

JEFFERSON COUNTY, WISCONSIN
Jefferson, Wisconsin

FINANCIAL STATEMENTS
December 31, 2008

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Independent Auditor's Report

To the Honorable Members
of the Board of Supervisors
Jefferson County, Wisconsin
Jefferson, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Jefferson County, Wisconsin as of and for the year ended December 31, 2008, which collectively comprise the Jefferson County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jefferson County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

As discussed in Note I, the County implemented the Governmental Accounting Standards Board (GASB) issued Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions* effective January 1, 2008.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Jefferson County, as of December 31, 2008, and the respective changes in financial position and statement of cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2009 on our consideration of Jefferson County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 18 and the budgetary comparison information on pages 58 through 60 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County's basic financial statements. The budgetary schedules of the Debt Service Fund as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

Clifton Gundersen LLP

Milwaukee, Wisconsin
July 9, 2009



Jefferson County

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MANAGEMENT'S DISCUSSION AND ANALYSIS Jefferson County, Wisconsin December 31, 2008

Within this section of the Jefferson County (County) annual financial report, the County's financial management provides narrative discussion and analysis of the financial activities of the County for the calendar year ended December 31, 2008. The County's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses primarily on the County's primary government.

Financial Highlights

The County's total assets exceed its liabilities by \$107.7 million, which is an increase of \$2.3 million, or 2.2%. Although there was a net increase, there are multiple factors both increasing and decreasing total net assets. Some of the largest factors include:

- Increase in capital assets, net of depreciation of \$2.9 million. Of this figure, \$1.9 million is attributed to increases in infrastructure, including roads, bridges, and culverts.
- Gain on the sale of County property to the State of Wisconsin for the Highway 26 bypass at \$1.4 million. This amount is currently invested at the Local Government Investment Pool (LGIP).
- Decrease in investment earnings at (\$1.0 million). This decrease is due (a) primarily to the weighted average investment rate decreasing 2.46% because of the recession, and (b) secondarily due to increased usage of net assets (or equity) to balance the structural deficits in recent budgets.
- Decrease in the General Fund net assets (equity) due to both operations and structural deficit of (\$2.6 million), not including investment earnings as listed above.

Included in the total assets figure above is \$47.1 million in infrastructure, which includes highways, bridges, culverts and right of ways, after depreciation. This is an increase of \$2.1 million or 4.6%. There are no outstanding liabilities related to these infrastructure assets.

Delinquent property taxes increased from the prior year by \$1.4 million or 46.1%, after taking delinquent special assessments for the Village of Johnson Creek into account. This large increase in delinquent property taxes has been greatly affected by the current national recession. By Wisconsin statute, the County charges 12% interest on these delinquent taxes.

II. Overview of the Financial Statements

The Management's Discussion and Analysis (MD&A) introduces the County's basic financial statements. These basic statements include: (A) government wide financial statements, (B) fund financial statements, and (C) notes and additional information related to these financial statements.

A. Government Wide Financial Statements

The County's annual report includes two government wide financial statements, which are the Statement of Net Assets, and the Statement of Activities. These statements provide both long and short term information about the County's overall operations and financial condition. Financial reporting at this level uses accounting policies and procedures similar to that found in the private sector with its basis in full accrual accounting and elimination/reclassification of internal activities. Thus, the intent is to give the reader, who may be unfamiliar with governmental activities, financial statements more comparable to the private sector.

An important item to remember concerning the Statement of Net Assets is that a number of accounts are included that do not provide current financial resources available to the County for purposes of spending. The largest of these accounts include capital assets, long-term debt, and accrued compensated absences. These accounts net to \$64.8 million. If the reader wishes to look at spendable resources, the reader should look at the fund financial statements.

B. Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses various funds and business units within each fund to ensure and demonstrate compliance with applicable statutes, regulations, grant restrictions, or internal reporting purposes. Within the basic financial statements, the fund financial statements focus on the County's most significant (or major) funds rather than the County as a whole.

The fund financial statements report short-term fiscal accountability focusing on the use of *spendable* resources and the balances of these *spendable* resources at the end of the year. They are useful in evaluating annual financing needs of governmental programs and the commitment of spendable resources within the near future.

Since the government-wide focus includes the long-term view, comparisons between the two perspectives may provide the reader insight into the long-term impact of short-term financing decisions.

Budgetary comparison statements are included for all governmental funds. These demonstrate compliance with the County's adopted and revised budgets.

C. Notes and additional information. These items appear after the audited financial statements and are included in the independent auditor's opinion.

III. Financial Analysis of the County as a whole (government-wide)

A. Statement of Net Assets Comparisons

The County has a positive balance in net assets. One of the main contributing factors to this is that the County is relatively debt free in relation to capital assets. The County paid off all debt balances in 1996. Since 1998, the County has only borrowed for specific purchases or projects in amounts totaling \$19,115,384 (principal only). The County has also been aggressive in its payment structure relating to the debts, with 95% scheduled for payoff within 10 years of the borrowing date. Thus, for the most part, the property tax levy or grants in aid have paid for capital purchases directly.

It should also be noted that the County has used excess available cash to pay off these liabilities early (January 2006) or refinanced existing bond issues without extending terms or additional principal (April 2003) in order to lower net interest costs.

Throughout the Management Discussion & Analysis (MD&A), a more detailed explanation of variances between years will be brought up either when the variance percentage exceeds 10% and the dollar amounts

are material. In addition, categories may be brought up where financial management feels the reader should be made aware of something.

1. Cash and cash equivalents—Although the financial statement indicates a decrease of \$1.7 million or 8.1%, the actual decrease in cash is another \$4.0 million. The \$4.0 million is the result of an investment being called by the issuer near year-end that was temporarily invested in a mutual fund at the brokerage until a new investment was purchased in January 2009.
2. Investments—Investments show a decrease of \$3.5 million or 30.8%. However, when you take the called investment into account (see the above item), the actual investments for the County went up. In addition, \$0.8 million was taken from regular investments to purchase an equity interest in WMMIC (Wisconsin Municipal Mutual Insurance Company).
3. Receivable (net) for taxes—The total receivable increased by \$2.7 million or 9.3%. A major component of this is that delinquent taxes increased by \$1.9 million. The reader should note that this amount is offset by the \$0.5 million in delinquent special assessments due to the Village of Johnson Creek. This amount was retained as per County Board Resolution 2005-72. It should also be noted that the County charges 12% interest (as authorized under Wisconsin Statutes) on delinquent property tax receivables.
 - a. The reader should keep in mind that for properties secured by a mortgage, the lender will typically pay the back taxes rather than lose secured party status.
 - b. In addition, the reader should also note that less than \$0.4 million can be foreclosed upon under state statutes regarding the age of the delinquent taxes.
4. Receivables (net) for accounts—The receivables balances in total increased by \$0.7 million or 10.6%. This category can vary widely between years based upon the status of the various grants that the County has open with the State of Wisconsin and/or the Federal Government.
5. Inventories—Inventory balances were reduced by \$0.6 million or 30.2%. With a few minor exceptions, the vast majority of inventory accounts are within the Highway Department. Lime rock and gravel were reduced by \$370,000. During 2007, the Highway Department purchased additional lime rock and road salt inventories to achieve price saving, and was continued to be used during 2008. Salt and mixed sand decreased by \$157,000 compared to the prior year. Salt and sand inventory balances can vary greatly depending upon snowfall conditions as well as timing of inventory purchases.
6. Prepaid items—Prepaid items increased by \$552,000. This was the result of the County switching from being self-insured for health insurance to obtaining health insurance coverage through the State of Wisconsin effective 1-1-09. This new insurance coverage requires that premiums are to be paid a month before coverage begins.
7. Investment in WMMIC—During November 2008, the County purchased an equity interest in WMMIC (Wisconsin Municipal Mutual Insurance Company). More detailed information is available in the Notes to the Basic Financial Statements section.
8. Restricted cash and cash equivalents—Restricted cash increased by \$0.4 million or 18.8%. The Clerk of Courts accounted for the majority of changes in balances. The Clerk's investments in LGIP (Local Government Investment Pool) decreased by \$527,000, whereas the Clerk's checking account balance increased by \$825,000. The checking balance was increased because of some large fiduciary balances that were paid out in early 2009.
9. Capital assets, net of depreciation—The County's capital assets increased by \$2.9 million or 3.6%. A large portion of this was infrastructure (roads, bridges, culverts) that increased by \$1.9 million. In addition, the County received donated conservation easements worth \$0.4 million, which are considered as capital assets.

