

Audit Committee Exit Conference

Paul Dietmann, Chair-Audit
Alan Langeteig, Past Chair
Kathy Cromey, Chair-Planning & Development, Treasurer
Melanie Bruins
Todd Kearney
Dave Robinson

December 4, 2019
9:30 a.m. to 10:00 a.m.

Overture Center for the Arts
201 State Street
Madison, WI 53703-2214

Members Present: Paul Dietmann, Chair; Melanie Bruins, Todd Kearney

Via Phone: Kathy Cromey, Treasurer

Staff Present: Seth Lentz, Chris Ziegel

Guests Present: Michelle Knutson, Wipfli; Joe Ledger

Agenda Item 1 – Introductions and Announcements

Dietmann welcomed everyone and called the meeting to order at 9:36 a.m. Dietmann noted that the meeting was properly noticed and a quorum was present.

Agenda Item 2 – Review and Approval of the December 7, 2018 Meeting Minutes

Dietmann asked for a motion to approve the minutes of the December 7, 2018 Audit Committee meeting as presented. Bruins moved to approve the minutes as presented. Kearney offered the second. No discussion followed on this motion. The vote was unanimous in favor of the motion.

Agenda Item 3 – Review and Approval of the September 12, 2019 Meeting Minutes

Dietmann asked for a motion to approve the minutes of the September 12, 2019 Audit Committee meeting as presented. Bruins moved to approve the minutes as presented. Kearney offered the second. No discussion followed on this motion. The vote was unanimous in favor of the motion.

Agenda Item 4 – Annual Agency-wide Audit Exit Conference

Knutson began with the highlights of the audit—the unmodified Wipfli opinion, the Statement of Functionals and Notes to Financial Statements, the Report on Compliance and Internal Control, and the



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Report on Compliance for Major Programs. No findings to report on either of the reports mentioned. Financial Year 2019 audit tested the WIOA cluster which constitutes 81% of federal dollars received.

Knutson continued with updates to the financial statements, which include:

- Net Assets terminology has been reclassified from *Unrestricted* and *Temporarily Restricted to Without Donor Restrictions* and *With Donor Restrictions* respectively. The WDBSCW currently operates with Net Assets Without Donor Restrictions only.
- Expenses now shown by category on a functional basis and is meant to make the statement more transparent.
- A new footnote requirement for liquidity and availability which entails the financial assets that are available as general expenditures for the proceeding year.

Knutson noted disclosure is required for a formal liquidity policy. The WDBSCW is a cost reimbursement organization which has grant commitments for future expenses, and does not have a formal liquidity policy.

Dietmann inquired if there should be a formal liquidity policy in place. Knutson mentioned it is advantageous but not a necessity. Lentz noted this is in relation to the line of credit inquired upon at the prior Audit Entrance meeting in September. Knutson added the line of credit would also be required for disclosure.

Knutson continued with the operating statistics and noted comparisons against six other Workforce Development Boards within Wisconsin. WDBSCW revenue and expenses for financial year 2019 are down 10% in comparison to financial year 2018. Program expenses are at 92% which is comparable to the other six boards audited, averaging at 92.5%. Management & General expenses are down from last year (7.3% current vs 7.5% prior) which is in line with the reduction in revenue. WDBSCW operates five (5) federal programs with WIOA expenditures totaling \$3.6 million and is 70% of total expenses. Current year change in Net Assets Without Donor Restrictions amounts to \$1,094 with the *Jobs with a Future* partnership accounting for the majority of the profit.

Dietmann inquired on the Current Ratio of 1.08 in comparison to the average of 1.2 between the other six boards. Knutson mentioned Grants Receivable and Cash-in-Transit—awaiting reimbursement from funding sources. Lentz noted the end of the LEAP grant within Financial Year 2019 and the WIOA percentage decreasing year-over-year. Resource diversification will continue to be focus point.

Knutson moved onto the Statements of Financial Position. The difference in amounts for Accounts Payable in comparison to 2018 is due to timing of payables and when checks are cut.



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Knutson continued with the Statements of Activities. WIOA grant revenue is down in comparison to 2018 with associated project costs comparable to last year. WIOA special projects include WWDA, Rapid Response, and Dislocation grants. Other special projects include the Fast Forward, Independent Living, WAGE\$, Apprentice Expansion, state and local Youth Apprenticeship, and Windows to Work grants.

Knutson proceeded with the Statements of Cash Flows, which summarizes the net cash provided by (used in) operating activities amounting to \$19,875, and noted the WDBSCW has no investing or financing activities.

Knutson finished with Upcoming Accounting Pronouncements:

- ASU No. 2014-09, *Revenue from Contracts with Customers* - Grants are conditional contributions. Expanded footnote disclosures incorporated into next year's audit report.
- ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* - Revenue Recognition for Exchange Transaction. Clarifying contributions and is effective June 30, 2020. Making contributions as a provider will be effective June 30, 2021.
- ASU No. 2016-02, *Leases* – Leases with a term greater than 12 months will require recognition with a Right-of-Use Asset and Liability. This will affect the Baraboo/Sauk County lease as well as the main WDBSCW leases. Calculation and journal entry requirements going into the new fiscal year.

Kearney inquired if the WDBSCW is actively making contributions. Knutson mentioned payments to subcontractors are considered a contribution and grant awards are contractual services.

Knutson finished with the Current and Prior Year Observations and highlighted no current or prior year management letter and no recommendations needed for next year.

Knutson opened up discussion for any further questions. Kearney inquired on an overall comparison to the other six boards in Wisconsin which were audited. Knutson noted the audits for the other boards are not all performed through Wipfli. In regards to the WDBSCW audit, files are always ready in advance and the Finance department is well organized.

Dietmann requested motion to accept the audit as presented. Kearney motioned to accept the audit as presented. Bruins provided the second. No discussion followed on this motion. The vote was unanimous in favor of the motion.

Agenda Item 5 – Adjournment

With no additional business for the Committee, Dietmann moved to adjourn at 9:54 a.m.

Adjourned: 9:54 a.m.

Respectfully Submitted:

Francis Langer
Board Secretary
Workforce Development Board of South Central Wisconsin, Inc.

Attachment for Board Records:

- Agenda
- Minutes from December 7, 2018
- Minutes from September 12, 2019
- Wipfli Audit Agenda



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