

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

**EAU CLAIRE 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, 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:

- 2017-001 Material Audit Adjustments
- 2017-002 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

Members of the Board of Supervisors
Eau Claire 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 Eau Claire County, Wisconsin (the County) for the year ended December 31, 2017, and have issued our report thereon dated July 29, 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 Eau Claire 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.

Actuarial Assumptions – The actuarial assumptions used for the Wisconsin Retirement System pension related items are outlined in the notes to the basic financial statements.

Insurance Incurred but not Reported Claims (IBNR) – Management's estimate of claims payable accrued in the risk management fund is based on outside authoritative guidance and information provided by the third-party administrator.

Fair Value of Investments – Management's estimate investment fair values is based on published market values.

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 has determined that the effects of unrecorded retainage payable and related understatement of capital assets is immaterial to the financial statements taken as a whole.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management: coding reclassifications, adjust long-term liability and related accounts, record WRS activity, record agency fund activity, adjust revenue recognition, adjust tax accounts, adjust self-insurance claims payable, adjust inventory balances, record capital asset transactions, accrual adjustments, and fund activity reclassifications.

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 29, 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 and material audit adjustments.

Other audit findings or issues

We have provided a separate letter to you dated July 29, 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 schedule of state financial assistance (SSFA) 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 SSFA to determine that the SEFA and SSFA comply with the requirements of the Uniform Guidance and the State Single Audit Guide, the method of preparing it has not changed from the prior period or the reasons for such changes, and the

Board of Supervisors
Eau Claire County

SEFA and SSFA are appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA and SSFA 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 29, 2018.

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



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
July 29, 2018

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.

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 Office of Administration 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>
Combined Funds 100 and 209				
Cash and Investments	\$ 9,283,524	\$ 11,659,766	\$ 8,769,594	\$ 8,849,044
Taxes Receivable	13,562,298	13,825,792	13,406,416	13,324,964
Accounts Receivable/Due from Other Gov't	3,451,970	4,470,987	3,541,249	4,040,646
Due from Other Funds	3,761,621	215,983	4,244,007	4,352,294
Other Assets	566,833	648,155	644,923	47,738
	<u>\$ 30,626,246</u>	<u>\$ 30,820,683</u>	<u>\$ 30,606,189</u>	<u>\$ 30,614,686</u>
Accounts Payable/Due to Other Gov't	\$ 1,508,400	\$ 1,310,174	\$ 1,446,574	\$ 3,634,546
Accrued Liabilities	1,506,603	1,457,206	1,692,121	1,587,120
Special Deposits	628,288	444,105	417,271	475,160
Deferred Inflows	12,371,080	12,669,534	11,986,597	11,116,149
Fund Balance:				
Nonspendable:				
Delinquent Taxes and Tax Deeds	1,330,171	1,518,183	1,687,237	1,314,889
Inventory and Prepaid Items	566,833	648,155	644,923	47,738
Committed	-	-	-	-
Assigned:				
Subsequent Year's Budget	2,099,444	633,110	668,900	815,318
Unassigned	10,615,427	12,140,216	12,062,566	11,623,766
Total Fund Balance	14,611,875	14,939,664	15,063,626	13,801,711
Total Liabilities and Fund Balance	<u>\$ 30,626,246</u>	<u>\$ 30,820,683</u>	<u>\$ 30,606,189</u>	<u>\$ 30,614,686</u>
Revenues	\$ 36,054,136	\$ 35,200,900	\$ 35,315,850	\$ 33,897,052
Expenditures	(34,266,018)	(33,749,925)	(33,912,627)	(32,208,183)
Net Other Financing Sources (Uses)	(2,115,907)	(1,574,937)	(141,308)	(165,942)
Change in Fund Balance	<u>\$ (327,789)</u>	<u>\$ (123,962)</u>	<u>\$ 1,261,915</u>	<u>\$ 1,522,927</u>
% of Unassigned Fund Balance to General Fund Expenditures	31.0%	36.0%	35.6%	36.1%

FINANCIAL STATEMENT NOTATIONS

Item
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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:				
Fund 202 - Land Records	\$ 19,208	\$ -	\$ -	\$ -
Fund 205 - Health and Human Services	-	-	(2,170,259)	(1,488,601)
Fund 207 - Watershed Fund	118,828	33,572	79,100	55,022
Fund 211 - Recycling Fund	538,211	430,438	340,329	251,998
Fund 212 - Anti-Drug Program	(48,211)	(134,831)	(115,749)	(122,260)
Fund 215 - Aging and Disability Resource Center	268,017	296,094	229,119	209,857
	\$ 896,053	\$ 625,273	\$ (1,637,460)	\$ (1,093,984)

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:				
Fund 300 - Debt Service Fund	\$ 3,663,996	\$ 3,843,701	\$ 3,532,565	\$ 3,756,964

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:				
Fund 405 - Capital Projects Fund	\$ (2,234,122)	\$ 908,096	\$ (2,701,924)	\$ (3,370,872)

