

BARRON COUNTY, WISCONSIN

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2008**

CURRENTLY KNOW FACTS

Beginning in 2007 and continuing to the date of writing this document the world economy, our nation, as well as Barron County experienced volatility in the financial and employment markets resulting in a marked increase in home delinquencies, foreclosures and rising unemployment. Historically Barron County has been somewhat insulated from these types of drastic events and Management's opinion is that this will continue to be true. As has often been said, "Barron County is usually late in entering an economic slowdown as well as being late in exiting". The unemployment rate for Barron County continues to be above both State and National averages but this is not unusual based on past experience. Based on the above statements one would assume the overall economic climate of Barron County to be problematic. However, because of our diversified economic base and the fact that individual shocks experienced by our national economy have failed to appear in their entirety in the local economy County Management begs to differ. We believe the overall economic future of Barron County and its residents to be positive. Certainly there are economic challenges but our position is these are not insurmountable.

Barron County began collecting the ½ cent sales tax in 1986 with a total collection of \$517,493. In 2008 this amount had grown to an annual figure of \$3,390,854 representing an increase of \$2,873,361 or nearly 5 and ½ times the first year's collections. During the 22 year period since 1986, average annual increases have been approximately \$130,844. This translates into a yearly percentage increase in excess of 10%. Sales tax revenues collected in excess of budget in one year are utilized in the second year following collection. For the year ended December 31, 2008, the County used sales tax revenue as a direct reduction in the general operating property tax levy in the amount of \$ 3,450,000.

- Comparative unemployment rates for Barron County, Wisconsin and US are as follows:

<u>Year</u>	<u>Barron County</u>	<u>State</u>	<u>National</u>	<u>Year</u>	<u>Barron County</u>	<u>State</u>	<u>National</u>
2008	5.78%	4.7%	5.8%	2007	5.9%	4.9%	4.6%
2006	5.5%	4.7%	4.6%	2005	5.2%	4.7%	5.1%
2004	6.0%	4.9%	5.5%	2003	6.6%	5.6%	6.0%

- The total estimated value of building permits as issued by the Barron County Zoning Department for 2008 was \$ 25,407,964. Comparative data is as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2008	\$ 25,407,964	2007	\$ 24,525,120	2006	\$ 31,311,774
2005	\$ 37,889,340	2004	\$ 39,835,468		

Therefore the estimate of the value of building permits has decreased 36.22% from the 2004 base year. The number of Rezoning Hearings, Special Exception Hearings and Variance Hearings also decreased year-over-year from 2004.

- Inflationary trends in the region compare favorably to national indices.
- Data on Barron County foreclosure *filings* is as follows. Filings through April 28th, of 2009 are 76.

<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>
2008	# 210	2007	#174	2006	#149
2005	#119	2004	#93	2003	#100
2002	#97				

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Limits have been imposed on the property tax levy rates for Wisconsin counties. There are separate limits for the operating levy and the debt service levy. The baseline for the limits is the actual 1992 tax rate adopted for the 1993 budget. The operating levy rate and the debt levy rate cannot exceed the baseline rates unless the County qualifies for one of the exceptions allowed under the statute. The statute establishes specific penalties for failure to meet the levy rate freeze requirements. Among the penalties for exceeding the limits is the reduction of state shared revenues and transportation aids. For the 2008 budget year, Barron County utilized an operating levy rate of \$3.56, a debt levy rate of \$.48, and a special purpose levy rate for the Barron County Library System of \$.146 for a total mill rate of \$4.19/\$1,000 of valuation. The limits were \$4.56 (operating), \$.95 (debt), and \$.17 (actual special purpose) for a total of \$5.68 respectively. Essentially, the County was \$ 1.49/\$1,000 under the levy cap or conservatively \$ 5.2 million under the 1992 levy mill rate limit.

<u>Year</u>	<u>Operating</u>	<u>Debt</u>	<u>Library</u>	<u>Year</u>	<u>Operating</u>	<u>Debt</u>	<u>Library</u>
2008	\$ 3.56	\$.48	\$.15	2007	\$ 3.66	\$.51	\$.15
2006	\$ 3.84	\$.58	\$.15	2005	\$ 4.10	\$.41	\$.16
2004	\$ 4.41	\$.57	\$.17	2003	\$ 4.16	\$.58	\$.17
2002	\$4.56	\$.58	\$.15	2001	\$ 4.48	\$.58	\$.17
2000	\$4.54	\$.66	\$.14				

The total levy for 2009 was \$4.31, broken down as follows operating \$3.59, Debt \$.57, Special \$.15.