10. General Obligation debt—The total general obligation debt decreased by \$1.6 million or 24.3%. This was the result of scheduled principal reductions. Further detailed information is provided in the Notes to the Basic Financial Statements section.

B. Program Revenues, by major source

Charges for Services—Charges for services includes all departmental revenue that is not grant related. The various categories within Charges for Services are: (1) Licenses and Permits, (2) Fines & Forfeitures, (3) Public Charges for Services, (4) Intergovernmental Charges for Services, and (5) Miscellaneous Revenues. In total for the County, the total Charges for Services category decreased by \$62,000 or .2%. Within these categories, there were no individual categories with a material variance between 2007 and 2008.

Operating Grants in Aid—Operating grants in total were down about \$63,000 or 0.2%. There were no material variances in any category.

Capital Grants in Aid—Capital grants saw a large increase of \$688,000 or 124.2%. Within this category, there were several categories that experienced these large increases:

- Culture and Recreation—An additional \$71,600 was received within the Parks Department. The prior year had \$8,400 related to Carnes Park Development, whereas the current year had a capital grant of \$80,000 for constructing the Lower Rock Lake Parking Lot.
- Public Safety—An additional \$140,000 was received for the flood mitigation program. Also, an additional \$63,000 was received for 911 center upgrades because the State accelerated the payment schedule for the grant due to available funding.
- Public Works—An additional \$61,000 was received in grants related to constructing bicycle trails. Also, additional capital grants for \$343,000 were received in relation to infrastructure paid for by the State of Wisconsin. The State typically pays 80% of the construction costs for infrastructure.

C. General Revenues, by major source.

General revenue is any revenue that is not program revenue. Program revenue is defined as deriving directly from the program itself and reduces the net cost of the function. As such, taxes and any other revenue that cannot be directly related to a function are considered general revenue. These general revenues are indicated on the Statement of Activities beneath program activities. There were only three areas that had material variances from the prior year:

Property taxes levied for debt service—These property taxes are for the governmental funds (i.e. Parks Department) rather than business-type funds (i.e. Countryside Home). Although the percentage increase seems large at 35.5%, the actual amount only increased by \$66,761. This is a result of scheduled debt payment, which attempt to keep the debt levy somewhat consistent.

Investment earnings—Between the use of fund balance to remain within the current levy limits as well as the national recession affecting interest rates, the County's total investment earnings decreased by \$986,000 or 44.5%. As of 12-31-08, the weighted average of the County's investments were at 1.945% as opposed to 4.406% for the prior year.

Gain on sale of capital assets—For 2008, the County sold land to the State of Wisconsin for the Highway 26 bypass for \$1,387,021. This was a one-time sale under eminent domain. Although the County has appealed the purchase price, no additional receivable has been accrued due to uncertainty of the dollar amount and timing of any possible additional funds.

D. Total Revenues, government wide

The following is a comparison between years for all revenue types. These classifications are based upon the chart of accounts, and therefore there may be some minor variances with the Statement of Activities for both years. The reader should note that property taxes for both years were not the major source of revenue for the

Management Discussion and Analysis Jefferson County, Wisconsin
December 31, 2008

County, but rather grants became the major source of revenue. It should also be noted that grants can be one time revenues and/or simply a pass through with 100% related revenues. For a more detailed explanation of changes between 2008 and 2007, the reader should look at Section B of the Management Discussion & Analysis (MD&A).

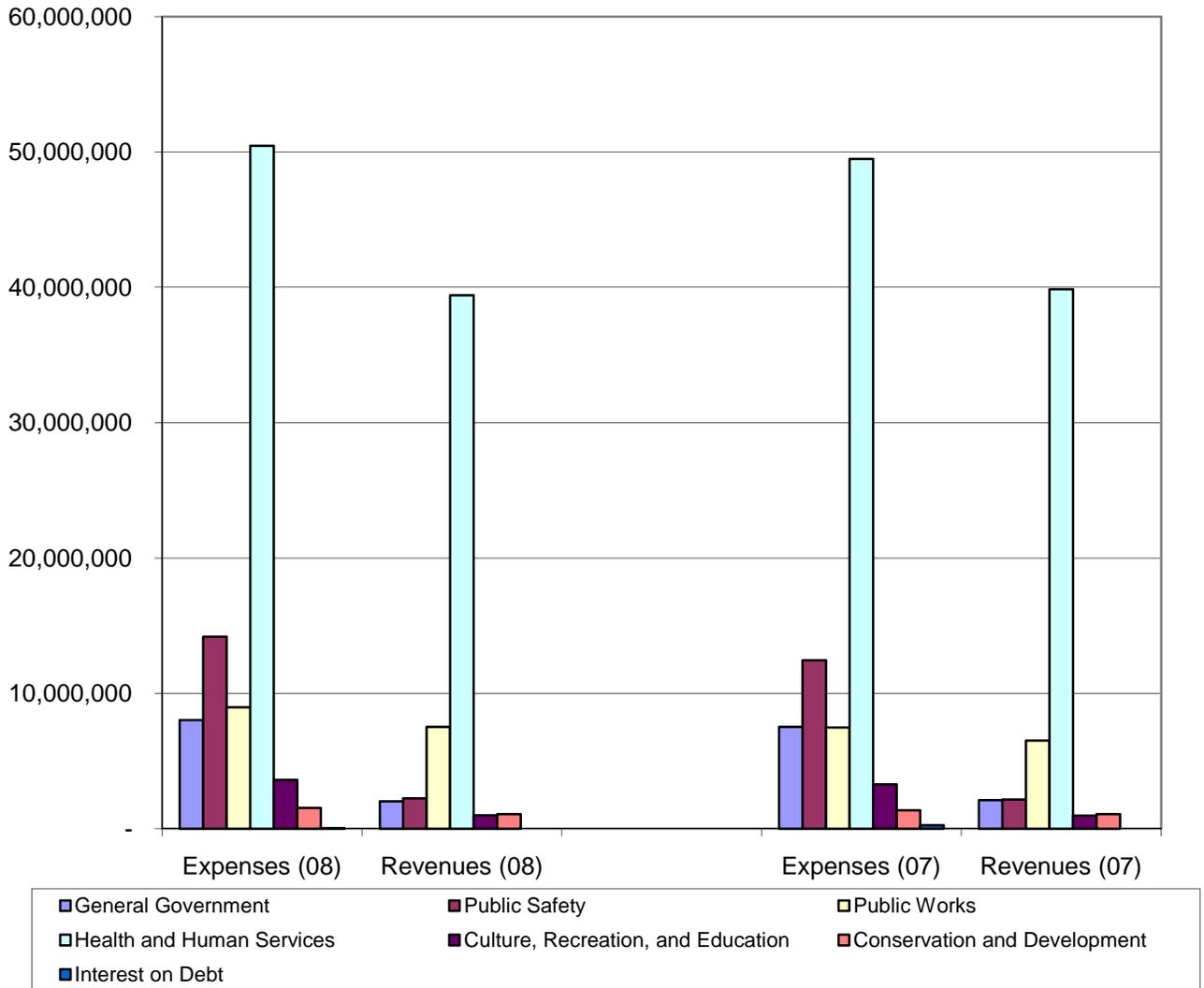
Comparisons between other counties may not be valid, as not all counties operate a nursing home. Currently, there are only 36 out of 72 counties that operate nursing homes.

