

BARRON COUNTY, WISCONSIN
EXECUTIVE AUDIT SUMMARY (EAS)
DECEMBER 31, 2009

**BARRON COUNTY, WISCONSIN
TABLE OF CONTENTS
DECEMBER 31, 2009**

AUDIT REPORT SUMMARY	1
APPENDIX A	
FORMAL REQUIRED COMMUNICATIONS	2
APPENDIX B	
NEW ACCOUNTING AND REPORTING STANDARDS	
ACCOUNTING AND FINANCIAL REPORTING FOR INTANGIBLE ASSETS (GASB STATEMENT NO. 51)	5
FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS (GASB STATEMENT NO. 54)	5
ACCOUNTING AND FINANCIAL REPORTING FOR CHAPTER 9 BANKRUPTCIES (GASB STATEMENT NO. 58)	6
APPENDIX C	
FINANCIAL STATEMENT NOTATIONS	7
APPENDIX D	
REPORT ON CONDENSED FINANCIAL STATEMENTS INCLUDED HEREIN	11



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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, 2009. 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 "unqualified" 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 Weaknesses:

2009-01 Annual Financial Reporting Under Generally Accepted Accounting Principals (GAAP)
2009-02 Material Audit Adjustments

Significant Deficiencies:

2009-03 Limited Segregation of Duties

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.

Investment Interest:

During inquiries of management and review of County cash accounts, we noted certain certificates of deposit which by the terms of the deposit agreement the interest compounds quarterly and is added to the investment principal. The practice of the county has been to record interest on these investments annually when they mature. The result of this practice is that the investment balance on the County records does not agree with the balance at the bank and the interest earned for the year is understated. We suggest that interest is recorded during the period in which it is earned to accurately reflect investment balances and interest revenue.

APPENDIX A

FORMAL REQUIRED COMMUNICATIONS

Board of Supervisors
Barron County
Barron, 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 Barron County, Wisconsin (the County) for the year ended December 31, 2009, and have issued our report thereon dated July 26, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 14, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

2. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Other Information in Documents Containing Audited Financial Statements

Our audit 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 client prepared document, such as an annual report, should be done only with our prior approval and review of the document. Our responsibility for other information in documents containing the County's financial statements and report does not extend beyond the financial information identified in the report. We do not have an obligation to perform any procedures to corroborate other information contained in such documents.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Barron County are described in Note 1 to the financial statements. No new accounting policies were adopted during 2009.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. We are aware of no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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:

Management's estimate of 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, 2009 is based on historical trends and anticipated leave time activity.

Actuarial assumptions as outlined in 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.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management: waste to energy asset additions and depreciation, grant activity, reclassify revenues, and record highway other post employment benefits payable. Unrecorded liabilities in the amount of \$116,667 represent uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 26, 2010.

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 County'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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the County Board and management of the Barron County and is not intended to be and should not be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Eau Claire, Wisconsin
July 26, 2010

APPENDIX B

NEW ACCOUNTING AND REPORTING STANDARDS

Accounting and Financial Reporting for Intangible Assets (GASB Statement No. 51)

This statement is effective for periods beginning after June 15, 2009 and, therefore, is applicable to the County for the year ended December 31, 2010. The purpose of this statement is to eliminate the inconsistencies in accounting and reporting between governmental entities related to intangible items such as easements, rights, patents, trademarks, software, and donated assets. The area that GASB No. 51 may affect the County is in regards to permanent easements. The County would only be required to record easements acquired in 2010 and, thereafter, but has the option to retroactively record permanent easements back to 1980.

Fund Balance Reporting and Governmental Fund Type Definitions (GASB Statement No. 54)

This statement is effective for periods beginning after June 15, 2010 and, therefore, is applicable to the County for the year ended December 31, 2011.