FINANCIAL STATEMENT NOTATIONS

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
Fund 701 - Highway Department				
Cash and Investments	\$ 3,054,119	\$ 4,276,836	\$ 1,044,068	\$ 1,426,694
Taxes Receivable	1,879,157	1,757,865	1,787,895	1,787,895
Accounts Receivable/Due from Other Gov't	956,789	1,314,621	1,367,830	1,758,402
Inventory and Prepaid Items	699,032	681,751	799,177	716,094
WRS Pension Asset and Deferred Outflows	1,207,379	1,886,876	769,813	-
Capital Assets - Net	8,162,870	7,939,751	4,848,831	4,902,292
	\$ 15,959,346	\$ 17,857,700	\$ 10,617,614	\$ 10,591,377
Accounts Payable/Due to Other Gov't	\$ 354,678	\$ 1,605,056	\$ 407,035	\$ 460,253
Accrued Liabilities	244,073	254,595	246,684	204,637
Unearned Revenue	199,274	206,640	-	-
Long-Term Liabilities	2,550,316	2,891,817	373,918	1,054,461
WRS Pension Liability and Deferred Inflows	661,077	1,198,090	-	-
Deferred Inflows - Taxes	1,879,157	1,757,865	1,796,278	1,787,895
Net Position:				
Net Investment in Capital Assets	6,002,223	5,898,483	4,848,831	4,902,292
Restricted - CTHS Road and Bridge Construction	-	-	-	483,128
Restricted - WRS Pension Asset	-	-	377,746	-
Unrestricted	4,068,548	4,045,154	2,567,122	1,698,711
	\$ 15,959,346	\$ 17,857,700	\$ 10,617,614	\$ 10,591,377
Changes to Net Position:				
Operating Income (Loss) + Transfers	\$ 127,134	\$ 2,149,938	\$ (37,336)	\$ 1,505,811
Change in Accounting Principle	-	-	746,904	-
Operating Income (Loss)	\$ 127,134	\$ 2,149,938	\$ 709,568	\$ 1,505,811
Current Ratio (1+ desired)	5.10	2.30	1.60	2.15
Fund 602 - Airport Fund				
Cash and Investments	\$ 1,069,501	\$ 959,132	\$ 551,882	\$ 666,646
Taxes Receivable	399,030	395,079	395,079	391,167
Accounts Receivable/Due from Other Gov't	55,600	42,401	168,449	66,398
WRS Pension Asset and Deferred Outflows	113,047	174,711	74,589	-
Capital Assets - Net	29,479,641	30,396,058	31,683,322	32,690,297
	\$ 31,116,819	\$ 31,967,381	\$ 32,873,321	\$ 33,814,508
Accounts Payable/Due to Other Gov't	\$ 98,572	\$ 43,115	\$ 79,487	\$ 63,100
Accrued Liabilities/Unearned Revenue	56,465	44,699	44,415	48,830
WRS Pension Liability and Deferred Inflows	61,897	109,310	-	-
Long-Term Liabilities	633,644	724,942	800,907	888,250
Deferred Inflows - Taxes	399,030	395,079	395,891	397,442
Net Position:				
Net Investment in Capital Assets	28,886,591	29,704,994	30,897,863	31,817,495
Restricted - WRS Pension Asset	-	-	36,601	-
Unrestricted	980,620	945,242	618,157	599,391
	\$ 31,116,819	\$ 31,967,381	\$ 32,873,321	\$ 33,814,508
Changes to Net Position:				
Net Income (Loss)	\$ (783,025)	\$ (902,385)	\$ (936,634)	\$ (945,255)
Change in Accounting Principle	-	-	72,369	-
Total Change in Net Position	\$ (783,025)	\$ (902,385)	\$ (864,265)	\$ (945,255)
Current Ratio (1+ desired)	6.90	10.92	4.45	5.96

FINANCIAL STATEMENT NOTATIONS

Item
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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.

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Fund 703 - Risk Management				
Cash and Investments	\$ 2,111,230	\$ 2,140,889	\$ 1,561,187	\$ 1,100,390
Other Assets and Deferred Outflows	1,395,211	1,356,210	1,365,509	1,312,429
	\$ 3,506,441	\$ 3,497,099	\$ 2,926,696	\$ 2,412,819
Current Liabilities and Deferred Inflows	\$ 62,119	\$ 44,267	\$ 13,107	\$ 10,656
Claims Payable	1,575,000	1,192,000	1,085,000	818,683
WRS Pension Liability and Deferred Inflows	27,508	28,362	342	-
Net Position:				
Restricted for Insurance Escrow	298,748	212,527	233,629	240,324
Restricted for WRS Pension Asset	-	-	15,411	-
Unrestricted	1,543,066	2,019,943	1,579,207	1,343,156
	\$ 3,506,441	\$ 3,497,099	\$ 2,926,696	\$ 2,412,819
Changes to Net Position:				
Net Income (Loss)	(390,656)	404,223	\$ 214,296	\$ 563,265
Change in Accounting Principle	-	-	30,471	-
Total Change in Net Position	\$ (390,656)	\$ 404,223	\$ 244,767	\$ 563,265

7 Long-Term Obligations

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
General Obligation Bonds and Notes	\$ 82,593,050	\$ 78,976,064	\$ 70,615,459	\$ 65,172,802
Unamortized Premiums	1,500,909	1,487,231	810,142	680,135
Subtotal	\$ 84,093,959	\$ 80,463,295	71,425,601	65,852,937
Vested Compensated Absences	3,776,437	3,687,866	3,882,921	3,965,946
Post Employment Benefits	-	-	-	4,536,654
Unpaid Self-Insurance Claims	1,575,000	1,192,000	1,085,000	818,683
Capital leases	2,160,647	2,529,850	-	-
Long-Term Payable to the City of Eau Claire	92,757	98,436	104,115	109,794
	\$ 91,698,800	\$ 87,971,447	\$ 76,497,637	\$ 75,284,014
Equalized Valuation	\$ 8,295,565,000	\$ 7,850,311,700	\$ 7,499,941,900	\$ 7,173,688,100
General Obligation Debt Limit	\$ 414,778,250	\$ 392,515,585	\$ 374,997,095	\$ 358,684,405
General Obligation Debt as Percent of Debt Limitation	19.9%	20.1%	18.8%	18.2%