Revenue Source	2008	% of Total	2007	% of Total	Increase (Decrease)
Grants in aid, operating	27,298,531	30.7%	27,361,438	31.4%	-0.2%
Property taxes, general purposes	24,976,058	28.1%	24,245,862	27.8%	3.0%
Public charges for services	17,808,710	20.0%	18,223,608	20.9%	-2.3%
Sales tax	5,097,149	5.7%	5,061,361	5.8%	0.7%
Intergovernmental charges	4,737,289	5.3%	4,402,852	5.0%	7.6%
General state aid	2,588,923	2.9%	2,567,877	2.9%	0.8%
Gain on sale of capital assets	1,387,021	1.6%	-	0.0%	0.0%
Miscellaneous revenues	1,347,092	1.5%	1,184,745	1.4%	13.7%
Grants in aid, capital	1,242,178	1.4%	554,023	0.6%	124.2%
Interest and dividends	1,173,207	1.3%	2,213,023	2.5%	-47.0%
Fines and forfeitures	590,538	0.7%	681,877	0.8%	-13.4%
Property taxes, debt service	254,779	0.3%	178,902	0.2%	42.4%
Licenses and permits	245,281	0.3%	297,996	0.3%	-17.7%
Other taxes	227,884	0.3%	237,202	0.3%	-3.9%
Total revenues	88,974,639	100.0%	87,210,766	100.0%	2.0%

The following chart graphically depicts a comparison of program revenues versus program expenses. As the reader will note, Health and Human Services programs covers the largest percentage of the County's programs. Within this function are the following departments, listed in descending order of expenses:

- | | |
|--|---|
| <ul style="list-style-type: none"> (1) Human Services (2) Countryside Home (3) Health Department (4) Child Support | <ul style="list-style-type: none"> (5) Veterans Services (6) County Board Indirect (Free Clinic donation) (7) Air Quality (within Zoning Department) |
|--|---|

Program Activities



E. Program expenses, by function

In all cases, if depreciation for fixed assets was involved, the applicable expense category was adjusted to reflect the depreciation amount. In addition, any applicable loss from disposal of assets was allocated to the general government expense category, as per current governmental accounting standards.

A major difference between the full accrual and modified accrual statements is that capital purchases are classified as an asset under full accrual accounting but as an expense under modified accrual accounting. The advantage of reclassifying the capital outlay as a capital asset rather than an expense is that the financial statements are now consistent with accounting applications in the private sector.

The chart below details program expenses by function between the years.

Management Discussion and Analysis Jefferson County, Wisconsin
December 31, 2008

Program Category	2008	% of Total	2007	% of Total	Inc (Dec)
Health and Human Services	50,445,312	58.2%	49,483,771	60.5%	1.9%
Public Safety	14,186,975	16.4%	12,442,360	15.2%	14.0%
Public Works	8,811,479	10.2%	7,486,947	9.1%	17.7%
General Government	8,038,208	9.3%	7,527,284	9.2%	6.8%
Culture, Recreation and Education	3,600,004	4.2%	3,280,304	4.0%	9.7%
Conservation and Development	1,548,127	1.8%	1,359,772	1.7%	13.9%
Debt service--interest & other costs	51,781	0.1%	272,121	0.3%	-81.0%
Totals	86,681,886	100.0%	81,852,559	100.0%	5.9%

Public Safety—There were a number of factors that caused the increase in Public Safety spending. The first is that properties under the flood mitigation program were about \$280,000 in 2008 as opposed to zero in the prior year. In addition, another \$247,000 was spent by Emergency Management related to the flooding during 2008. Within the Sheriff Department, wages were up \$686,000 and related benefits were up \$593,000. Part of the increased wages/benefits can be attributed to the major flooding that occurred during 2008. The rest of the increased wages/benefits would be due to staffing levels and related overtime.

Public Works—Expenses for snow and ice removal increased by \$190,000 between 2008 and 2007 on County roads by themselves. For 2008, state and municipality winter maintenance costs were 59% of total expenditures, which equates to another \$273,000 for snow and ice removal on state/federal/local roads that were reimbursed by those other units of government. As with the Sheriff Department, the Highway department had increased expenses in wages/benefits and supplies due to the major flooding that occurred during 2008. Highway had expenses of about \$131,000 for which the State paid 87.5% of the costs for the major flooding.

Culture, Recreation, Education—The largest single increase within this category was the building of the Korth Park Pavilion during 2008 for \$283,000.

Conservation and Development—Although the percentage increase within Conservation and Development appears large at almost 14%, the actual dollar amount increased only by \$188,000. Conservation easements received by the County increased from one (at \$247,877) in 2007 to two (at \$400,000) in 2008, which is an increase in \$152,000. These conservation easements values are offset by related revenue at the same amount, which comes under donations (miscellaneous revenues).

Debt Service—As the outstanding debt balance decreases, the related interest expense will also decrease.

F. Total expenses

For the County, all expenses are classified as program expenses. See section E for more detail relating to program expenses. The exception to this classification is for special and extraordinary items, which are covered under Section I.

G. Excess (deficiency) before special and extraordinary items, and transfers

Jefferson County experienced an increase in net assets as indicated in the chart below. A comparison between each year at a county-wide level is difficult because each year has its own unique circumstances. The reader should look at the individual sections of this Management Discussion & Analysis document for more detail for each year.

Calendar Year	Beginning Net Assets	Increase (Decrease) Amount	Ending Net Assets	Increase (Decrease) Percent
2007	100,251,246	5,118,857	105,370,103	5.1%
2008	105,370,103	2,292,753	107,662,856	2.2%

It should be noted that of the increase during 2008, \$1,378,010 (net of expenses) was a result of the one-time sale of land to the State of Wisconsin for the Highway 26 bypass. As such, the actual increase would have only been \$968,759.

H. Contributions (donations)

Contributions (donations) are reported as public charges for services and are allocated to functional expense categories in the Statement of Activities. The chart below is a breakdown of contributions received during the current and prior years. As donations are dependent upon the generosity of others, they can vary widely each year. Below is an explanation of those program areas where large increases (decreases) occurred between the years.

Department	Program	2008 Amount	2007 Amount	Increase (Decrease)	Increase (Decrease)
County Board	Conservation easement	400,000	247,877	152,123	100.0%
Human Services	Early intervention	50,550	29,955	20,595	68.8%
Sheriff	Multiple programs	22,057	10,077	11,980	118.9%
Sheriff	FEMA Disaster	4,850	-	4,850	0.0%
All other areas		28,301	26,351	1,950	7.4%
Parks	Bike trails	6,665	7,000	(335)	-4.8%
Human Services	Delivered meals	89,022	95,506	(6,484)	-6.8%
Parks	Parks Department	1,791	21,808	(20,017)	-91.8%
Parks	Carnes Park development	172	146,930	(146,758)	-99.9%
County totals		603,409	585,505	17,904	3.1%

County Board—A conservation easement valued at \$247,877 was received during 2007 from Margaret Burlingham. During 2008, conservation easements were received from Edward Miller (\$225,000) and Carlton Zentner (\$175,000). These amounts are the amounts reported to the IRS for their charitable contributions

Early Intervention—This program is also known as Birth to Three. There is a timing difference in the recognition of payments between 2008 and 2007, resulting in an additional \$20,000 payment from St. Vincent de Paul recorded as 2008 revenue.

FEMA Disaster—Various parties donated funds to the County to offset costs related to the major flooding that occurred during June 2008.

Parks Department—A donation of \$20,000 was received from the Garman family for development of the Theo Garman Nature Preserve during 2007.

Carnes Park Development— In 2007, land was received from the Madison Audubon Society (with grant funding from the state) for \$145,625.

