



Hawkins, Ash, Baptie

& COMPANY, LLP

Certified Public Accountants | Business Advisors

Real Solutions. Real Service.

INDEPENDENT AUDITORS' REPORT ON MANAGEMENT ADVISORY COMMENTS

To the Village Board
Village of Oregon

We have audited the general purpose financial statements of the Village of Oregon as of and for the year ended December 31, 2009, and have issued our report thereon dated June 28, 2010. We have also issued compliance reports and reports on the internal control structure in accordance with *Government Auditing Standards*. These reports disclosed any material instances of noncompliance, material weaknesses and significant deficiencies that were identified during the audit.

Other matters involving the internal control structure and the Village's operations which came to our attention during the audit are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Village's personnel during the course of our work. In particular, we would like to note the considerable assistance and cooperation provided to us by Renee Hoeft and her staff.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you with these matters.

Hawkins, Ash, Baptie & Company, LLP

Marshfield, Wisconsin
June 28, 2010

MANAGEMENT ADVISORY COMMENTS

New Standard – GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets

This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. It requires an intangible asset be recognized in the statement of net assets if it is considered identifiable. An intangible asset is considered identifiable when either of the following conditions is met: 1) The asset is separable, that is, the asset is capable of being separated or divided from the government and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability or 2) The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The Village should review their fixed assets to comply with the new reporting requirements for intangible assets for proper disclosure on the financial statements.

New Standard – GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions

This statement addresses issues related to how fund balance is reported and to clarify the relationship between reserved fund balance and restricted net assets. This standard will be implemented for the financial statements for the year ending December 31, 2011.

The existing classifications of reserved, designated, and unreserved will be changed to the new fund classifications listed below. Your chart of accounts will have to be updated.

- *Nonspendable fund balance*-amounts that are not in a spendable form (inventory) or are required to be maintained intact (an endowment fund);
- *Restricted fund balance*-amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation;
- *Committed fund balance*-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority;
- *Assigned fund balance*-amounts a government intends to use for a specific purpose, intent can be expressed by the governing body; and
- *Unassigned fund balance*-amounts available for any purpose, which can only be reported in the general fund.

There will be additional disclosures required by the standard. These disclosures will be:

- Additional detail regarding the purpose of restrictions, commitments, and assignments;
- What the decision-making authority and formal action that resulted in commitments of fund balance;
- The bodies or persons with the authority to express intended uses of resources that results in assigned fund balance;
- A board policy will have to be adopted for the order of which funds are spent from restricted, committed, assigned, and unassigned fund balances if available for the same particular purpose;
- Information about minimum fund balance policies, if a government has one; and

- The purpose for each major special revenue fund, identifying which revenues and other resources are reported in each of those funds.

Your staff should start reviewing your current fund balance classifications for restatement to these new classification categories.