

CHIPPEWA COUNTY, WISCONSIN
EXECUTIVE AUDIT SUMMARY (EAS)
DECEMBER 31, 2016

**CHIPPEWA COUNTY, WISCONSIN
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DECEMBER 31, 2016**

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Audit Report Summary

We prepared this Executive Audit Summary and Management Report in conjunction with our audit of Chippewa County's (the County) financial statements for the year ended December 31, 2016. 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 Weakness:

2016-001 Material Audit Adjustments

Significant Deficiency:

2016-002 Limited Segregation of Duties

Compliance and Internal Controls Over 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 material weaknesses in the related internal controls.

APPENDIX A

FORMAL REQUIRED COMMUNICATIONS

Executive Committee of the County Board
Chippewa County
Chippewa Falls, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Chippewa County, Wisconsin (the County) for the year ended December 31, 2016, and have issued our report thereon dated July 24, 2017. 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 require that we provide you with 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 Chippewa 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 2016, except for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 72.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

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, 2016 is based on historical trends and anticipated leave time activity.

Estimated Claims Payable – Management's estimate of claims payable accrued in the insurance internal service funds at December 31, 2016 is based on outside authoritative guidance.

Actuarial Assumptions – The actuarial assumptions used for other postemployment benefits payable and the Wisconsin Retirement System pension plan asset and related deferred outflows of resources 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 has corrected all such misstatements.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management: coding reclassifications, 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 received certain representations from management that are included in the management representation letter dated July 24, 2017.

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 24, 2017, communicating internal control related matters identified during the audit.

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 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 24, 2017.

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 24, 2017.

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 County Board and management of Chippewa 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 24, 2017



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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, 2017 financial statements include:

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*. This statement sets forth requirements for blending a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement is designed to address situations when a government is named as one of multiple beneficiaries (through trusts or other legally enforceable agreements from a donor).

New accounting standards effective for the December 31, 2018 financial statements include:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This statement replaces the requirements of GASB 45 and establishes new standards for recognizing and measuring OPEB liabilities, along with deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB plans.

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.

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.



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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 Chippewa 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>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
General Fund Balance Sheet Summary:				
Cash and Investments	\$ 19,725,429	\$ 19,646,636	\$ 18,352,865	\$ 15,516,241
Taxes Receivable:				
Current Taxes Receivable	15,593,016	15,088,134	14,750,709	14,506,658
Delinquent Taxes Receivable	1,136,629	1,227,099	1,359,644	1,530,522
Tax Deeds Owned by County	55,373	38,054	131,573	26,177
Accounts Receivable	964,222	1,320,075	742,566	918,504
Due from Other Funds	1,747,847	121,354	75,923	545,587
Long-Term Receivables	-	-	-	967,619
Other Assets	91,534	6,278	4,639	1,977
Total Assets	<u>\$ 39,314,050</u>	<u>\$ 37,447,630</u>	<u>\$ 35,417,919</u>	<u>\$ 34,013,285</u>
Payables	\$ 2,356,413	\$ 2,027,933	\$ 1,781,496	\$ 1,828,683
Unearned Revenue & Deferred Inflows of Resources	15,888,318	15,166,109	14,875,235	15,706,241
Total Liabilities & Deferred Inflows of Resources	<u>18,244,731</u>	<u>17,194,042</u>	<u>16,656,731</u>	<u>17,534,924</u>
Fund Balance:				
Nonspendable - Delinquent Taxes	1,192,002	1,265,153	1,491,217	1,556,699
Nonspendable - Other Purposes	91,534	6,278	4,639	1,977
Assigned	9,821,913	9,089,853	7,577,531	5,701,967
Unassigned	<u>9,963,870</u>	<u>9,892,304</u>	<u>9,687,801</u>	<u>9,217,718</u>
Total Fund Balance	<u>21,069,319</u>	<u>20,253,588</u>	<u>18,761,188</u>	<u>16,478,361</u>
	<u>\$ 39,314,050</u>	<u>\$ 37,447,630</u>	<u>\$ 35,417,919</u>	<u>\$ 34,013,285</u>
% of Unassigned Fund Balance to General Fund Expenditures				
	32.5%	34.8%	34.0%	31.9%
Revenues	\$ 29,016,754	\$ 27,385,702	\$ 28,093,903	\$ 26,320,191
Expenditures	(30,623,234)	(28,465,739)	(28,519,599)	(28,851,400)
Transfers In	2,564,211	3,088,437	2,903,512	4,247,353
Transfers Out	(142,000)	(516,000)	(194,989)	(576,934)
Net Change in Fund Balance	<u>\$ 815,731</u>	<u>\$ 1,492,400</u>	<u>\$ 2,282,827</u>	<u>\$ 1,139,210</u>

Financial Statement Notations

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- 2 **Special Revenue Funds:** Special Revenue funds are used to account for the proceeds of specific revenues sources that are restricted to expenditures for specified purposes.

