

BARRON COUNTY, WISCONSIN
EXECUTIVE AUDIT SUMMARY (EAS)
DECEMBER 31, 2017

**BARRON COUNTY, WISCONSIN
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DECEMBER 31, 2017**

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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, 2017. 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.

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:

None

Significant Deficiencies:

2017-001 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.

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 for the year ended December 31, 2017, and have issued our report thereon dated July 16, 2018. 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 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017.

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, 2017 is based on historical trends and anticipated leave time activity.

Actuarial assumptions – The actuarial assumptions used for the Wisconsin Retirement System pension 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

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

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 16, 2018.

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

Other audit findings or issues

We have provided a separate letter to you dated July 16, 2018, 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 16, 2018.

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 16, 2018.

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 and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Rice Lake, Wisconsin
July 16, 2018



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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, 2018 financial statements include:

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This statement provides accounting and financial reporting guidance for in-substance defeasance of debt. Previous statements addressed these transactions associated with the issuance of refunding debt. GASB Statement No. 86 addresses these transactions when cash or other monetary assets are placed in an irrevocable trust in an effort to extinguish debt.

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.



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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

Item
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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>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
General Fund Balance Sheet Summary:				
Cash and Investments	\$ 15,911,136	\$ 12,685,868	\$ 12,322,486	\$ 12,353,335
Taxes Receivable:				
Current Taxes Receivable	10,718,068	10,555,552	10,109,140	10,136,935
Delinquent Taxes Receivable	964,560	1,272,741	1,154,233	1,281,824
Tax Deeds Owned by County	100,506	228,454	242,425	198,774
Accounts Receivable	497,835	447,584	610,004	434,316
Due from Other Funds	184,199	281,289	91,712	31,811
Advances to Other Funds	1,951,455	2,183,505	2,461,081	2,114,931
Other Assets	1,077,678	1,006,371	1,155,379	974,582
	<u>\$ 31,405,437</u>	<u>\$ 28,661,364</u>	<u>\$ 28,146,460</u>	<u>\$ 27,526,508</u>
Accounts Payable	\$ 751,351	\$ 637,989	\$ 539,267	\$ 348,553
Unearned Revenue	10,738	14,333	7,969	-
Special Deposits	16,996	21,881	18,771	10,746
Deferred Inflows:				
Tax Roll Items	10,718,068	10,555,552	10,109,140	10,136,935
Fund Balance:				
Nonspendable				
Delinquent Taxes	1,065,066	1,501,195	1,396,658	1,480,598
Advance to Waste-to-Energy	373,608	449,608	525,608	505,608
Advance to Highway Department	1,339,700	1,495,750	1,652,350	1,326,200
Advance to Highway Department - Gravel Pit	238,147	238,147	283,123	283,123
Long-Term Receivables	326,092	369,734	364,509	338,538
Prepaid Expenses	747,599	633,426	788,128	632,662
Inventories	3,987	3,211	2,742	3,382
Committed	1,576,066	189,166	175,555	259,444
Assigned	4,344,201	3,931,496	5,492,815	4,884,999
Unassigned	9,893,818	8,619,876	6,789,825	7,315,720
Total Fund Balance	<u>19,908,284</u>	<u>17,431,609</u>	<u>17,471,313</u>	<u>17,030,274</u>
Total Liabilities and Fund Balance	<u>\$ 31,405,437</u>	<u>\$ 28,661,364</u>	<u>\$ 28,146,460</u>	<u>\$ 27,526,508</u>
Revenues	\$ 19,126,575	\$ 17,785,716	\$ 17,487,301	\$ 16,804,794
Expenditures	(21,182,724)	(20,416,796)	(19,727,496)	(19,476,150)
Net Other Financing Sources (Uses)	4,532,824	2,591,376	2,681,234	2,289,466
Change in Fund Balance	<u>\$ 2,476,675</u>	<u>\$ (39,704)</u>	<u>\$ 441,039</u>	<u>\$ (381,890)</u>
% of Unassigned Fund Balance to General Fund Expenditures	46.7%	42.2%	34.4%	37.6%

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.

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Special Revenue Fund Balances:				
Health and Human Services	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
County Sales Tax	1,763,357	2,008,619	2,261,154	1,835,201
Child Support Collection Agency	160,300	150,000	150,000	150,000
Office on Aging Programs	325,913	366,868	383,755	408,202
Aging Disability Resource Center	-	-	-	-
ATV Trails	12	13	2,636	2,636
Snowmobile Trails	-	-	-	-
State Aid Forestry Fund	3,200	2,348	2,500	2,500
Recreation Deputy	66	2,774	20,003	18,946
Animal Control Officer	224,836	203,450	193,204	137,597
Fleet Vehicle	128,672	144,041	128,696	104,115
Jail Assessment Fees	44,269	73,127	94,254	85,832
Recycling Project	213,502	100,950	148,551	176,356
Maintenance of Dams	386,320	513,123	434,781	571,752
Wildlife Habitat	761	807	2,347	4,165
Housing Rehabilitation Loans	109,166	105,641	96,020	94,703
Dog License Fund	1,000	1,000	1,000	1,000
Wildlife Damage Program	-	-	-	-
	\$ 4,111,374	\$ 4,422,761	\$ 4,668,901	\$ 4,343,005

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.

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Debt Service Funds Balances:				
Justice Center Bonds - 2002	\$ 11,254	\$ 12,662	\$ 13,959	\$ 15,255
Justice Center Bonds - 2001	1,771	1,978	3,275	4,571
Government Center Honeywell HVAC Upgrade	251	251	(750)	(750)
UW Barron County Campus Honeywell HVAC Upgrade	250	250	(750)	(750)
Electrical Generation Bonds	-	-	-	-
	\$ 13,526	\$ 15,141	\$ 15,734	\$ 18,326

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.

