DUNN COUNTY, WISCONSIN

EXECUTIVE AUDIT SUMMARY (EAS)

DECEMBER 31, 2014

DUNN COUNTY, WISCONSIN
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DECEMBER 31, 2014

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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, 2014. 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" opinion.

Internal Controls
Our report on internal controls includes 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: 2014-001 Material Audit Adjustments

Significant Deficiency: 2014-002 Limited Segregation of Duties

Compliance
No items of noncompliance were reported in the report on compliance.

Other Items
Other items were noted during the audit that do not rise to the level of an internal control deficiency as defined by audit standards but are summarized below for your consideration.

Cash and Investment Policies and Procedures

- The $97 Bremer Petty Cash bank account is not recorded nor reconciled to the County's books. The County has concluded that this balance is immaterial. We believe that all cash accounts should be reconciled and properly adjusted in the general ledger.

- It was discussed with staff at the Highway Department the lack of set procedures to safeguard and reconcile cash-on-hand (petty cash). Even though the balance of petty cash at the Highway Department is not significant, we recommend that there are still policies and procedures over the use of such funds. Doing so will enhance controls over cash by providing better safeguarding of assets and mitigate the risk of misappropriation of assets.

APPENDIX A

FORMAL REQUIRED COMMUNICATIONS

Board of Supervisors
Dunn County
Menomonie, 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 Dunn County, Wisconsin (the County) for the year ended December 31, 2014, and have issued our report thereon dated July 21, 2015. We did not audit the financial statements of the Dunn County Housing Authority, which is presented in the component unit column. Those statements were audited by other auditors whose report thereon has been furnished to us, in our opinion, insofar as it relates to the amounts included for the Housing Authority, is based solely on the report of the other auditors. 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 OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

<u>Accounting policies</u>

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Dunn 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 2014.

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, 2014 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, 2014 is based on outside authoritative guidance.

Estimated Allowance for Doubtful Accounts – Management's estimate of allowance for doubtful accounts is based on known and expected uncollectible amounts.

Actuarial Assumptions – The actuarial assumptions used for other postemployment benefits payable 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 unrecorded financial statement misstatements.

Corrected misstatements

The following material misstatements detected as a result of audit procedures were corrected by management: coding reclassifications, CDBG loan program activity, accrual adjustments, accounts payable adjustments, accounts receivable 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 21, 2015.

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 21, 2015, 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) 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 to determine that the SEFA complies with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA 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 21, 2015.

Board of Supervisors
Dunn 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 21, 2015.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Eau Claire, Wisconsin
July 21, 2015

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, 2015 financial statements include:

> **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***, issued June 2012. This statement replaces the requirements of Statement No. 27 for pension plans.
>
> **GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68***, issued November 2013. This statement was issued to eliminate a potential recognition problem when GASB Statement No. 68 is implemented. The guidance will prevent the significant understatement of restated beginning net position and expense when certain timing of contributions to a pension exists.

New accounting standards effective for the December 31, 2016 financial statements include:

> **GASB Statement No. 72, *Fair Value Measurement and Application***, issued February 2015. This statement addresses accounting and financial reporting issues related to fair value measurements.

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APPENDIX C

Audit Report Notations

Item #

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.