Statement 54 distinguishes between fund balance amounts that are considered *non-spendable*, such as fund balance associated with inventories, and other amounts that are classified based on the relative ability to be spent. Beginning with the most non-spendable classification, fund balances will be reported in the following classifications:

- *Restricted*—amounts constrained by external parties, constitutional provision, or enabling legislation.
- *Committed*—includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority
- *Assigned*—amounts a government intends to use for a particular purpose. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.
- *Unassigned*—amounts that are not constrained at all will be reported in the general fund or to report deficit balances in other governmental funds.

The new standard also clarifies the definitions of individual governmental fund types. The statement interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The statement also specifies how economic stabilization or "rainy-day" amounts should be reported as a component of fund balance in the general fund. No longer is it considered appropriate to include these types of funds as a special-revenue fund. For financial reporting purposes, stabilization should be regarded as a Restricted or Committed classification only if the government details the circumstances or conditions that signal the need for stabilization in sufficient detail. Otherwise, these amounts should be reported as Unassigned in the general fund.

Accounting and Financial Reporting for Chapter 9 Bankruptcies (GASB Statement No. 58)

This statement is effective for periods beginning after June 15, 2009. Retroactive application is required for all prior periods presented during which a government was in bankruptcy. This statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan.

APPENDIX C

FINANCIAL STATEMENT NOTATIONS

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>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
General Fund Balance Sheet Summary:				
Cash and Investments	\$ 9,076,141	\$ 9,363,804	\$ 9,115,281	\$ 9,508,482
Taxes Receivable:				
Current Taxes Receivable	8,614,186	8,375,804	8,249,041	8,067,432
Delinquent Taxes Receivable	2,197,517	1,624,429	1,695,595	1,637,621
Tax Deeds Owned by County	423,720	429,544	30,604	27,139
Accounts Receivable	468,634	565,894	583,761	480,748
Due from Other Funds	1,009,420	13,133	42,321	-
Advances to Other Funds	2,571,200	2,706,200	2,002,140	1,282,205
Other Assets	332,287	167,658	121,632	120,096
	<u>\$ 24,693,105</u>	<u>\$ 23,246,466</u>	<u>\$ 21,840,375</u>	<u>\$ 21,123,723</u>
Accounts Payable	\$ 629,310	\$ 686,751	\$ 696,938	\$ 677,250
Deferred Revenues:				
Tax Roll Items	8,614,186	8,375,804	8,249,041	8,067,432
Long-Term Receivables	125,429	152,784	105,661	109,124
Unearned Revenue	70,283	186,559	181,251	161,399
Special Deposits	6,170	6,998	6,416	284
Fund Balance:				
Reserved for Delinquent Taxes	2,621,237	2,053,974	1,726,199	1,664,760
Reserved for Advances	2,571,200	2,706,200	2,002,140	1,282,205
Reserved for Long-Term Receivables	200,000	-	-	-
Reserved for Inventories	5,263	6,718	6,385	4,535
Reserved for Subsequent Year's Budget	84,604	60,956	307,137	475,023
Unreserved, Designated	2,402,035	4,122,962	3,813,586	4,295,762
Unreserved, Undesignated	<u>7,363,388</u>	<u>4,886,760</u>	<u>4,745,621</u>	<u>4,385,949</u>
	<u>\$ 24,693,105</u>	<u>\$ 23,246,466</u>	<u>\$ 21,840,375</u>	<u>\$ 21,123,723</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (2,361,756)	\$ (1,909,699)	\$ (1,269,686)	\$ (1,304,434)
Net Other Financing Sources (Uses)	3,771,913	3,146,201	1,762,520	3,611,139
Change in Net Assets	<u>\$ 1,410,157</u>	<u>\$ 1,236,502</u>	<u>\$ 492,834</u>	<u>\$ 2,306,705</u>
 % of Undesignated Fund Balance to General Fund Expenditures	 36.0%	 26.1%	 26.8%	 25.2%

FINANCIAL STATEMENT NOTATIONS

Item
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- 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.