I. Special and extraordinary items.

The definition of a special item is those items that are “significant transactions or other events within the control of management that are *either* unusual in a nature or infrequent in occurrence.” While both years included a number of transfers from the General Fund to pay for expenditures, these are not being treated as special items. While transfers are for different purposes almost every time, transfers between funds occur each year and are thus not unusual or infrequent as a whole.

The definition of an extraordinary item is “transactions or other events that are both unusual in nature and infrequent in occurrence.” There were no extraordinary items during either year.

J. Transfers

The reader should look at the “Notes to Basic Financial Statements” under the “detailed notes” section for a recap of the various transfers that occurred during the year. Comparisons between years would not give any meaningful information, as these transfers are typically for one-time situations. Transfers between funds do not result in any change in net assets when looking at the County as a whole.

K. Change in net assets and ending net assets

Because there were no special or extraordinary items for either year, the ending net asset figures are the same as detailed above in Section G. For the reader’s convenience the recap is again indicated below.

Calendar Year	Beginning Net Assets	Increase (Decrease) Amount	Ending Net Assets	Increase (Decrease) Percent
2007	100,251,246	5,118,857	105,370,103	5.1%
2008	105,370,103	2,292,753	107,662,856	2.2%

A comparison between each year at a county-wide level is difficult because each year has its own unique circumstances. The reader is directed to look at the individual sections of this Management Discussion and Analysis document for more detail

Again, it should be noted that of the increase during 2008, \$1,378,010 (net of expenses) was a result of the one-time sale of land to the State of Wisconsin for the Highway 26 bypass. As such, the actual increase would have only by \$968,759.

IV. Overall financial position analysis (government wide)

Jefferson County has again been fortunate to see an increase in net assets each year since full accrual statements have been presented (2003). While each individual year has unique reasons for this increase, common factors between years include:

- Outstanding debt was reduced each year and no additional long-term debt was incurred.
- Many capital assets have been purchased either with tax levy funds or capital grants.
- Some infrastructure, such as bridges, costs the County only 20% of the total construction cost due to Department of Transportation subsidies.

The government-wide statements are more indicative of the long-term decisions made by County Board Supervisors. Since the County is required to budget and levy on an annual basis, a closer look at the fund statements (especially the General Fund) will give the reader an indication of the short term effect that prior decisions have made.

V. Individual Fund Analysis—Governmental Funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. The information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The chart on the next page is a comparison of fund balances for the entire County. The breakdown for each category is listed in the “Notes to Basic Financial Statements” under the “detailed notes” section.

The five categories of fund balance (governmental funds only) are:

1. Non-spendable = Inherently non-spendable because of their form (e.g. inventories) or because they must remain intact (e.g. endowments)
2. Restricted = Externally enforceable limitations on use
3. Committed = Self-imposed limitations set in place prior to the end of the period
4. Assigned = Limitations resulting from intended use
5. Unassigned = Residual net resources

General Fund—The General Fund is the County’s primary operating fund. The total fund balance decreased by \$2.6 million or 9.2%. This figure is somewhat misleading because the fund balance includes almost \$1.4 million from the proceeds of land sold to the State of Wisconsin for the Highway 26 bypass. Taking this into account, the actual fund balance decreased by about \$4.0 million or 13.9%. Some of the biggest components of this \$4.0 million are:

1. Usage of \$2.35 million of fund balance to stay within statutory levy limits while still retaining the current programmatic and service levels.
2. A deficit of \$0.7 million compared to budget for investment income by the Treasurer’s office due to falling interest rates. (See page 6 in the MD&A discussing the decreased revenue for investments for more information.)
3. A deficit of \$0.7 million compared to budget for the Sheriff Department. (See page 9 in the MD&A discussing the increased expenses for Public Safety for more information.)
4. Operating deficits for Register of Deeds, Land Information, and Zoning totaling \$0.2 million due to decreased revenue because of decreased construction within the County.

As part of the “assigned” category, the Finance Committee applies the Fund Balance policy (Resolution 2007-62) every year during the budget process. From this policy, any balance of funds in excess of two months of budgeted expenditures must be used for capital projects or a reduction in the tax levy. This Fund Balance Policy is modeled after GFOA (Government Finance Officers Association) guidelines, which also stresses that the policy should be applied in the context of long term financing, thus avoiding the emphasis on unreserved amounts at any one time. For more information, please see the following link:

<http://www.gfoa.org/services/rp/caafr/caafr-appropriate-level.pdf>

Health and Human Services Fund

Health Department—The fund balance for the Health Department decreased by \$135,329 or 58.20%. The Health Department is not a county-wide levy, so is statutorily limited that any excess fund balance be carried forward into the next year. The available ending fund balance for 2008 will be applied against the 2010 tax levy, as consistent with prior year tax levy calculations. The reader should note that \$32,780 is not spendable as this amount is for prepaid health insurance, and thus only \$64,348 can be applied against the 2010 tax levy.

While the Health Department does not meet the classification requirements for a major fund, management reported it together with the Human Services fund on the financial statements.

Human Services—While the Human Services fund balance increased by \$200,683, this figure is somewhat misleading. The \$226,562 within the “non-spendable” category is for prepaid expenses (primarily health insurance), for which the General Fund transferred funds to Human Services for this purpose. The \$14,121 figure is for a van replacement fund.

Management Discussion and Analysis Jefferson County, Wisconsin
December 31, 2008

For financial statement purposes, the Human Services and Health Departments are combined together.

Year	Category	General	Health	Human Services	Debt Service	MIS	Country-side	Highway	Total
2008	Non-spendable	3,816,147	32,781	226,561	-	-	-	-	4,075,489
	Restricted	329,846	64,348	-	219	-	-	-	394,413
	Committed	5,817,725	-	14,121	-	203,369	-	-	6,035,215
	Assigned	15,737,181	-	-	-	-	-	-	15,737,181
	Unassigned	173,433	-	-	-	-	-	-	173,433
	Capital	-	-	-	-	-	5,767,338	6,251,899	12,019,237
	Restricted	-	-	-	-	-	-	217,032	217,032
	Unrestricted	-	-	-	-	-	210,437	4,008,429	4,218,866
Totals	25,874,332	97,129	240,682	219	203,369	5,977,775	10,477,360	42,870,865	
2007	Non-spendable	2,739,068	-	-	-	-	-	-	2,739,068
	Restricted	361,156	232,458	-	-	97,701	-	-	691,315
	Committed	5,364,512	-	40,000	-	-	-	-	5,404,512
	Assigned	20,277,210	-	-	-	-	-	-	20,277,210
	Unassigned	-	-	-	-	-	-	-	-
	Capital	-	-	-	-	-	4,729,047	5,695,587	10,424,633
	Restricted	-	-	-	-	-	-	-	-
	Unrestricted	-	-	-	-	-	3,433	4,216,135	4,219,568
Totals	28,741,946	232,458	40,000	-	97,701	4,732,480	9,911,722	43,756,307	
Inc (Dec)	Non-spendable	1,077,079	32,781	226,561	-	-	-	-	1,336,421
	Restricted	(31,310)	(168,110)	-	219	(97,701)	-	-	(296,902)
	Committed	453,213	-	(25,879)	-	203,369	-	-	630,703
	Assigned	(4,540,029)	-	-	-	-	-	-	(4,540,029)
	Unassigned	173,433	-	-	-	-	-	-	173,433
	Capital	-	-	-	-	-	1,038,291	556,312	1,594,604
	Restricted	-	-	-	-	-	-	217,032	217,032
	Unrestricted	-	-	-	-	-	207,004	(207,706)	(702)
Totals	(2,867,614)	(135,329)	200,682	219	105,668	1,245,295	565,638	(885,441)	

Debt Service— The debt service fund is statutorily limited in that any fund balance must be carried forward strictly for debt service. The budget is prepared each year with the anticipated ending fund balance used to lower the subsequent year levy. While the goal is to have an ending fund balance of zero, the actual remaining balance is \$219. This was a result of prior year estimates relating to the Korth Park escrow account which was depleted during 2008. As such, it is anticipated that future year end fund balances will be only from small rounding differences.

