5.9%	 7.4%	 8.9%