

POLK COUNTY, WISCONSIN, WISCONSIN

AUDIT SUMMARY

DECEMBER 31, 2017

**POLK COUNTY, WISCONSIN, WISCONSIN
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DECEMBER 31, 2017**

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Audit Report Summary

We prepared this Audit Summary in conjunction with our audit of Polk County's (the County) financial statements for the year ended December 31, 2017. The following is a summary of reports we have issued:

Audit Opinion

We issued what is known as an "unmodified" audit opinion on the County's financial statements for the year ended December 31, 2017, wherein we opine that the financial statements of the County are fairly stated in all material respects.

Internal Controls

The report on internal controls includes the following material weaknesses:

- 2017-001 Material Audit Adjustments
- 2017-002 Limited Segregation of duties

Compliance with Federal and State Grant Programs

There were no findings reported in our testing of state and federal grant programs.

**APPENDIX A
FINANCIAL STATEMENT NOTATIONS**

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 Polk 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.

**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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund Balance Sheet Summary:				
Cash and Investments	\$ 10,501,982	\$ 11,012,600	\$ 9,838,769	\$ 9,285,671
Taxes Receivable:				
Current	15,674,187	15,130,768	14,653,778	14,037,900
Delinquent	4,230,081	4,133,019	3,810,463	3,844,549
Advances to Other Funds	298,364	432,364	541,369	646,503
Other Receivables	1,951,185	674,901	581,938	1,101,551
Other Assets	14,249	9,720	7,075	8,250
Total Assets	<u>\$ 32,670,048</u>	<u>\$ 31,393,372</u>	<u>\$ 29,433,392</u>	<u>\$ 28,924,424</u>
Current Payables	\$ 853,756	\$ 821,858	\$ 775,873	\$ 759,909
Deferred Inflows of Resources	15,671,785	15,130,767	14,653,777	14,037,900
Total Liabilities and Deferred Inflows	<u>16,525,541</u>	<u>15,952,625</u>	<u>15,429,650</u>	<u>14,797,809</u>
Fund Balance:				
Nonspendable for Delinquent Taxes	4,230,081	4,133,019	3,810,463	3,844,549
Nonspendable for Interfund Advances	298,364	432,364	541,369	646,503
Nonspendable for Prepaids	14,249	9,720	7,075	8,250
Restricted	58,583	62,013	156,985	201,127
Committed	17,849	15,363	10,463	16,693
Assigned	1,563,334	1,153,685	778,549	966,109
Unassigned	9,962,047	9,634,583	8,698,838	8,443,384
Total Fund Balance	<u>16,144,507</u>	<u>15,440,747</u>	<u>14,003,742</u>	<u>14,126,615</u>
	<u>\$ 32,670,048</u>	<u>\$ 31,393,372</u>	<u>\$ 29,433,392</u>	<u>\$ 28,924,424</u>
Revenues	\$ 23,306,933	\$ 22,615,394	\$ 21,883,775	\$ 21,622,279
Expenditures	(24,616,486)	(24,564,261)	(23,822,242)	(23,124,252)
Other Financing Sources/Uses	2,013,313	3,385,872	1,815,594	2,283,299
Net Change in Fund Balance	<u>703,760</u>	<u>1,437,005</u>	<u>(122,873)</u>	<u>781,326</u>
% of Unassigned Fund Balance to General Fund Expenditures	40.5%	39.2%	36.5%	36.5%

- 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.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Year-End Fund Balances:				
Children and Families Fund	\$ -	\$ -	\$ -	\$ -
Health Services Fund	-	-	-	-
Public Health	282,316	237,816	258,480	261,514
County Sales Tax	-	846,014	650,724	1,288,497
Jail Assessment Fees	(1,919)	(5,667)	19,557	45,351
Lake Improvement	67,522	70,526	83,279	86,712
CDBG Revolving Loan	30,255	73,611	81,410	114,874
Other	742,336	707,136	544,209	427,550
	<u>\$ 1,120,510</u>	<u>\$ 1,929,436</u>	<u>\$ 1,637,659</u>	<u>\$ 2,224,498</u>

APPENDIX A (CONTINUED)
FINANCIAL STATEMENT NOTATIONS
(Prepared in Conjunction with 2017 Audit)

**Item
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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.

	2017	2016	2015	2014
Year-End Fund Balances:				
G.O. Debt	\$ 102,441	\$ 182,486	\$ 183,530	\$ 180,184

- 4 Capital Projects 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.