Management has elected to specifically include the Debt Service Fund as a major fund in the financial statements.

MIS Department—For both 2007 and 2008, the ending fund balances were carried forward for operations in the subsequent year. It should be noted that the fund balance increased by 108% or \$105,668. The ending balance for 2008 is a significant percentage of the 2009 budgeted expenditures at 13.1%. Finance staff and MIS staff will work together in 2009 to ensure that the large balances are used during 2009.

This department is part of the General Fund for financial statement reporting purposes.

Countryside Home—The total net assets (equity) for Countryside Home increased by \$1.2 million, or 26.3%. The equity in the building and contents increased from \$4.7 million to \$5.7 million. The majority of this increase (\$1.0 million) is due to scheduled principal reductions. Countryside also has equity in prepaid assets of about \$197,000, which are included in the “unrestricted” category on the financial statements. If Countryside Home were considered a governmental fund, the equity in prepaid assets would be included in the “non-spendable” category.

Highway Department—The net assets (equity) for the Highway Department increased by \$565,649 or 5.7%. This increase is almost entirely due to increased equity in capital assets (buildings, vehicles, equipment). Currently, there is no outstanding debt related to Highway activities.

VI. General Fund Budgetary Highlights

A. Budget Amendments.

There were a number of significant budget amendments that happened during 2008:

1. On a year-to-date basis, the County’s self-insured health insurance pool resulted in a deficit during 2008 of \$776,738. The deficit was allocated to each department based upon current year departmental charges. The departmental budgets were adjusted for this deficit allocation. A transfer from the General Fund to all other funds (except Health) took place to offset this allocation. (The Health Department may not receive funds from the General Fund because it is not a county-wide tax levy.)
2. Although not material, the County’s self-insured dental insurance pool resulted in a year-to-date deficit of \$44,095. This deficit was allocated to each department and resulting budgets amended, similar to how the health insurance deficit was handled. Again, a transfer took place from the General Fund to all other funds (except Health) to offset this allocation.
3. The budget for debt principal and interest related to Countryside Home construction was transferred from the Debt Service Fund to Countryside Home to be consistent with reporting Countryside as a business-type fund.
4. Transfers from the General Fund to Human Services, Countryside, and Highway took place for prepaid health insurance when the County switched to the state health insurance plan effective 1-1-09.
5. Departmental deficits totaling \$1.7 million necessitated transfers from the General Fund to the applicable departments under Resolution 2008-100.

B. Budget versus actual variances—General Fund

Within the General Fund (including the MIS Fund), there were a number of areas where the variances between amended budget and actual activity exceeded 10% during 2008. These areas are detailed below.

Licenses & Permits—There was a deficit of almost \$107,000 or 32.2% comparing budget versus actual for licenses and permits. For the third year in a row, the largest portion of the deficit can be directly attributed to permits within the Zoning Department. For 2007, Zoning permits were down \$85,000 or 24.9% as compared to the budget. For 2008, Zoning permits were down \$101,000 or 34.6% as compared to the budget. General economic concerns were most likely triggered by increasing home mortgages which reduced home starts and large additions. Housing starts, zoning changes, and parcel splits were all down during 2006-2008 as compared to the prior year. As a consequence, private sewage system installations suffer as they are required for large home additions as well as new homes. This downward trend of Zoning license and permit fees began in 2005.

Fines and forfeitures—In total, fines and forfeitures were down by \$124,681 or 17.9% as compared to budget. The largest portion of this deficit was within the Sheriff Department, where fines and forfeitures were down by \$119,565. The Sheriff calculated that not having traffic enforcement available, especially motorcycle units, because of the massive flooding during 2008 accounted for \$60,000 -- \$80,000 of this deficit.

Intergovernmental charges—In total, the intergovernmental charges were down \$388,080 as compared to the budget. The single largest component of this is charges to other government units for housing of inmates in the jail. Total revenue was \$54,258 as compared to \$336,000 for the budget, or a deficit of \$281,742. The increase in County residents within the jail did not allow for beds to be available to rent to other governments. This was a hidden cost of the re-structuring of the judicial branches in order to catch up the backlog in some of the branches.

Miscellaneous revenues—The total deficit compared to budget was \$578,494 or 20.1%. Within the County Treasurer's office, the combination of reduced investment earnings and fair market value adjustments on the investments as compared to budget was \$730,897. As of 12-31-08, the weighted average of the County's investments was at 1.945% as opposed to 4.406% for the prior year. It should also be noted that the County received \$107,742 in insurance proceeds for various departments, which was not budgeted for at all.

General Government expenditures—The total surplus for General Government expenditures versus budget is about \$1.6 million, or 18.0%. This figure is somewhat misleading. There were six departments that received year-end budget amendments totaling \$759,424, of which the largest was the County Treasurer at \$645,453. For these departments, the total departmental deficit (before amending the budget) was almost primarily caused by revenue deficits. The budget adjustments increase the budget for one line item only as an increased expenditure. Taking these departmental deficit adjustments into account, the total General Government surplus becomes \$862,593 or 9.6%.

Public Safety expenditures—The variance between actual and budgeted expenditures for Public Safety is only \$312,079 or 2.2% as a surplus. There are actually two major items that net together that should be noted.

- Wages and benefits were \$516,919 over budget (i.e. deficit) within the Sheriff Department. Factors that affected this included the major flooding during June/July, staffing levels, and related overtime.
- A number of categories within the Sheriff Department have restricted funds that are traditionally carried forward each year. When the budget is created, a "plug" figure is inserted as an expenditure so that there is no tax levy for this activity. As such, no actual expenditures take place. These categories are listed below:
 - Drug Task Force (steering committee controlled) \$139,074
 - Jail assessment funds (restricted by statute) \$265,913
 - Total surplus \$404,987

Public works expenditures—The total surplus compared to budget for Public Works is \$254,195 or 70.0%. There were two large items that are included in this amount.

- This figure includes tipping fees and grant proceeds related to Solid Waste activities at \$167,838. When the budget is created, a "plug" figure is inserted into the budget as an expenditure so that there is no tax levy for this activity.
- The budget included \$50,000 in expenditures to create a bike trail plan. No actual expenditures took place.

Capital Outlay expenditures—The total surplus between budget and actual for capital outlay was \$576,035 or 21.8%. There were a number of large items that contributed to this variance:

- Dog Park improvements budgeted as capital but were actually operating costs \$113,079
- Four capital items within MIS not purchased \$ 97,570
- Korth Park Pavilion actual construction costs \$ 70,321
- Flood mitigation properties purchased \$ 70,184
- Road improvements at Jones Lane not started \$ 45,000
- JS Garman Nature Preserve actual construction costs \$ 34,797
- 21 various items totaling \$156,984
- Total \$587,935

The reader should note that the MIS capital items not purchased were one of the factors for the large increase in the fund balance within the MIS fund. (See also page 14 of the MD&A for related comments.)

VII. Capital Asset Activity and Long Term Debt Activity

A. Capital Asset Activity

A recap of capital asset activity appears in the “Notes to Basic Financial Statements” under the “detailed notes” section.

There were three categories where the changes in capital assets approached 10%.

1. Capital land increased by a net of \$723,186 or 12.23%. This included the following:

a. Flood mitigation property purchased (W7689 Lamp Road)	\$280,816
b. Miller easement received	\$225,000
c. Zentner easement received	\$175,000
d. Correction of original cost of Countryside Farm land	\$ 49,470
e. Sale of land for Highway 26 bypass	(\$ 7,000)
f. Return of Busseyville Park to the Town of Sumner	<u>(\$ 100)</u>
g. Net activity	\$723,186

2. Accumulated depreciation on equipment within governmental activities increased by 18.2%. This is consistent with assuming the un-depreciated assets have a remaining life of 2 ½ years. (Equipment is typically depreciated anywhere from 3 -- 15 years.)