	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Special Revenue Fund Balances:				
Health and Human Services	\$ 814,758	\$ 1,048,007	\$ 757,728	\$ (586,833)
Support Collection Agency	129,590	227,373	250,941	204,372
Nutrition and Aging	539,220	482,138	417,508	276,135
Aging Disability Resource Center	68,304	26,901	(97)	29
ATV Trails	(938)	(938)	(3,086)	-
Snowmobile Trails	21,742	19,866	22,952	21,368
State Aid Forestry Fund	187	4,280	-	-
County Forest Acquisition	-	543	-	-
Conservation Officer	23,930	7,376	-	-
Animal Control Officer	15,119	23,430	-	-
Jail Assessment Fees	51,488	58,015	61,105	64,744
Drug Abuse Resistance Education	11,906	11,906	11,906	10,851
Recycling Project	293,009	296,953	265,680	250,582
Fleet Vehicle	27,727	10,652	-	-
County Sales Tax	374,407	624,406	683,552	626,833
Economic Development Loans	-	-	-	441,686
Housing Rehabilitation Loans	61,027	44,390	68,672	113,048
Dog License Fund	1,000	1,000	1,000	800
	\$ 2,432,476	\$ 2,886,298	\$ 2,537,861	\$ 1,423,615

- 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.

	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Debt Service Funds Balances:				
Justice Center Bonds - 2001	\$ 12,812	\$ 10,175	\$ 7,538	\$ 4,901
Justice Center Bonds - 2002	500	438	376	314
UW Center Campus Bonds - 2005	35	18	18	1
Fair Association STFL - 2003	3	3	3	3
Gravel Pit Land Contract - 2003	2	1	1	-
Capital Improvements Note - 2003	188	125	63	1
Vacation and Sick Leave Fund	2,802,370	2,802,370	2,802,370	2,817,670
	\$ 2,815,910	\$ 2,813,130	\$ 2,810,369	\$ 2,822,890

FINANCIAL STATEMENT NOTATIONS

Item
#

- 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.

	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Capital Project Fund Balance:				
Judicial Center	\$ -	\$ -	\$ 6,953	\$ 87,953
Campus Building Fund	-	8,964	425,334	421,615
Electric Generation Project Fund	(85,307)	-	-	-
2003 Capital Improvements Fund	462,351	1,196,404	998,974	1,166,803
2004 Capital Improvements Fund	1,307,996	1,415,783	1,378,133	1,099,020
	<u>\$ 1,685,040</u>	<u>\$ 2,621,151</u>	<u>\$ 2,809,394</u>	<u>\$ 2,775,391</u>

- 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.

	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Waste to Energy Plant				
Balance Sheet Summary:				
Cash and Investments	\$ 269,663	\$ 51,029	\$ 37,220	\$ 14,629
Accounts Receivable	194,413	200,835	184,679	202,140
Capital Assets	852,844	1,099,006	1,431,186	1,783,803
	<u>\$ 1,316,920</u>	<u>\$ 1,350,870</u>	<u>\$ 1,653,085</u>	<u>\$ 2,000,572</u>
Current Liabilities	\$ 197,780	\$ 153,286	\$ 224,895	\$ 214,702
Advance from General Fund	570,000	630,000	690,000	750,000
Advance from Recycling Fund	8,800	13,200	17,600	-
Net Assets:				
Invested in Capital Assets	852,844	1,099,006	1,431,186	1,783,803
Unrestricted	(312,504)	(544,622)	(710,596)	(747,933)
	<u>\$ 1,316,920</u>	<u>\$ 1,350,870</u>	<u>\$ 1,653,085</u>	<u>\$ 2,000,572</u>
Changes to Net Assets:				
Operating Loss	\$ (14,590)	\$ (166,835)	\$ (316,649)	\$ (353,088)

- 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.