	2017	2016	2015	2014
Year-End Fund Balances:				
Various	\$ 7,838,751	\$ -	\$ 3,061	\$ -

- 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.

	Nursing Home (Golden Age Manor)			
	2017	2016	2015	2014
Balance Sheet Summary:				
Operating Cash and Investments	\$ -	\$ -	\$ -	\$ -
Departmental/Patient Trust Cash	91,698	28,956	23,467	27,834
Donation Fund Cash	6,626	7,845	9,729	10,288
Accounts Receivable	538,179	585,307	508,415	1,148,297
Inventories/Prepayments	52,139	84,935	80,178	56,251
WRS Pension Related Asset	-	-	675,452	-
Capital Assets (net)	1,390,833	1,458,139	1,548,320	1,522,442
Total Assets	2,079,475	2,165,182	2,845,561	2,765,112
WRS Pension Related Deferred Outflows	1,469,779	2,358,182	696,704	-
Current Liabilities	330,472	320,286	335,759	292,990
Due to Gen. Fund-Cash Overdraft	-	142,824	52,638	597,370
Patients Trust Funds Payable	20,675	27,956	22,467	26,834
Long-Term Notes/Capital Lease Payable	-	-	1,779	46,144
Advances from General Fund	369,473	432,364	541,369	646,503
WRS Pension Related Liability	188,442	388,658	-	-
Vested Benefits/OPEB	618,201	687,324	701,686	609,363
Total Liabilities	1,527,263	1,999,412	1,655,698	2,219,204
WRS Pension Related Deferred Inflows	592,635	873,354	-	-
Net Position:				
Net Investment in Capital Assets	1,390,833	1,458,139	1,546,541	1,476,298
Restricted	6,626	7,845	685,181	10,288
Unrestricted	31,897	184,614	(345,155)	(940,678)
Total Net Position	\$ 1,429,356	\$ 1,650,598	\$ 1,886,567	\$ 545,908
Income (Loss) Before Capital Contributions and Transfers	\$ (199,565)	\$ (214,292)	\$ (12,194)	\$ 153,082
Net Transfers from (to) General Fund	(21,677)	(21,677)	(21,677)	(21,677)
Change in Accounting Principle	-	-	1,374,530	-
Change in Net Position	\$ (221,242)	\$ (235,969)	\$ 1,340,659	\$ 131,405

APPENDIX A (CONTINUED)
FINANCIAL STATEMENT NOTATIONS
(Prepared in Conjunction with 2017 Audit)

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5 Enterprise Funds (Continued)

	Lime Fund			
	2017	2016	2015	2014
Balance Sheet Summary:				
Operating Cash and Investments	\$ 512,051	\$ 374,351	\$ 337,202	\$ 393,647
Accounts Receivable	32,322	49,844	35,513	63,851
Inventories/Prepayments	109,606	149,319	290,779	251,548
Capital Assets (net)	949,592	1,049,489	1,126,634	894,503
WRS Pension Related Asset	-	-	31,378	-
Total Assets	<u>1,603,571</u>	<u>1,623,003</u>	<u>1,821,506</u>	<u>1,603,549</u>
WRS Pension Related Deferred Outflows	88,653	107,842	32,366	-
Current Liabilities	21,376	15,230	26,918	32,239
Vested Benefits/OPEB	97,310	92,222	90,349	61,695
WRS Pension Related Liability	11,366	16,962	-	-
Total Liabilities	<u>130,052</u>	<u>124,414</u>	<u>117,267</u>	<u>93,934</u>
WRS Pension Related Deferred Inflows	35,746	39,674	-	-
Net Position:				
Net Investment in Capital Assets	949,592	1,049,489	1,126,634	894,503
Restricted	-	-	31,378	-
Unrestricted	576,834	517,268	578,593	615,112
	<u>\$ 1,526,426</u>	<u>\$ 1,566,757</u>	<u>\$ 1,736,605</u>	<u>\$ 1,509,615</u>
Income (Loss) Before Transfers	\$ (8,131)	\$ (69,848)	\$ 93,936	\$ 11,255
Net Transfers In (Out)	(32,200)	(100,000)	69,200	(100,000)
Change in Accounting Principle	-	-	63,854	-
Change in Net Position	<u>\$ (40,331)</u>	<u>\$ (169,848)</u>	<u>\$ 226,990</u>	<u>\$ (88,745)</u>