	12/31/14	12/31/13	12/31/12	12/31/11
General Fund Balance Sheet Summary:				
Cash and Investments	$ 12,944,209	$ 12,878,318	$ 13,319,310	$ 11,849,925
Taxes Receivable:				
Current	8,961,978	8,522,305	10,118,484	9,770,922
Delinquent	1,257,640	1,204,063	1,532,773	1,736,452
Loans Receivable	207,631	92,956	60,000	80,000
Due from Other Funds	2,740,731	2,282,361	1,079,122	1,520,276
Other Receivables	1,135,306	1,007,077	1,002,782	1,092,591
Total Assets	$ 27,247,495	$ 25,987,080	$ 27,112,471	$ 26,050,166
Current Payables	$ 1,111,469	$ 1,003,489	$ 1,303,980	$ 1,132,781
Unearned Revenue/Deferred Inflows	9,330,261	8,924,407	10,558,536	10,311,751
Total Liabilities & Deferred Inflows	10,441,730	9,927,896	11,862,516	11,444,532
Fund Balance:				
Nonspendable	958,247	763,327	954,583	1,083,725
Restricted	-	-	60,735	-
Assignments	1,292,724	2,766,127	1,725,151	2,257,686
Unassigned	**14,554,794**	**12,529,730**	**12,509,486**	**11,264,223**
Total Fund Balance	16,805,765	16,059,184	15,249,955	14,605,634
	$ 27,247,495	$ 25,987,080	$ 27,112,471	$ 26,050,166
Revenues	$ 20,178,015	$ 20,653,474	$ 20,645,832	$ 20,587,361
Expenditures	**(19,920,654)**	**(20,532,544)**	**(20,655,523)**	**(20,804,581)**
Net Transfers In	630,624	688,299	654,012	501,744
Net Transfers Out	(141,404)	-	-	-
Change in Fund Balance	$ 746,581	$ 809,229	$ 644,321	$ 284,524
% of Unassigned Fund Balance to General Fund Expenditures	**73.1%**	**61.0%**	**60.6%**	**54.1%**

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

	12/31/14	12/31/13	12/31/12	12/31/11
Special Revenue Fund Balances:				
Human Services	$ -	$ -	$ -	$ -
Jail Assessment Fees	91,251	94,842	98,023	79,466
Solid Waste	1,201,037	1,087,651	1,001,825	701,231
CDBG Revolving Loan	108,495	83,251	-	-
	$ 1,400,783	$ 1,265,744	$ 1,099,848	$ 780,697

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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.

	12/31/14	12/31/13	12/31/12	12/31/11
Debt Service Fund Balances:				
G.O. Debt	$ 27,200	$ 29,290	$ 30,367	$ 30,298

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.

	12/31/14	12/31/13	12/31/12	12/31/11
Capital Project Fund Balance:	$ 6,328,936	$ 9,216,342	$ -	$ -

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.

	Highway Department			
	12/31/14	**12/31/13**	**12/31/12**	**12/31/11**
Balance Sheet Summary:				
Cash and Investments	$ 2,134,711	$ 1,624,798	$ 872,457	$ 1,025,874
Taxes Receivable	6,820,318	6,435,831	4,964,066	4,836,940
Accounts Receivable	874,185	759,702	685,462	720,798
Inventory	1,606,168	1,609,301	1,557,378	1,399,089
Prepaids	-	3,713	7,425	-
Capital Assets (net)	6,760,397	6,746,432	6,898,613	7,052,388
	$ 18,195,779	$ 17,179,777	$ 14,985,401	$ 15,035,089
Current Liabilities	$ 490,939	$ 487,681	$ 465,722	$ 346,594
Unearned Revenues/Deferred Inflows	6,820,318	6,602,163	5,104,134	4,836,940
Vested Benefits	582,763	501,723	508,560	456,250
Noncurrent Vested Benefits	339,481	270,158	273,840	245,673
Other Post-Employment Benefits	51,461	26,735	22,550	18,151
Net Position:				
Net Investment in Capital Assets	6,760,397	6,746,432	6,898,613	7,052,388
Unrestricted	3,150,420	2,544,885	1,711,982	2,079,093
	$ 18,195,779	$ 17,179,777	$ 14,985,401	$ 15,035,089
Income (Loss) Before Other Items	$ 611,271	$ 2,748,483	$ 3,060,257	$ 4,698,941
Capital Contributions	8,229	(2,067,761)	(3,581,143)	(4,461,909)
Change in Net Position	$ 619,500	$ 680,722	$ (520,886)	$ 237,032
Current Ratio* (1+ desired)	**6.13**	**4.89**	**3.35**	**5.04**

**Current ratio calculation includes cash and investments, accounts receivable, current liabilities and due to other funds balances.*