The State of Wisconsin has imposed further limits on the County's property taxes beginning with the 2007 budget year for the 2007 tax levy collected in 2008. Essentially, the new legislation restricts growth in the County's property taxes (except for debt service) to the greater of the percentage increase in the County's equalization value due to new construction or 2%. However in 2007 for the 2008 tax collections there is a one-year exemption allowing the tax levy to increase by a maximum of 3.86% or net new construction, whichever is greater. Barron County was allowed the 3.86% plus .222% for a terminated Tax Incremental Finance District, for a total of 4.082%. This compares to a net new construction percentage of:

<u>Year</u>	<u>% Increase</u>	<u>Year</u>	<u>% Increase</u>	<u>Year</u>	<u>% Increase</u>
2008/2009	1.955%	2007/2008	2.557%	2006/2007	2.767%
2005/2006	2.795%				

Total maximum and actual tax levy based on current law are:

<u>Year</u>	<u>Maximum</u>	<u>Actual</u>	<u>Year</u>	<u>Maximum</u>	<u>Actual</u>
2009	\$ 16,499,236	\$ 16,497,625	2008	\$ 16,079,560	\$ 16,066,715
2007	\$ 15,448,538	\$ 15,448,538	2006	\$ 14,943,212	\$ 14,943,212

Barron County was under the levy limit freeze by \$ 1,611.

In January 2007 Barron and Chippewa Counties entered into an agreement for the acquisition and refurbishment of 50.05 miles of rail lines in the respective counties, with each County required contributing 20% of the cost to purchase and rehabilitate. Total miles in Barron County are 28.35. The total estimated cost for acquisition and rehabilitation of the Barron County portion is approximately \$ 1.9M. The County has reserved \$ 120,000 of fund balance in the General Fund representing our portion of the land purchase for 13.75 miles. The County Board has authorized indebtedness for the balance of the project but has borrowed no funds at this time. As of April, 2009 the various Land Use and Operating Agreements for the above project have been completed but not approved by the respective County Boards.

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January 2007, the County Board authorized the completion of communications upgrades for the Sheriff's department. Beginning in 2005 and continuing through February of 2009 upgrades have been completed at a total cost of \$ 356,631 with grant reimbursements of \$ 436,078. Effectively this means the County would owe the State, or one of it's' departments, \$ 79,447 if the project were not completed. Total estimated project costs as of 2-19-2009 were \$ 2,272,443 with a detailed analysis as follows.

Total known funds needed to complete project as of 2-19-2009	\$ 2,065,569
Funding Sources:	
Budgeted in 2009 Capital Projects Fund	\$ 998,974
State grants and aids	146,884
Reserved in General Fund	400,000
Designated from UW B/C Campus Project	519,711
Total funding sources:	\$ 2,065,569

Resolution 2007-37 created an Animal Control officer position as part of the 2008 budget. Total 2008 budget for this program was established at \$ 95,258 with \$ 50,000 coming from the tax levy, \$ 16,508 from license fees and \$ 28,750 from fines and shelter fees.

By passing resolution 2007-50 the Barron County Board of Supervisors determined that a Flow Control Ordinance for the Waste to Energy Facility (WTE) was in the best interest of the public. The Waste to Energy Facility has been operational since 1986 functioning without any tax levy assistance. The Waste to Energy Facility has net assets in excess of \$ 1 million and operational revenues in excess of \$ 2 million. Recently a local municipality had challenged the economic viability of these operations while simultaneously indicating they may divert their waste to a local landfill instead of the WTE facility. The result of this type of action would be to potentially jeopardize the WTE operations. The disagreement occurring between Barron County and the municipality in question was favorably resolved in June of 2008 with no effect on the continued operations of the WTE facility. The final Flow Control and Solid Waste Hauling Ordinance was approved by the County Board in June 2008.

On March 7th, 2008 Barron County was notified by its financial consultants, Ehlers & Associates, the *insurance rating* on the \$ 9 million General Obligation Justice Center Bonds, Series 2002 had been downgraded by Moody's Investors Service from Aaa to A3. The County's underlying rating of A2 from Moody's Investor Service for the bond indebtedness remains unchanged.

On April 15th, 2008 the County Board approved a \$ 10,351.48 payment to the Wisconsin Department of Transportation. This was the result of a 2007 Program Audit which determined the County had improperly billed DOT for truck usage that did not occur.