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.

	Highway Department			
	2017	2016	2015	2014
Balance Sheet Summary:				
Cash and Investments	\$ 2,671,487	\$ 2,917,825	\$ 2,260,961	\$ 1,653,175
Accounts Receivable	925,535	782,014	741,493	710,082
Inventories/Prepayments	805,457	599,297	862,285	520,378
Capital Assets (net)	5,259,004	4,826,035	4,374,444	4,624,984
WRS Pension Related Asset	-	-	317,557	-
Total Assets	<u>9,661,483</u>	<u>9,125,171</u>	<u>8,556,740</u>	<u>7,508,619</u>
WRS Pension Related Deferred Outflows	787,504	1,175,441	327,548	-
Current Liabilities	220,950	834,602	227,953	167,677
Unearned Revenues	-	-	-	-
Vested Benefits/OPEB	419,051	491,633	444,199	349,250
WRS Pension Related Liability	100,967	225,484	-	-
Total Liabilities	<u>740,968</u>	<u>1,551,719</u>	<u>672,152</u>	<u>516,927</u>
WRS Pension Related Deferred Inflows	317,532	445,694	-	-
Net Position:				
Net Investment in Capital Assets	5,259,004	4,826,035	4,374,444	4,624,984
Restricted	-	-	317,557	-
Unrestricted	4,131,483	3,477,164	3,520,135	2,366,708
	<u>\$ 9,390,487</u>	<u>\$ 8,303,199</u>	<u>\$ 8,212,136</u>	<u>\$ 6,991,692</u>
Income (Loss) Before Transfers	\$ 1,068	\$ 111,063	\$ 474,223	\$ 325,157
Transfers	1,086,220	(20,000)	100,000	-
Change in Accounting Principle	-	-	646,221	-
Change in Net Position	<u>\$ 1,087,288</u>	<u>\$ 91,063</u>	<u>\$ 1,220,444</u>	<u>\$ 325,157</u>

APPENDIX A (CONTINUED)
FINANCIAL STATEMENT NOTATIONS
(Prepared in Conjunction with 2017 Audit)

Item
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6 Internal Service Funds (Continued)