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Special Revenue Fund Balances:				
Human Services	\$ 1,100,968	\$ 1,005,822	\$ 1,068,693	\$ 1,085,358
County Sales Tax	7,394,147	7,690,703	7,164,534	7,527,993
C.D.B.G. Grant Fund	187,141	535,489	373,459	235,897
WRRWC Fund	-	-	-	-
Public Health	141,841	102,284	82,891	79,537
Shelter Care	25,712	25,712	25,712	25,712
Dog Licenses	1,000	1,000	1,000	1,000
State Septic System Grant	-	-	-	-
Aging and Disability Resource Center	589,515	646,449	633,949	688,522
Land Management	285,752	214,506	235,679	257,154
Jail Assessment Fees	95,342	76,367	78,427	95,040
Economic Development	482,274	462,531	554,982	526,003
	<u>\$ 10,303,692</u>	<u>\$ 10,760,863</u>	<u>\$ 10,219,326</u>	<u>\$ 10,522,216</u>

- 3 **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>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Capital Project Fund Balances:				
2011/2012 Capital Projects Fund	\$ -	\$ -	\$ -	\$ 175,194
2013 Capital Projects Fund	-	237	2,052,880	3,000,452
	<u>\$ -</u>	<u>\$ 237</u>	<u>\$ 2,052,880</u>	<u>\$ 3,175,646</u>

- 4 **Debt Service Funds:** Debt Service Funds are used to account for the accumulation of resources for, and the payment of certain general long-term obligations.

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Debt Service Fund Balances:				
2011/12 Capital Projects Debt	\$ 812	\$ 812	\$ 812	\$ -
2011 Refunding Bonds	609,327	607,668	607,141	606,800
2013 Capital Projects Debt	4,801	4,801	4,801	17,745
	<u>\$ 614,940</u>	<u>\$ 613,281</u>	<u>\$ 612,754</u>	<u>\$ 624,545</u>

Financial Statement Notations

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- 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.

	Farm Land Development			
	12/31/2016	12/31/2015	12/31/2014	12/31/2013
Balance Sheet Summary:				
Cash and Investments	\$ 685,008	\$ 454,290	\$ 400,416	\$ 320,674
Accounts Receivable	40,000	40,000	40,000	40,000
Property Held for Resale	1,835,146	1,838,382	1,785,942	1,830,384
Capital Assets (Net)	22,653	22,653	22,653	22,653
	\$ 2,582,807	\$ 2,355,325	\$ 2,249,011	\$ 2,213,711
 Current Liabilities	 \$ 32,429	 \$ 4,589	 \$ 4,589	 \$ 4,589
Net Position:				
Net Investment in Capital Assets	22,653	22,653	22,653	22,653
Unrestricted	2,527,725	2,328,083	2,221,769	2,186,469
	\$ 2,582,807	\$ 2,355,325	\$ 2,249,011	\$ 2,213,711
 Income Statement Summary:				
Operating Income (Loss)	\$ 68,977	\$ 42,095	\$ 30,163	\$ (44,908)
Nonoperating Rev (Expenses)	665	218	5,137	4,357
Transfers In	130,000	-	-	-
Change in Net Position	\$ 199,642	\$ 42,313	\$ 35,300	\$ (40,551)

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.