Audit Report Notations

Item #

5 Enterprise Funds (cont'd.)

	The Neighbors of Dunn County			
	12/31/14	**12/31/13**	**12/31/12**	**12/31/11**
Balance Sheet Summary:				
Operating Cash and Investments	$ -	$ -	$ -	$ -
Restricted Cash - Construction	56,056	805,840	14,526,031	-
Restricted Cash - Patient Trust Cash	12,927	6,490	7,366	7,823
Taxes Receivable	-	500,000	500,000	500,000
Accounts Receivable	1,742,952	1,969,192	974,951	999,565
Inventory	56,587	55,435	51,810	52,345
Prepaid Expenses	5,075	4,545	4,359	4,169
Capital Assets (net)	20,758,214	21,457,888	10,193,317	697,816
	$ 22,631,811	$ 24,799,390	$ 26,257,834	$ 2,261,718
Current Liabilities	$ 649,395	$ 683,677	$ 495,256	$ 429,949
Construction Contracts Payable	-	396,965	938,323	-
Interest Payable	190,825	195,125	403,909	-
Due to Other Funds	2,541,012	2,045,529	1,079,122	1,520,276
Unearned Revenues/Deferred Inflows	-	500,000	500,000	500,000
Vested Benefits	333,802	411,692	370,359	381,823
Patients Trust Funds Payable	12,927	6,490	7,366	7,823
Advance from Other Funds	32,500	32,500	32,500	32,500
Bonds Payable	22,311,844	23,279,320	23,388,512	-
Noncurrent Vested Benefits	421,676	310,575	279,393	288,042
Other Post-Employment Benefits	110,041	154,573	130,808	106,311
Net Position:				
Net Investment in Capital Assets	(1,553,630)	(1,519,300)	1,330,836	697,816
Unrestricted	(2,418,581)	(1,697,756)	(2,698,550)	(1,702,822)
	$ 22,631,811	$ 24,799,390	$ 26,257,834	$ 2,261,718
Income (Loss) Before Transfers	$ (751,369)	$ (1,188,174)	$ (362,708)	$ (678,681)
Transfer Out	(3,786)	(661,168)	-	-
Change in Net Position	$ (755,155)	$ (1,849,342)	$ (362,708)	$ (678,681)
Current Ratio* (1+ desired)	**0.55**	**0.77**	**0.71**	**0.61**

	Transit Commission			
	12/31/14	**12/31/13**	**12/31/12**	**12/31/11**
Balance Sheet Summary:				
Cash and Investments	$ 187,298	$ 2,943	$ 42,997	$ 95,920
Accounts Receivable	211,660	189,059	151,522	84,830
Prepaids	5,531	8,297	11,063	-
Capital Assets (net)	337,484	190,831	267,832	245,939
	$ 741,973	$ 391,130	$ 473,414	$ 426,689
Current Liabilities	$ 59,523	$ 41,360	$ 49,995	$ 36,082
Advances from Other Funds	195,757	-	-	-
Vested Benefits	2,304	3,235	3,227	2,698
Noncurrent Vested Benefits	2,764	2,156	2,151	1,799
Net Position:				
Net Investment in Capital Assets	337,484	190,831	267,832	245,939
Unrestricted	144,141	153,548	150,209	140,171
	$ 741,973	$ 391,130	$ 473,414	$ 426,689
Income (Loss) Before Other Items	$ 41,783	$ (175,437)	$ (66,077)	$ 26,466
Transfer In / Capital Contributions	95,463	101,775	98,008	234,195
Change in Net Position	$ 137,246	$ (73,662)	$ 31,931	$ 260,661
Current Ratio* (1+ desired)	**6.80**	**4.84**	**4.11**	**5.01**

Audit Report Notations

Item #

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 governmental units, on a cost reimbursement basis.