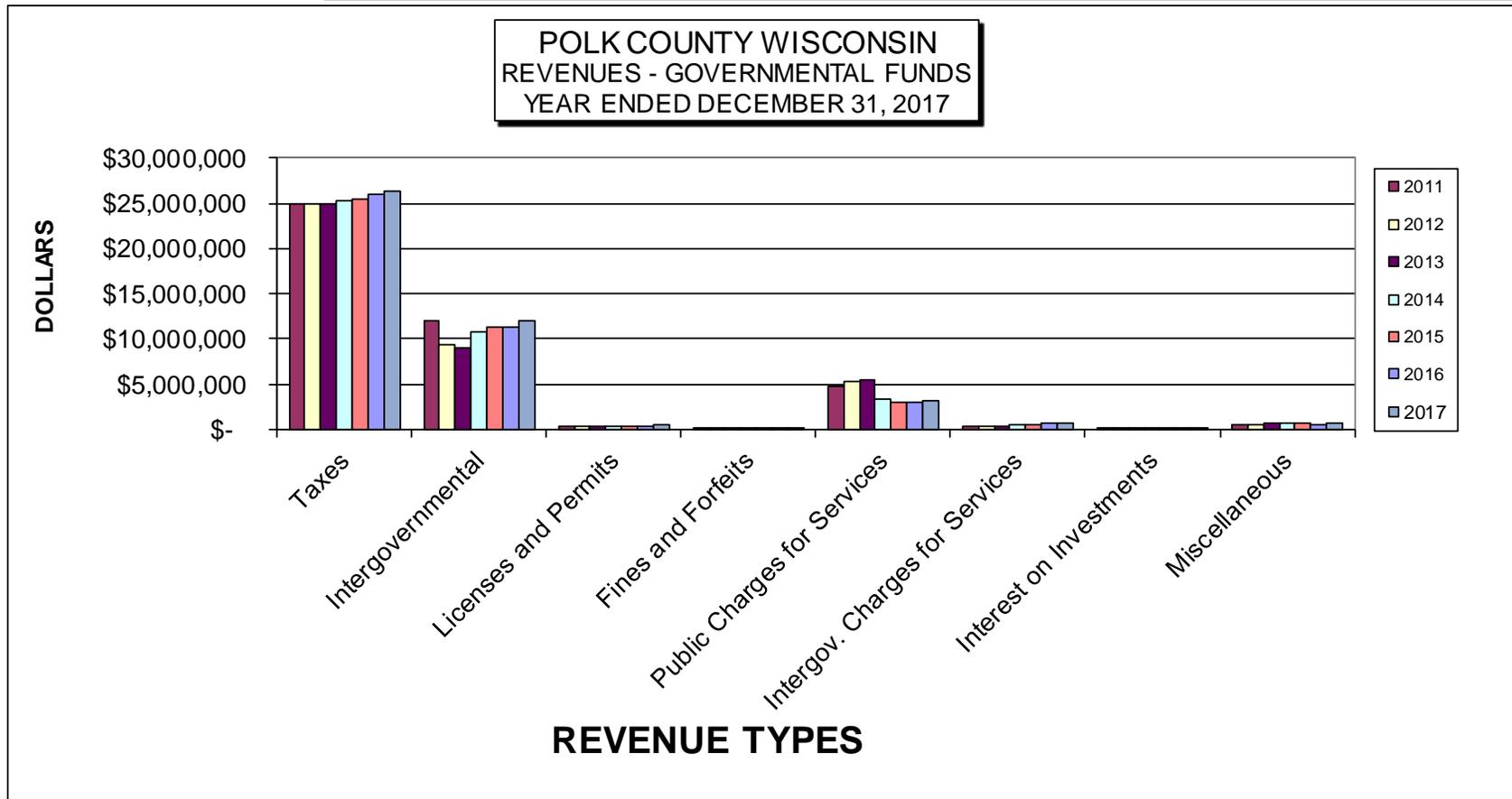
	Health Insurance			
	2017	2016	2015	2014
Summary Balance Sheets:				
Cash and Investments	\$ 4,600,612	\$ 3,990,514	\$ 3,349,892	\$ 2,588,499
Accrued Liabilities	<u>179,338</u>	<u>250,511</u>	<u>356,232</u>	<u>481,305</u>
Net Position	<u>\$ 4,421,274</u>	<u>\$ 3,740,003</u>	<u>\$ 2,993,660</u>	<u>\$ 2,107,194</u>
Income Before Transfers	\$ 681,271	\$ 746,343	\$ 886,466	\$ 1,220,776
Transfers to General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 681,271</u>	<u>\$ 746,343</u>	<u>\$ 886,466</u>	<u>\$ 1,220,776</u>

