

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

**CHIPPEWA COUNTY, WISCONSIN
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DECEMBER 31, 2009**

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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
- 2009-03 Limited Segregation of Duties



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APPENDIX A

FORMAL REQUIRED COMMUNICATIONS

Executive Committee of the County Board
Chippewa County
Chippewa Falls, 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 Chippewa 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 June 2, 2008, 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 opinion 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 Chippewa 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 2009.

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are 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 management's estimates of accumulated hours and pay rates for the County's employees.

Estimates of claims payable accrued in the insurance internal service funds at December 31, 2009 are based on outside authoritative guidance.

Actuarial assumptions as outlined in notes to the basic financial statements for other postemployment benefits payable.

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. Management has recorded all such adjustments. The following material adjustments detected as a result of audit procedures were recorded by management: taxes receivable, state aids receivable, and coding of transactions. Management did not identify and we did not notify them of any unrecorded financial statement adjustments.

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.

Executive Committee of the County Board
Chippewa County

This report is intended solely for the information and use of the Executive Committee and the County Board 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

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.

NEW ACCOUNTING AND REPORTING STANDARDS (CONTINUED)

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	\$ 10,181,119	\$ 7,799,641	\$ 7,591,622	\$ 6,705,308
Taxes Receivable:				
Current Taxes Receivable	12,450,340	12,252,530	11,828,139	11,089,694
Delinquent Taxes Receivable	2,155,271	1,900,675	1,324,031	1,189,991
Tax Deeds Owned by County	6,211	5,705	5,403	65,651
Accounts Receivable	1,116,945	2,116,717	1,241,667	1,321,936
Due from Other Funds	58,218	229,127	1,298,538	526,287
Long-Term Receivables	1,327,036	1,400,000	-	-
Other Assets	8,967	8,532	9,721	4,638
Total Assets	<u><u>\$ 27,304,107</u></u>	<u><u>\$ 25,712,927</u></u>	<u><u>\$ 23,299,121</u></u>	<u><u>\$ 20,903,505</u></u>
Payables	\$ 1,301,192	\$ 2,087,929	\$ 1,316,406	\$ 1,104,638
Deferred Revenues	13,880,145	13,706,470	11,958,016	11,094,123
Total Liabilities	<u><u>15,181,337</u></u>	<u><u>15,794,399</u></u>	<u><u>13,274,422</u></u>	<u><u>12,198,761</u></u>
Fund Balance:				
Reserved for Delinquent Taxes	2,161,482	1,906,380	1,329,434	1,255,642
Reserved (Other Purposes)	8,967	158,532	9,721	4,638
Unreserved, Designated	3,217,606	3,124,749	2,500,645	2,249,314
Unreserved, Undesignated	<u><u>6,734,715</u></u>	<u><u>4,728,867</u></u>	<u><u>6,184,899</u></u>	<u><u>5,195,150</u></u>
Total Fund Balance	<u><u>12,122,770</u></u>	<u><u>9,918,528</u></u>	<u><u>10,024,699</u></u>	<u><u>8,704,744</u></u>
	<u><u>\$ 27,304,107</u></u>	<u><u>\$ 25,712,927</u></u>	<u><u>\$ 23,299,121</u></u>	<u><u>\$ 20,903,505</u></u>
% of Undesignated Fund Balance to General Fund Expenditures	25.6%	17.7%	24.7%	20.7%
Excess Revenue (Expenditures)	\$ (391,017)	\$ (1,208,835)	\$ (1,210,822)	\$ (1,382,303)
Transfers In	3,266,027	2,086,579	2,857,034	1,936,943
Transfers Out	(670,768)	(660,249)	(326,257)	(165,613)
Special Item	-	(323,666)	-	-
Net Change in Fund Balance	<u><u>\$ 2,204,242</u></u>	<u><u>\$ (106,171)</u></u>	<u><u>\$ 1,319,955</u></u>	<u><u>\$ 389,027</u></u>

Financial Statement Notations

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- 2 **Special Revenue Funds:** Special Revenue funds are used to account for the proceeds of specific revenues 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:				
Human Services	\$ 649,991	\$ 934,391	\$ 1,313,458	\$ 1,900,179
County Sales Tax	3,843,786	4,117,161	3,816,768	3,910,052
C.D.B.G. Fund	264,843	273,577	266,777	233,020
Public Health	56,191	50,504	45,114	51,444
Nutrition and Aging	363,931	240,651	173,436	148,639
Shelter Care	21,398	90,444	98,906	83,236
State Aid Forestry	36,567	51,708	37,995	84,598
Dog Licenses	1,000	1,000	1,000	1,000
State Septic System Grant	-	-	-	-
Aging and Disability Resource Center	88,700	41,690	-	-
Land Records Modernization	-	-	-	20,064
Land Management	270,688	271,553	232,495	234,265
Jail Assessment Fees	100,646	63,670	45,263	13,988
Land Conservation Stewardship	305,402	358,896	359,348	342,277
Forest and Parks Quality of Life	178,690	342,416	198,561	198,561
Economic Development	351,082	321,295	432,539	382,148
	\$ 6,532,915	\$ 7,158,956	\$ 7,021,660	\$ 7,603,471

- 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 obligations.