	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Highway Department				
Summary Balance Sheets:				
Cash and Investments	\$ (1,666,531)	\$ (2,076,000)	\$ (1,311,940)	\$ (532,005)
Gravel Pit Closure Cash	141,213	53,625	63,892	118,230
Accounts Receivable	1,681,199	1,775,878	1,135,458	1,219,041
Inventories	1,603,330	1,237,248	702,396	603,177
Deferred Charges	1,560	3,623	64,642	147,926
Capital Assets	8,750,195	8,774,411	8,491,769	8,349,926
	<u>\$ 10,510,966</u>	<u>\$ 9,768,785</u>	<u>\$ 9,146,217</u>	<u>\$ 9,906,295</u>

FINANCIAL STATEMENT NOTATIONS

Item
#

6 Internal Service Funds (Continued):	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Accounts Payable	\$ 158,500	\$ 320,821	\$ 464,627	\$ 377,155
Deferred Revenue	22,000	128,729	121,875	126,163
Land Contract Payable	-	88,125	117,500	-
Other Postemployment Benefits	41,169	20,973	-	-
Accrued Employee Leave	553,643	485,871	468,633	477,871
Net Assets:				
Invested in Capital Assets, Net of Related Debt	8,750,195	8,686,286	8,374,269	8,349,926
Unrestricted	985,459	37,980	(400,687)	575,220
	\$ 10,510,966	\$ 9,768,785	\$ 9,146,217	\$ 9,906,335
Income (Loss) Before Contributions	\$ 923,263	\$ 733,325	\$ (951,564)	\$ (194,337)
Capital Contributions	88,125	17,359	-	120,900
Change in Net Assets	\$ 1,011,388	\$ 750,684	\$ (951,564)	\$ (73,437)
Current Ratio (1+ desired)	0.09	-0.94	-0.38	1.82
7 Long-Term Obligations	12/31/2009	12/31/2008	12/31/2007	12/31/2006
General Obligation Bonds	\$ 19,575,000	\$ 20,625,000	\$ 21,550,000	\$ 22,345,000
General Obligation Notes	1,354,755	1,692,779	2,023,611	2,512,957
General Obligation Debt	20,929,755	22,317,779	23,573,611	24,857,957
Highway Land Contracts Payable:				
Payable by General County	58,750	-	40,300	80,600
Payable by Highway Department	-	88,125	117,500	-
Forest Crop Loans Payable	68,605	181,084	106,222	170,737
Other Postemployment Benefits Payable				
Payable by Non-Highway	4,151	(272)	-	-
Payable by Highway Department	41,169	20,973	-	-
Termination Benefits Payable	41,948	63,462	-	-
Vested Sick Leave and Vacation:				
Payable by Non-Highway	1,631,862	1,540,613	1,403,195	1,413,325
Payable by Highway Department	553,643	485,871	468,633	477,871
	\$ 23,329,883	\$ 24,697,635	\$ 25,709,461	\$ 27,000,490
Equalized Valuation	\$ 3,902,239,100	\$ 3,933,810,100	\$ 3,935,741,800	\$ 3,677,674,300
General Obligation Debt Limit	\$ 195,111,955	\$ 196,690,505	\$ 196,787,090	\$ 183,883,715
General Obligation Debt as Percent of Debt Limitation	10.7%	11.3%	12.0%	13.5%



CPAs, Consultants & Advisors
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APPENDIX D

REPORT ON CONDENSED FINANCIAL STATEMENTS INCLUDED HEREIN

Board of Supervisors
Barron County
Barron, Wisconsin

We have audited the financial statements of Barron County, Wisconsin (the County), as of and for the year ended December 31, 2009 (not presented herein). These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The condensed financial information included in Appendix C for the years presented on pages 7 through 10 are presented as a summary and, therefore, do not include all of the disclosures required by U.S. generally accepted accounting principles.

In our opinion, because of the significance of the omission of the information referred to in the preceding paragraph, the condensed financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the results of its operations for the years then ended.

This report is intended solely for the information and use of the Board of Supervisors and management of the County and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP
LarsonAllen LLP

Eau Claire, Wisconsin
July 26, 2010