3. Accumulated depreciation on buildings/improvements within business activities increased by 13.9%. This is consistent with assuming the un-depreciated assets have a remaining life of 35 years. (Buildings and improvements are typically depreciated anywhere from 25 – 50 years.)

B. Long-Term Debt Activity

Detail regarding long term debt activity appears in the “Notes to Basic Financial Statements” under the “detailed notes” section. Moody’s has consistently rated the County at Aa3 since 1998. Due to the size of our neighboring counties, it is not foreseen in the near future that this rating will increase. A brief explanation of each outstanding debt is below:

Korth Park—This promissory note was issued to David Korth for the purchase of land for Korth Park. Prepayments are not allowed until July 2010. There was an escrow account at Premier Bank due to an in-substance defeasance by the Wisconsin Department of Natural Resources that was depleted during 2008. The County again began making principal and interest payments during 2008.

Parks Building—This bond issue was issued for the construction of the Parks maintenance facility. It may now be prepaid at any time. The bond was scheduled with the first principal payment due in 2007.

Countryside—The three bond issues were for the construction of the new Countryside Home, as well as other capital purchases. A formal bond defeasance occurred in January 2006 on issues A&B. Prepayments are allowed beginning April 2008, April 2009, and April 2010 for issues A, B, and C, respectively.

In addition to the limit on new debt, the County has to comply with Wisconsin Statute §59.605, which limits the debt levy to \$0.8698 per thousand dollars of equalized value (also known as the mill rate). For the 2009 debt levy, which was set in November 2008, the County levied a mill rate of \$0.1949, so it has plenty of room under this statutory limit. This statute went into effect in 1992, and has no provision to end.

VIII. Modified approach to infrastructure.

The County had the option of using the modified approach to infrastructure, which would have delayed reporting all infrastructure, except those added in 2003 and beyond, until 2007. However, the decision was made to fully implement the new reporting model and completely include all infrastructures. Estimated historical costs for infrastructure were used based upon criteria developed by Wisconsin County Highway Association (WCHA) and Wisconsin Counties Association (WCA).

IX. Economic Factors and Subsequent Year Budget

Located between two large population centers for the State of Wisconsin (Milwaukee and Madison), the County has averaged significant annual growth of 7.60% in the tax base over the last five years. It should be noted that the growth in equalized value decreased substantially for 2009 (2.87%) according to the latest figures provided by the Wisconsin Department of Revenue. This is a direct result of the 2008-2009 national, state, and local recession.

As a point of information, the Finance Committee and Ehlers & Associates (our financial consultants) are using the assumption of a zero percent increase in equalized value for the next two budget years in the five-year financial projections.

Both residential and commercial developments have contributed to this growth in equalized values. However, it should be noted that new construction figures have averaged only 2.723% over the last four years and have been trending downward. Both equalized values and net new construction figures are used to determine the impact of the various levy limit laws that the County has to adhere to.

Population increased by 9.2% during the 1990s and has been estimated by the Wisconsin Department of Administration to have already increased 6.9% since 2000 (as of October 2008).

There are also a number of factors, both self- and outside imposed, that will most certainly affect the financial health of Jefferson County within the next few years.

1. The economy. The national, state, and local economies are currently experiencing the effects of a recession (or near recession) The local economy was definitely affected by the Tyson strike, which lasted from March 2003 to February 2004. There are three attributes of the current recession that are important:

- (a) The housing market and general economy have been affected by the troubles in the sub-prime lending market around the nation as well as in Wisconsin.
- (b) Fuel costs have risen dramatically over the last several years. This has a large impact on both vehicle operations and asphalt prices.
- (c) Metro Milwaukee has one of the highest health care costs in the nation.

2. Sales tax revenue. The economy is a large factor affecting sales tax paid within Jefferson County. Sales tax revenue has shown signs of reaching somewhat of a plateau. Actual revenue for 2007 was 1.8% below budget and was 1.2% above budget for 2008. The actual revenue between 2007 and 2008 only increased by about \$63,000 or 0.7%. While it is still early in the year, the revenue projections for 2009 look grim. Based upon only three months of actual revenue received, the projection is for a 15.5% deficit or about \$794,000 below budget. This will indeed affect future year tax levies.

Much of the prior years' growth can be attributed to the Johnson Creek Outlet Mall, which brings in shoppers from a large surrounding area including northern Illinois. Thus, people outside Jefferson County are helping to lower the County's structural deficit.

3. Structural Deficits—The five-year financial projections presented to the County Board in June 2009 emphasized the structural deficit (which has existed since the 2007 budget) will have a large debilitating effect on the County should no action be taken by the elected officials. Possible solutions being looked at by the County Board include the following items:

- Authorizing a binding referendum in September 2009 to exceed the levy limits for the next four years in an amount yet to be determined. The tentative discussions have centered around \$3.5 million, which would be an increase in the tax levy by about 14% above any current limits. (The reader should note that before a binding referendum is held, the County Board by majority has to vote to increase taxes by 14%.)
- Selling Countryside Home should the referendum fail to pass.
- Draconian cuts affecting all other departments which will have a definite negative impact on services provided to the taxpayer
- Negotiations with the seven unions within the County for various concessions in the 2009 and/or 2010 contracts.

4. Wisconsin State budget for fiscal years 2009-2011—Prior to issuance of this document, the State legislature adopted the State budget, however, County departments are still sorting out the effects of the budget on both 2009 and 2010 activities.

In addition, the state budget includes a look back feature that will allow the County to “recapture” any amounts not taxed during the prior two (2) years and legally add these amounts to the allowable levy limits. For Jefferson County, this means the potential of \$1.3 million available to add to the 2010 levy limits. This would allow the County Board to increase the levy by 5.2% plus the assumed net new construction rate of 3.0% for a total of 8.2% without any taxpayer approval by referendum.

X. Contacting the County’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, creditors, and investors a general overview of the County’s finances, comply with finance-related laws, and demonstrate the County’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Finance Division at 320 S. Main Street, Room 109, Jefferson, WI 53549.

JEFFERSON COUNTY, WISCONSIN
Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 16,681,312	\$ 2,600,281	\$ 19,281,593
Investments	7,797,815	-	7,797,815
Receivables, net			
Taxes	23,316,514	8,528,480	31,844,994
Accounts	5,002,551	2,565,816	7,568,367
Inventories	18,345	1,313,682	1,332,027
Prepaid Items	696,600	277,032	973,632
Investment in WMMIC	783,000	-	783,000
Restricted Cash and Cash Equivalents	2,424,999	31,692	2,456,691
Capital Assets, Net of Accumulated Depreciation	67,807,017	16,094,237	83,901,254
TOTAL ASSETS	124,528,153	31,411,220	155,939,373
LIABILITIES			
Accounts Payable	5,802,094	359,602	6,161,696
Delinquent Special Assessments Due to Other Governments	545,067	-	545,067
Accrued Payroll and Related Liabilities	2,987,289	484,986	3,472,275
Accrued Interest Payable	7,735	34,890	42,625
Unearned Revenues			
Current Year Property Tax Levy	16,428,456	8,528,480	24,956,936
Other Unearned Revenue	157,952	-	157,952
Liabilities Payable from Restricted Assets	2,220,250	31,692	2,251,942
Long-term Liabilities			
Accrued Compensated Absences			
Current Portion	2,803,901	1,211,635	4,015,536
Noncurrent Portion	1,373,512	229,800	1,603,312
General Obligation Debt			
Current Portion	224,961	900,000	1,124,961
Noncurrent Portion	769,215	3,175,000	3,944,215
TOTAL LIABILITIES	33,320,432	14,956,085	48,276,517
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	66,812,841	12,019,237	78,832,078
Restricted	329,846	217,032	546,878
Unrestricted	24,065,034	4,218,866	28,283,900
TOTAL NET ASSETS	\$ 91,207,721	\$ 16,455,135	\$ 107,662,856