	Workers' Compensation			
	12/31/14	**12/31/13**	**12/31/12**	**12/31/11**
Summary Balance Sheets:				
Cash and Investments	$ 2,204,445	$ 1,971,895	$ 2,019,367	$ 2,187,322
Accrued Liabilities	320,320	189,525	388,688	215,670
Net Position	$ 1,884,125	$ 1,782,370	$ 1,630,679	$ 1,971,652
Income Before Transfers	$ 301,755	$ 351,691	$ (140,973)	$ 435,095
Transfers to General Fund	(200,000)	(200,000)	(200,000)	(200,000)
Change in Net Position	$ 101,755	$ 151,691	$ (340,973)	$ 235,095

	Health Insurance			
	12/31/14	**12/31/13**	**12/31/12**	**12/31/11**
Summary Balance Sheets:				
Cash and Investments	$ 2,433,827	$ 2,292,042	$ 2,881,321	$ 3,331,186
Accounts Receivable	153,259	213,849	346,865	596,927
	2,587,086	2,505,891	3,228,186	3,928,113
Accrued Liabilities	475,760	693,248	453,986	626,949
Net Position	$ 2,111,326	$ 1,812,643	$ 2,774,200	$ 3,301,164
Income Before Transfers	$ 598,683	$ (661,557)	$ (226,964)	$ 356,930
Transfers to General Fund	(300,000)	(300,000)	(300,000)	(300,000)
Change in Net Position	$ 298,683	$ (961,557)	$ (526,964)	$ 56,930

7 Long-Term Obligations	**12/31/14**	**12/31/13**	**12/31/12**	**12/31/11**
General Obligation Bonds	$ 43,210,000	$ 38,465,000	$ 30,125,000	$ 9,455,000
Vested Compensated Absences and OPEB Liability:				
Governmental Activities	2,660,236	2,847,586	2,907,507	2,564,642
Business Type Activities	1,844,292	1,680,847	1,590,888	1,500,747
	$ 47,714,528	$ 42,993,433	$ 34,623,395	$ 13,520,389
Equalized Valuation	$ 2,672,053,700	$ 2,613,740,200	$ 2,579,828,400	$ 2,733,111,100
General Obligation Debt Limit	$ 133,602,685	$ 130,687,010	$ 128,991,420	$ 136,655,555
General Obligation Debt as Percent of Debt Limitation	**32.3%**	**29.4%**	**23.4%**	**6.9%**

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APPENDIX D

INDEPENDENT AUDITORS' REPORT
ON CONDENSED FINANCIAL STATEMENTS

Board of Supervisors
Dunn County
Menomonie, Wisconsin

We have audited the accompanying condensed financial statements, as presented on pages 7 through 10, of Dunn County, Wisconsin as of and for the years ended December 31, 2014, 2013, 2012 and 2011.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

The accompanying condensed financial statements, as presented on pages 7 through 10, of Dunn County, Wisconsin as of and for the years ended December 31, 2014, 2013, 2012 and 2011, do not present the financial position of Dunn County, Wisconsin and the results of its operations and its cash flows in accordance with accounting principles generally accepted in the United States of America and do not include all the disclosures required by accounting principles generally accepted in the United States of America. The condensed financial statements referenced above are not intended to provide full disclosure financial statements. Rather, the intention is to provide summary multi-year trend information for the purposes of highlighting changes in activity.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the condensed financial statements referred to above do not present fairly, the financial statements of Dunn County, Wisconsin as of and for the years ended December 31, 2014, 2013, 2012 and 2011 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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 Dunn County, Wisconsin, as of and for the years ended December 31, 2014, 2013, 2012 and 2011, and the related notes to the financial statements (not presented herein) which collectively comprise the County's basic financial statements, and our reports thereon, dated July 21, 2015, July 22, 2014, July 11, 2013 and June 15, 2012, respectively, expressed unmodified opinions on those financial statements. Therefore, our opinions on the financial statements referred to in this paragraph are not modified as a result of the adverse opinion expressed on the condensed financial information presented on pages 7 through 10.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Eau Claire, Wisconsin
July 21, 2015