7 Long-Term Obligations

	2017	2016	2015	2014
General Obligation Bonds	\$ -	\$ 8,710,000	\$ 11,330,000	\$ 13,675,000
General Obligation Notes	<u>17,162,520</u>	<u>-</u>	<u>-</u>	<u>2,467,586</u>
	17,162,520	8,710,000	11,330,000	16,142,586
Vested Compensated Absences and OPEB Liability:				
Governmental Activities	4,805,012	4,785,458	4,711,229	4,076,729
Business Type Activities	786,620	779,546	792,035	671,058
Other	<u>72,195</u>	<u>98,312</u>	<u>321,472</u>	<u>361,824</u>
	<u>\$ 22,826,347</u>	<u>\$ 14,373,316</u>	<u>\$ 17,154,736</u>	<u>\$ 21,252,197</u>
Equalized Valuation	\$ 4,530,661,500	\$ 4,353,964,600	\$ 4,073,722,200	\$ 4,009,247,500
General Obligation Debt Limit	\$ 226,533,075	\$ 217,698,230	\$ 203,686,110	\$ 200,462,375
General Obligation Debt as Percent of Debt Limitation	7.6%	4.0%	5.6%	8.1%

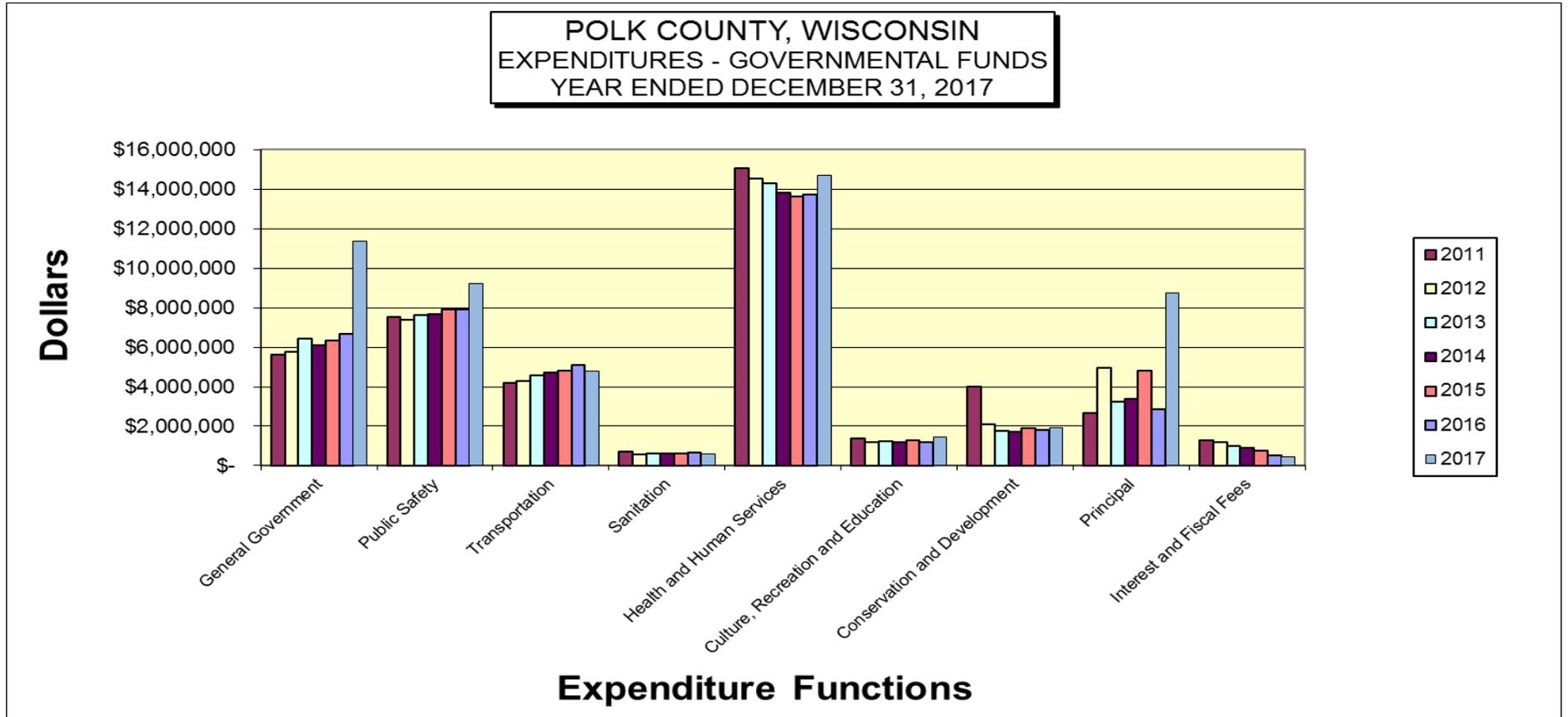
APPENDIX A (CONTINUED)
FINANCIAL STATEMENT NOTATIONS
(Prepared in Conjunction with 2017 Audit)