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY, WISCONSIN
Statement of Activities
December 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Totals</u>
Primary Government							
Governmental Activities							
General Government	\$ 8,038,208	\$ 1,492,884	\$ 533,896	\$ -	\$ (6,011,428)	\$ -	\$ (6,011,428)
Public Safety	14,186,975	1,466,219	530,673	257,121	(11,932,962)	-	(11,932,962)
Public Works	1,821,687	110,504	38,805	900,057	(772,321)	-	(772,321)
Health and Human Services	38,270,965	7,565,969	22,522,070	5,000	(8,177,926)	-	(8,177,926)
Education and Recreation	3,600,004	768,193	134,662	80,000	(2,617,149)	-	(2,617,149)
Conservation and Development	1,548,127	783,639	290,645	-	(473,843)	-	(473,843)
Interest on Debt	51,781	-	-	-	(51,781)	-	(51,781)
Total Governmental Activities	<u>\$ 67,517,747</u>	<u>\$ 12,187,408</u>	<u>\$ 24,050,751</u>	<u>\$ 1,242,178</u>	<u>(30,037,410)</u>	<u>-</u>	<u>(30,037,410)</u>
Business-type Activities							
Highway	\$ 6,989,792	\$ 4,503,990	\$ 1,974,125	\$ -	-	(511,677)	(511,677)
Elderly Care - Countryside	12,174,347	8,037,510	1,273,656	-	-	(2,863,181)	(2,863,181)
Total Business-type Activities	<u>\$ 19,164,139</u>	<u>\$ 12,541,500</u>	<u>\$ 3,247,781</u>	<u>\$ -</u>	<u>-</u>	<u>(3,374,858)</u>	<u>(3,374,858)</u>
General revenues							
Property Taxes, Levied for General Purposes					15,801,624	9,174,434	24,976,058
Property Taxes, Levied for Debt Service					254,779	-	254,779
Sales Tax					5,097,149	-	5,097,149
Other Taxes					227,884	-	227,884
General State Aid					2,588,923	-	2,588,923
Investment Earnings					1,173,207	-	1,173,207
Gain on Sale of Capital Assets					1,387,021	-	1,387,021
Total General Revenues					<u>26,530,587</u>	<u>9,174,434</u>	<u>35,705,021</u>
Transfers					<u>3,988,632</u>	<u>(3,988,632)</u>	<u>-</u>
Total General Revenues and Transfers					<u>30,519,219</u>	<u>5,185,802</u>	<u>35,705,021</u>
Change in Net Assets					<u>481,809</u>	<u>1,810,944</u>	<u>2,292,753</u>
Net Assets							
Beginning of Year (restated)					<u>90,725,912</u>	<u>14,644,191</u>	<u>105,370,103</u>
End of Year					<u>\$ 91,207,721</u>	<u>\$ 16,455,135</u>	<u>\$ 107,662,856</u>

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2008

<u>Assets</u>	<u>General</u>	<u>Special Revenue Fund Health and Human Services</u>	<u>Debt Service</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 16,678,593	\$ 2,500	\$ 219	\$ 16,681,312
Investments	7,797,815	-	-	7,797,815
Property Taxes Receivables				
Current Year Tax Levy	9,292,639	8,039,646	266,663	17,598,948
Delinquent Property Taxes	5,717,566	-	-	5,717,566
Accounts Receivable				
Due from Other Government Units	1,604,461	109,687	-	1,714,148
General Accounts Receivable	1,616,759	1,671,644	-	3,288,403
Due from Other Funds	813,356	-	-	813,356
Inventories	18,345	-	-	18,345
Prepaid Expenditures	437,258	259,342	-	696,600
Investment in WMMIC	783,000	-	-	783,000
Restricted Cash and Cash Equivalents	1,467,325	957,674	-	2,424,999
Total Assets	\$ 46,227,117	\$ 11,040,493	\$ 266,882	\$ 57,534,492
 <u>Liabilities</u>				
Accounts Payable	\$ 6,178,824	\$ 1,843,520	\$ -	\$ 8,022,344
Delinquent Special Assessments Due to Other Governments	545,067	-	-	545,067
Accrued Liabilities	2,987,289	-	-	2,987,289
Due to Other Funds	-	813,356	-	813,356
Deferred Revenues				
Current Year Property Tax Levy	8,122,147	8,039,646	266,663	16,428,456
Delinquent Property Taxes	1,811,957	-	-	1,811,957
Deferred Revenue	504,132	6,160	-	510,292
Total Liabilities	20,149,416	10,702,682	266,663	31,118,761
 <u>Fund Balances</u>				
Nonspendable	3,816,147	259,342	-	4,075,489
Restricted	329,846	64,348	219	394,413
Committed	6,021,094	14,121	-	6,035,215
Assigned	15,737,181	-	-	15,737,181
Unassigned	173,433	-	-	173,433
Total Fund Balances	26,077,701	337,811	219	26,415,731
Total Liabilities and Fund Balances	\$ 46,227,117	\$ 11,040,493	\$ 266,882	

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	67,807,017
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.	(994,176)
Accrued interest is not due and payable in the current period and therefore is not reported in the funds.	(7,735)
Other long-term assets that are not available to pay current period expenditures and therefore are deferred in the funds.	2,164,297
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(4,177,413)</u>

Total Assets per Statement of Net Assets **\$ 91,207,721**

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY, WISCONSIN
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	<u>General</u>	<u>Special Revenue Fund Health and Human Services</u>	<u>Debt Service</u>	<u>Total</u>
Revenues				
Property Taxes	\$ 8,298,440	\$ 7,078,300	\$ 254,779	\$ 15,631,519
Sales Taxes	5,097,149	-	-	5,097,149
Intergovernmental Revenues	5,620,857	21,607,207	-	27,228,064
Licenses and Permits	224,895	-	-	224,895
Fines and Forfeitures	572,018	200	-	572,218
Public Charges for Services	2,567,975	7,243,315	-	9,811,290
Intergovernmental Charges	501,331	52,331	-	553,662
Miscellaneous Revenues	2,305,539	158,434	-	2,463,973
Total Revenues	<u>25,188,204</u>	<u>36,139,787</u>	<u>254,779</u>	<u>61,582,770</u>
Expenditures				
General Government	7,375,693	-	-	7,375,693
Public Safety	13,737,707	-	-	13,737,707
Health and Human Services	1,267,343	36,709,304	-	37,976,647
Public Works	149,495	-	-	149,495
Culture, Recreation, and Education	3,286,239	-	-	3,286,239
Conservation and Development	1,584,123	-	-	1,584,123
Capital Outlay	2,062,531	17,940	-	2,080,471
Debt Service				
Principal	-	-	203,054	203,054
Interest	-	-	51,506	51,506
Total Expenditures	<u>29,463,131</u>	<u>36,727,244</u>	<u>254,560</u>	<u>66,444,935</u>
Revenues Over (Under) Expenditures	<u>(4,274,927)</u>	<u>(587,457)</u>	<u>219</u>	<u>(4,862,165)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,344,550	-	-	1,344,550
Transfer In	1,061,695	652,809	-	1,714,504
Transfer Out	(795,563)	-	-	(795,563)
Total Other Financing Sources (Uses)	<u>1,610,682</u>	<u>652,809</u>	<u>-</u>	<u>2,263,491</u>
Change in Fund Balances	(2,664,245)	65,352	219	(2,598,674)
Fund Balances, Beginning of Year (restated)	<u>28,741,946</u>	<u>272,459</u>	<u>-</u>	<u>29,014,405</u>
Fund Balances, End of Year	<u>\$ 26,077,701</u>	<u>\$ 337,811</u>	<u>\$ 219</u>	<u>\$ 26,415,731</u>

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY, WISCONSIN
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
December 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (2,598,674)

Amounts reported for governmental activities in the statement of activities are different because Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Capital outlay reported in governmental statements	2,080,471
Contributed capital assets	888,060
Infrastructure transferred from highway department	3,069,691
Depreciation expense reported in the statement of activities	(2,963,272)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 432,272

The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets.