In 2004 Barron County adopted a formalized fund balance policy requiring the County to maintain an undesignated fund balance within a range of 25% to 33% of annual expenditures in the General Fund. As part of this policy, fund balance levels (Highway Department, \$ 900,000, Health & Human Services Department, \$ 750,000 and Child Support Agency, \$ 150,000) were established and excess dollars from these funds were transferred into a debt service fund for the purpose of fully funding the accrued vacation and sick leave liability of the County. A formalized policy on fund balance and provision for accrued vacations and sick leave strengthens the overall fiscal health of the County by communicating to third parties our intentions for uses of these funds.

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Resolution 2005-20 approved the establishment of a five-year capital improvement/capital outlay plan for the years 2005-2009 with individual yearly purchases to be approved as part of the annual budget process. We view this as an opportunity for the entire County to implement long-term planning for fixed asset replacement as opposed to a yearly piece-meal approach.

Resolution 2008-5 authorized a loan to the Chetek Snow Flyers for \$ 82,000 for the purchase of a tractor groomer to be repaid by the club during a ten year time period at an interest rate that is 1% above the average annual yield for County invested funds.

In March the County Board authorized purchasing 80 acres of land in the Township of Cedar Lake \$ 174,000. A corresponding DNR Forestry loan for the same amount was utilized which has no stated interest rate and will be repaid based on 20% of total revenues collected from all cuttings from County Managed Forest Crop Land.

Also, in March the County Board allowed the remaining funds of \$ 420,680.88, from the University of Wisconsin, Barron County Campus expansion project to be used on other fixed asset improvements as allowable in the original bonding agreement of August 8th, 2005.

Because the funds as borrowed for the Campus Project on 8-8-05 were not spent within the thirty-six month time frame as required by IRS Arbitrage requirements Barron County properly filed with the IRS on September 3rd 2008 documents necessary to support that no arbitrage rebate or yield amounts were due. At the time of writing this document it is the opinion of the attorney who prepared the aforementioned that no arbitrage yield reduction or liability will be due in the future either as all funds borrowed or otherwise pertaining to this project were expended by 12-31-2008.

Resolution 2008-11 in April approved the final General Fund line-item overdraft of \$ 9,610.11.

The 2009 final General Fund line-item overdraft resolution was \$ 13,547.25.

In May the Board accepted a \$ 62,500 Comprehensive Planning Grant from the Wisconsin Department of Administration and in cooperation with the West Central Regional Planning Commission which will be used to develop a Comprehensive Plan for Barron County per Wis. Stats. S. 66.1001.

Barron County, in connection with the State's initiative to reform Long Term Care, has become part of the Northern Bridges Family Care - Managed Care Organization. The final results of these changes and their effect on the overall financial position of Barron County have yet to be fully realized. However, the immediate effect is the virtual elimination of the Long Term Care Functions from Barron County Health and Human Services with a corresponding decrease of approximately seven employees and their associated costs.

On November 3rd, 2008 per Resolution 2008-35 the Board approved the authorization to proceed with the design, development, construction and borrowing for electrical generation capabilities and the County owned Waste-to-Energy Facility. Total costs and borrowings for this project are estimated at \$ 2.5M and it is anticipated that the borrowed funds will come from a State Trust Fund Loan. However, due to recent changes in Tax Law it presents the County with the possibility of ultimately financing this project with Clean Renewable Energy Bonds (CREBS). If this were to occur potentially the CREBS would carry no interest as the bond holders would receive a tax credit equal to an imputed interest rate

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as determined by the IRS. As of the date of writing this document no actual construction or borrowings have occurred.

At the January 12th, 2009 County Board Meeting Resolution 2009-4 authorized a \$ 200,000 non-interest bearing loan to the Barron County Fair for the purpose of constructing two livestock buildings and a covered show arena. The first repayment will begin on March 1st 2011 and continue thereafter until fully repaid.

Barron County staff and Supervisors continue to work on comprehensive-long-term financial solutions to meet the current economic difficulties. These consist of strategic financial planning which encompasses program prioritization and performance based budgeting. While these efforts to-date have provided no large or excessive changes in the operations, fund balance or net assets of Barron County they have incrementally laid a financial foundation whereby management believes that sustainable financial health can be maintained thereby avoiding the elimination of essential County Services.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Barron County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Barron County Finance Director, 330 East LaSalle Avenue, Room 2510, Barron, WI 54812.

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