	2011	2012	2013	2014	2015	2016	2017
Taxes	\$ 24,886,825	\$ 24,927,433	\$ 24,970,655	\$ 25,187,054	\$ 25,424,616	\$ 25,978,419	\$ 26,259,099
Intergovernmental	12,063,915	9,275,868	8,987,560	10,829,632	11,367,791	11,319,363	12,067,948
Licenses and Permits	316,946	319,409	330,106	344,378	378,651	408,879	446,356
Fines and Forfeits	190,724	174,697	170,883	162,144	134,019	150,239	172,031
Public Charges for Services	4,741,229	5,241,578	5,407,973	3,303,066	2,904,207	3,065,511	3,238,262
Intergov. Charges for Services	315,457	246,274	299,629	514,769	550,299	601,687	625,387
Interest on Investments	115,753	94,242	87,947	44,484	56,399	90,073	159,948
Miscellaneous	469,951	419,869	630,197	760,596	654,748	464,164	715,990
\$	43,100,800	40,699,370	40,884,950	41,146,123	41,470,730	42,078,335	43,685,021



APPENDIX A (CONTINUED)
FINANCIAL STATEMENT NOTATIONS
(Prepared in Conjunction with 2017 Audit)

	2011	2012	2013	2014	2015	2016	2017
General Government	\$ 5,623,938	\$ 5,782,212	\$ 6,444,674	\$ 6,105,005	\$ 6,334,246	\$ 6,669,921	\$ 11,379,961
Public Safety	7,536,613	7,391,208	7,620,602	7,653,952	7,932,360	7,919,826	9,246,655
Transportation	4,197,022	4,294,698	4,593,952	4,726,090	4,811,387	5,093,483	4,796,981
Sanitation	711,023	556,663	607,817	606,452	598,049	681,131	585,867
Health and Human Services	15,087,819	14,536,614	14,301,854	13,829,814	13,634,291	13,745,353	14,690,887
Culture, Recreation and Education	1,385,898	1,174,919	1,219,646	1,174,606	1,260,081	1,196,181	1,444,016
Conservation and Development	4,019,799	2,094,840	1,769,182	1,700,855	1,895,316	1,812,420	1,939,159
Principal	2,685,462	4,947,284	3,230,334	3,375,227	4,816,796	2,872,114	8,736,117
Interest and Fiscal Fees	1,262,181	1,182,958	1,000,074	882,573	752,209	535,639	448,233
Total	\$ 42,509,755	\$ 41,961,396	\$ 40,788,135	\$ 40,054,574	\$ 42,034,735	\$ 40,526,068	\$ 53,267,876



APPENDIX B

GOVERNANCE COMMUNICATION LETTER

The County Board
Polk County, Wisconsin
Balsam Lake, 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 the Polk County, Wisconsin for the year ended December 31, 2017, and have issued our report thereon dated June 22, 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 Polk County, Wisconsin 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 Claims Payable – Management's estimate of claims payable accrued in the insurance internal service funds at December 31, 2017 is based on outside authoritative guidance.

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

Actuarial Assumptions – The actuarial assumptions used for other postemployment benefits payable and 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 estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

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

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

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

Corrected misstatements

The following material 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 requested certain representations from management that are included in the management representation letter dated June 22, 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 June 22, 2018, 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 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 June 22, 2018.

County Board
Polk 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 June 22, 2018.

The statistical information accompanying the financial statements which is the responsibility of management was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

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



CliftonLarsonAllen LLP

Eau Claire, Wisconsin
June 22, 2018