	Highway Department			
	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Summary Balance Sheets:				
Current Assets	\$ 7,049,879	\$ 6,618,138	\$ 6,626,250	\$ 8,461,067
Restricted Assets - WRS	-	699,605	-	-
Capital Assets (Net)	10,876,828	11,013,396	11,795,737	11,720,380
Deferred Outflows - WRS	2,522,311	709,876	-	-
	<u>\$ 20,449,018</u>	<u>\$ 19,041,015</u>	<u>\$ 18,421,987</u>	<u>\$ 20,181,447</u>
Current Liabilities	\$ 1,950,013	\$ 1,565,513	\$ 2,295,369	\$ 3,170,360
Noncurrent Accrued Employee Leave	131,539	158,852	193,978	413,993
WRS Liability	447,918	-	-	-
Other Postemployment Benefits	109,016	82,450	60,734	38,743
Deferred Inflows - WRS	951,167	-	-	-
Net Position:				
Net Investment in Capital Assets	10,876,828	11,013,396	11,795,737	11,720,380
Restricted	-	699,605	-	-
Unrestricted	5,982,537	5,521,199	4,076,169	4,837,971
Total Net Position	<u>\$ 20,449,018</u>	<u>\$ 19,041,015</u>	<u>\$ 18,421,987</u>	<u>\$ 20,181,447</u>
Income Statement Summary:				
Operating Income (Loss)	\$ (2,049,792)	\$ (2,667,942)	\$ (3,335,066)	\$ (1,425,585)
Nonoperating Rev (Expenses)	(6,280)	(13,850)	(6,379)	(2,040)
Contributions and Transfers	1,681,237	2,640,043	2,655,000	2,182,918
Change in Accounting Principle	-	1,404,043	-	-
Change in Net Position	<u>\$ (374,835)</u>	<u>\$ 1,362,294</u>	<u>\$ (686,445)</u>	<u>\$ 755,293</u>
	Self-Funded Workers' Compensation			
	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Summary Balance Sheets:				
Current Assets	\$ 1,931,405	\$ 1,817,289	\$ 1,593,142	\$ 1,541,650
Current Liabilities	\$ 1,277,077	\$ 1,235,325	\$ 1,073,780	\$ 937,895
Net Position:				
Unrestricted	654,328	581,964	519,362	603,755
	<u>\$ 1,931,405</u>	<u>\$ 1,817,289</u>	<u>\$ 1,593,142</u>	<u>\$ 1,541,650</u>
Income Statement Summary:				
Operating Income (Loss)	\$ 70,252	\$ (438,069)	\$ (84,827)	\$ 153,948
Nonoperating Rev (Expenses)	2,112	671	434	501
Contributions and Transfers	-	500,000	-	-
Change in Net Position	<u>\$ 72,364</u>	<u>\$ 62,602</u>	<u>\$ (84,393)</u>	<u>\$ 154,449</u>

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6 Internal Service Funds (continued):

	Self-Funded Liability Insurance			
	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Summary Balance Sheets:				
Current Assets	\$ 395,159	\$ 465,682	\$ 453,722	\$ 485,980
Investment in WMMIC	750,327	750,327	750,327	750,327
	<u>\$ 1,145,486</u>	<u>\$ 1,216,009</u>	<u>\$ 1,204,049</u>	<u>\$ 1,236,307</u>
Current Liabilities	\$ 682,894	\$ 588,850	\$ 235,279	\$ 326,952
Net Position:				
Unrestricted	462,592	627,159	968,770	909,355
	<u>\$ 1,145,486</u>	<u>\$ 1,216,009</u>	<u>\$ 1,204,049</u>	<u>\$ 1,236,307</u>
Income Statement Summary:				
Operating Income (Loss)	\$ (249,010)	\$ (433,356)	\$ (17,332)	\$ (94,174)
Nonoperating Rev (Expenses)	84,443	91,745	76,747	84,149
Change in Net Position	<u>\$ (164,567)</u>	<u>\$ (341,611)</u>	<u>\$ 59,415</u>	<u>\$ (10,025)</u>

	Flexible Benefits Fund			
	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Summary Balance Sheets:				
Current Assets	<u>\$ 79,734</u>	<u>\$ 78,716</u>	<u>\$ 98,062</u>	<u>\$ 101,874</u>
Current Liabilities	\$ -	\$ -	\$ 17,010	\$ 23,646
Net Position:				
Unrestricted	79,734	78,716	81,052	78,228
	<u>\$ 79,734</u>	<u>\$ 78,716</u>	<u>\$ 98,062</u>	<u>\$ 101,874</u>
Income Statement Summary:				
Operating Income (Loss)	\$ (4,982)	\$ (8,336)	\$ (3,176)	\$ 3,902
Contributions and Transfers	6,000	6,000	6,000	6,000
Change in Net Position	<u>\$ 1,018</u>	<u>\$ (2,336)</u>	<u>\$ 2,824</u>	<u>\$ 9,902</u>

Financial Statement Notations

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7 Long-Term Obligations	12/31/2016	12/31/2015	12/31/2014	12/31/2013
General Obligation Bonds	\$ 2,430,000	\$ 3,195,000	\$ 3,930,000	\$ 4,985,000
General Obligation Notes	4,735,000	5,405,000	6,065,000	6,395,000
	7,165,000	8,600,000	9,995,000	11,380,000
Other Postemployment Benefits Payable				
General County	402,140	306,336	227,625	147,845
Highway	109,016	82,450	60,734	38,743
Vested Employee Benefits:				
General County	1,695,820	1,789,304	1,892,821	2,088,822
Highway	505,222	527,710	565,353	574,991
	\$ 9,877,198	\$ 11,305,800	\$ 12,741,533	\$ 14,230,401
 General Obligation Debt as Percent of Debt Limitation	 2.8%	 3.5%	 4.2%	 4.9%