	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Debt Service Fund Balances:				
Jail and Highway Debt Issues	\$ -	\$ -	\$ -	\$ 167,560
CRI Debt Service	-	-	-	-
Refunding Bond Issue	2,479,633	2,191,686	1,865,265	1,515,535
Unfunded Liabilities	1,535,321	1,536,004	1,503,358	1,439,116
	\$ 4,014,954	\$ 3,727,690	\$ 3,368,623	\$ 3,122,211

Financial Statement Notations

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- 4 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.

	Farm Land Development			
	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
Balance Sheet Summary:				
Cash and Investments	\$ 501,480	\$ 337,915	\$ 194,500	\$ 172,303
Accounts Receivable	109,878	184,506	264,778	264,778
Notes Receivable	-	-	1,765,818	1,775,738
Property Held for Resale	1,830,384	1,875,574	1,890,287	1,890,287
Capital Assets (Net)	22,653	22,653	27,966	27,966
	<u>\$ 2,464,395</u>	<u>\$ 2,420,648</u>	<u>\$ 4,143,349</u>	<u>\$ 4,131,072</u>
Current Liabilities	\$ 4,589	\$ 104,589	\$ 291,668	\$ 242,914
Net Assets:				
Invested in Capital Assets	22,653	22,653	27,966	27,966
Unrestricted	2,437,153	2,293,406	3,823,715	3,860,192
	<u>\$ 2,464,395</u>	<u>\$ 2,420,648</u>	<u>\$ 4,143,349</u>	<u>\$ 4,131,072</u>
Income Statement Summary:				
Operating Income (Loss)	\$ 144,999	\$ 234,105	\$ (35,331)	\$ 88,764
Nonoperating Rev (Expenses)	(1,252)	(1,769,727)	(1,146)	(1,764)
Change in Net Assets	<u>\$ 143,747</u>	<u>\$ (1,535,622)</u>	<u>\$ (36,477)</u>	<u>\$ 87,000</u>

Financial Statement Notations

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- 5 **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.

	Highway Department	Self-Funded Workers' Compensation	Self-Funded Health Insurance	Self-Funded Liability Insurance
12/31/09 Summary Balance Sheets:				
Current Assets	\$ 6,954,283	\$ 920,386	\$ 1,969,179	\$ 412,595
Investment in WMMIC	-	-	-	750,327
Capital Assets (Net)	12,420,930	-	-	-
	\$ 19,375,213	\$ 920,386	\$ 1,969,179	\$ 1,162,922
Current Liabilities	\$ 456,247	\$ 905,789	\$ 333,990	\$ 386,540
Noncurrent Accrued Employee Leave	665,042	-	-	-
Early Retirement Incentive Liability	63,192	-	-	-
Other Postemployment Benefits	72,751	-	-	-
Net Assets:				
Investment in Capital Assets	12,420,930	-	-	-
Restricted	1,034,035	-	-	750,327
Unrestricted	4,663,016	14,597	1,635,189	26,055
	\$ 19,375,213	\$ 920,386	\$ 1,969,179	\$ 1,162,922
2009 Income Statement Summary:				
Operating Income (Loss)	\$ (2,671,679)	\$ (493,584)	\$ 110,435	\$ (259,229)
Nonoperating Rev (Expenses)	296,039	8,181	13,636	78,652
Contributions and Transfers	922,631	-	105,758	-
Change in Net Assets	\$ (1,453,009)	\$ (485,403)	\$ 229,829	\$ (180,577)

	12/31/2009	12/31/2008	12/31/2007	12/31/2006
6 Long-Term Obligations				
General Obligation Bonds	\$ 9,020,000	\$ 9,900,000	\$ 10,735,000	\$ 11,520,000
General Obligation Notes	779,764	891,829	998,812	1,101,597
	9,799,764	10,791,829	11,733,812	12,621,597
Early Retirement Incentive Liability				
General County	300,940	-	-	-
Highway	94,788	-	-	-
Other Postemployment Benefits Payable				
General County	273,025	187,891	-	-
Highway	72,751	-	-	-
Vested Sick Leave and Vacation:				
General County	1,996,801	2,010,523	1,854,225	1,664,719
Highway	904,787	783,893	821,872	779,825
	\$ 13,442,856	\$ 13,774,136	\$ 14,409,909	\$ 15,066,141
General Obligation Debt as Percent of Debt Limitation	4.3%	4.7%	5.5%	6.2%



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**REPORT ON CONDENSED FINANCIAL STATEMENTS
INCLUDED HEREIN**

Executive Committee of the County Board
Chippewa County
Chippewa Falls, Wisconsin

We have audited the financial statements of Chippewa 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 8 through 11 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 County Board 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

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