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Capital Project Fund Balance:				
Capital Projects Fund	\$ 618,716	\$ 1,092,704	\$ 671,163	\$ 711,235

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.

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Waste to Energy Plant				
Balance Sheet Summary:				
Cash and Investments	\$ 631,314	\$ 592,116	\$ 700,811	\$ 379,644
Accounts Receivable	365,001	592,323	273,904	274,798
Prepaid	1,760	3,520	-	-
Restricted Assets	-	-	67,288	-
Capital Assets	1,582,093	1,862,066	2,208,726	2,585,919
Deferred Outflow of Resources	301,653	-	69,750	-
	\$ 2,881,821	\$ 3,050,025	\$ 3,320,479	\$ 3,240,361
Accounts Payable	\$ 168,306	\$ 685,592	\$ 190,314	\$ 266,194
Advance from General Fund	373,608	449,608	525,608	505,608
General Obligation Bonds	1,190,000	1,400,000	1,605,000	1,805,000
Accrued Employee Leave	75,833	-	-	-
WRS Pension Plan Liability	39,080	-	-	-
Deferred Inflow of Resources	124,645	-	17	-
Net Position:				
Net Investment in Capital Assets	392,093	462,066	603,726	780,919
Restricted for Pension Asset	-	-	67,288	-
Unrestricted	518,256	52,759	328,526	(117,360)
	\$ 2,881,821	\$ 3,050,025	\$ 3,320,479	\$ 3,240,361
Changes to Net Position:				
Operating Income (Loss)	\$ 395,524	\$ (484,715)	\$ 335,981	\$ 239,985

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>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Highway Department				
Summary Balance Sheets:				
Cash and Investments	\$ 6,920,271	\$ 6,424,920	\$ 2,860,230	\$ 1,161,388
Gravel Pit Closure Cash	-	-	109,144	156,758
Restricted Assets	1,030,787	1,068,279	1,914,804	389,695
Accounts Receivable	2,299,986	2,685,774	1,690,800	1,850,038
Inventories	1,967,227	1,961,596	2,035,387	1,786,315
Other Assets	10,952	14,692	6,741	12,856
Capital Assets	11,404,010	11,474,423	11,239,264	10,292,061
Deferred Outflow of Resources	990,780	1,390,516	256,043	-
	<u>\$ 24,624,013</u>	<u>\$ 25,020,200</u>	<u>\$ 20,112,413</u>	<u>\$ 15,649,111</u>
Accounts Payable	\$ 191,814	\$ 1,218,088	\$ 1,007,152	\$ 435,009
Unearned Revenue	1,155,279	1,255,924	1,000,191	143,545
Advances from Other Funds	1,577,847	1,733,897	1,935,473	1,609,323
Accrued Employee Leave	589,046	620,820	603,180	591,190
WRS Pension Plan Liability	128,358	437,338	-	-
Deferred Inflow of Resources	409,396	592,790	62	-
Net Position:				
Net Investment in Capital Assets	11,404,010	11,474,423	11,239,264	10,292,061
Restricted for Frac Sand Contracts	-	-	519,149	299,436
Restricted for Multi-Purpose Shed	-	-	284,670	24,670
Restricted for Pension Asset	-	-	247,007	-
Unrestricted	9,168,263	7,686,920	3,276,265	2,253,877
	<u>\$ 24,624,013</u>	<u>\$ 25,020,200</u>	<u>\$ 20,112,413</u>	<u>\$ 15,649,111</u>
Income (Loss) Before Contributions & Transfers	\$ 889,937	\$ 1,845,526	\$ 1,599,209	\$ 1,175,628
Capital Contributions	281,424	448,196	137,608	263,877
Net Transfers	239,569	1,301,266	464,109	639,172
Change in Accounting Principle	-	-	495,385	-
Change in Net Position	<u>\$ 1,410,930</u>	<u>\$ 3,594,988</u>	<u>\$ 2,696,311</u>	<u>\$ 2,078,677</u>
 Current Ratio (1+ desired)	48.07	7.48	4.52	6.92

FINANCIAL STATEMENT NOTATIONS

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7 Long-Term Obligations	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
General Obligation Bonds	\$ 7,930,000	\$ 9,365,000	\$ 10,780,000	\$ 12,160,000
General Obligation Notes	4,131,894	5,225,651	6,337,851	2,458,333
General Obligation Debt	<u>12,061,894</u>	<u>14,590,651</u>	<u>17,117,851</u>	<u>14,618,333</u>
Forest Crop Loans Payable	30,436	30,436	31,851	34,838
Vested Sick Leave and Vacation:				
Payable by Governmental Funds	1,904,241	1,785,221	1,769,957	1,719,619
Payable by Highway Department	589,046	620,820	603,180	591,190
Payable by Waste-to-Energy	<u>75,833</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 14,661,450</u>	<u>\$ 17,027,128</u>	<u>\$ 19,522,839</u>	<u>\$ 16,963,980</u>
Equalized Valuation	\$ 4,104,693,800	\$ 3,967,773,800	\$ 3,851,192,500	\$ 3,731,429,300
General Obligation Debt Limit	\$ 205,234,690	\$ 198,388,690	\$ 192,559,625	\$ 186,571,465
General Obligation Debt as Percent of Debt Limitation	5.9%	7.4%	8.9%	7.8%