In the current year, these amounts consist of:

Long-term debt principal retirement	203,054
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Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid, in the statement of activities interest is reported as it accrues. (275)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. (295,797)

In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as another financing source. In the statement of activities only the gain (or loss) on the disposal is reported.

Loss on disposition reported on the statement of activities	<u>(333,721)</u>
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Change in Net Assets of Governmental Activities	<u>\$ 481,809</u>
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The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY, WISCONSIN
Statement of Net Assets
Proprietary Funds
December 31, 2008

	Highway	Elderly Care - Countryside	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,373,275	\$ 227,006	\$ 2,600,281
Property Taxes Receivables			
Current Year Tax Levy	4,115,486	4,412,994	8,528,480
Accounts Receivable			
Due from Other Government Units	1,178,398	889,310	2,067,708
General Accounts Receivable	317,184	180,924	498,108
Inventories	1,313,682	-	1,313,682
Prepaid Expenditures	80,195	196,837	277,032
Restricted Cash and Cash Equivalents	-	31,692	31,692
Capital Assets, Net of Accumulated Depreciation	6,251,899	9,842,338	16,094,237
TOTAL ASSETS	15,630,119	15,781,101	31,411,220
LIABILITIES			
Accounts Payable	350,301	9,301	359,602
Accrued Liabilities	128,381	356,605	484,986
Accrued Interest	-	34,890	34,890
Unearned Revenues			
Current Year Property Tax Levy	4,115,486	4,412,994	8,528,480
Liabilities Payable from Restricted Assets	-	31,692	31,692
Long-term liabilities			
Accrued Compensated Absences			
Current Portion	460,809	750,826	1,211,635
Noncurrent Portion	97,782	132,018	229,800
General Obligation Debt			
Current Portion	-	900,000	900,000
Noncurrent Portion	-	3,175,000	3,175,000
TOTAL LIABILITIES	5,152,759	9,803,326	14,956,085
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,251,899	5,767,338	12,019,237
Restricted	217,032	-	217,032
Unrestricted	4,008,429	210,437	4,218,866
TOTAL NET ASSETS	\$ 10,477,360	\$ 5,977,775	\$ 16,455,135

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	<u>Highway</u>	<u>Elderly Care - Countryside</u>	<u>Total</u>
Operating Revenues			
Charges for Services	\$ 4,436,467	\$ 7,998,800	\$ 12,435,267
Miscellaneous Revenues	<u>67,523</u>	<u>38,710</u>	<u>106,233</u>
Total Operating Revenues	<u>4,503,990</u>	<u>8,037,510</u>	<u>12,541,500</u>
Operating Expenses			
Operation and Maintenance	9,534,898	11,583,902	21,118,800
Depreciation	<u>626,410</u>	<u>433,822</u>	<u>1,060,232</u>
Total Operating Expenses	<u>10,161,308</u>	<u>12,017,724</u>	<u>22,179,032</u>
Operating loss	<u>(5,657,318)</u>	<u>(3,980,214)</u>	<u>(9,637,532)</u>
Nonoperating Revenues (Expenses)			
Property Taxes	4,024,963	5,149,471	9,174,434
Intergovernmental Grants	1,974,125	1,273,656	3,247,781
Interest Expense	-	(151,449)	(151,449)
Gain (Loss) on Disposal of Assets	<u>101,825</u>	<u>(5,174)</u>	<u>96,651</u>
Income Before Transfers	<u>443,595</u>	<u>2,286,290</u>	<u>2,729,885</u>
Transfer In	122,054	20,700	142,754
Transfer Out	<u>-</u>	<u>(1,061,695)</u>	<u>(1,061,695)</u>
Change in Net Assets	565,649	1,245,295	1,810,944
Net Assets, Beginning of Year (restated)	<u>9,911,711</u>	<u>4,732,480</u>	<u>14,644,191</u>
Net Assets, End of Year	<u>\$ 10,477,360</u>	<u>\$ 5,977,775</u>	<u>\$ 16,455,135</u>

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY, WISCONSIN
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	<u>Highway</u>	<u>Elderly Care - Countryside</u>	<u>Total</u>
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 3,984,602	\$ 8,127,055	\$ 12,111,657
Payments to suppliers	(6,061,568)	(6,112,952)	(12,174,520)
Payments to employees	(3,002,391)	(5,469,309)	(8,471,700)
Net cash used in operating activities	<u>(5,079,357)</u>	<u>(3,455,206)</u>	<u>(8,534,563)</u>
Cash Flows from Noncapital Financing Activities			
General property taxes	4,024,963	5,149,471	9,174,434
Transfers from (to) other funds	122,054	(1,968,126)	(1,846,072)
Net cash provided by noncapital financing activities	<u>4,147,017</u>	<u>3,181,345</u>	<u>7,328,362</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(2,208,536)	(52,287)	(2,260,823)
Proceeds from the sale of property, plant and equipment	1,127,639	-	1,127,639
Grant funds received	1,974,125	1,273,656	3,247,781
Principal paid on capital debt	-	(1,425,000)	(1,425,000)
Interest paid on capital debt	-	(163,337)	(163,337)
Net cash provided by (used in) capital and related financing activities	<u>893,228</u>	<u>(366,968)</u>	<u>526,260</u>
Cash and Cash Equivalents - Beginning of Year	<u>2,412,387</u>	<u>899,527</u>	<u>3,311,914</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,373,275</u>	<u>\$ 258,698</u>	<u>\$ 2,631,973</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (5,657,318)	\$ (3,980,214)	\$ (9,637,532)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation expense	626,410	433,822	1,060,232
(Increase) Decrease			
Accounts receivable	(519,388)	89,545	(429,843)
Inventories	581,248	-	581,248
Prepaid items	(80,195)	(195,904)	(276,099)
Increase (Decrease)			
Accounts payable	83,363	10,027	93,390
Accrued payroll	(65,690)	124,808	59,118
Other accrued liabilities	(47,787)	62,710	14,923
Net cash used in operating activities	<u>\$ (5,079,357)</u>	<u>\$ (3,455,206)</u>	<u>\$ (8,534,563)</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets			
Cash and cash equivalents	\$ 2,373,275	\$ 227,006	\$ 2,600,281
Restricted cash and cash equivalents	-	31,692	31,692
Total Cash and cash equivalents	<u>\$ 2,373,275</u>	<u>\$ 258,698</u>	<u>\$ 2,631,973</u>

The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies utilized by Jefferson County, Wisconsin (Jefferson County or County).

A. Reporting Entity

Jefferson County is a municipal corporation under the laws of the State of Wisconsin and is governed by an elected thirty member Board of Supervisors. This report includes all of the funds of Jefferson County. The reporting entity for the County consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

This report does not contain any component units.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

Property taxes, certain intergovernmental revenues and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described for the business-type activities previously in this note.

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The County has opted to early-implement this Statement, beginning with the year ended December 31, 2008. The impact of the Statement is described in Note I.D.9 and Note III.J.2.

Funds are organized as major funds or nonmajor funds within the governmental and enterprise statements. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise funds that the County believes are particularly important to financial statement users may be reported as a major fund.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement focus, basis of accounting and financial statement presentation

The government reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Health and Human Service Fund - Social, mental health and public health operations that are primarily funded from federal and state assistance.

Debt Service Fund - Property taxes to pay principal and interest on long-term debt.

The government reports the following major enterprise funds:

Highway Fund - Road and bridge maintenance and construction that are provided on a cost reimbursement basis.

Elderly Care - Countryside Fund - Group facilities for the elderly that are primarily funded from private, Medicare and Medicaid user charges.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities and net assets or equity

1. Cash, cash equivalents and investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County invests in accordance with Wisconsin State Statutes Section 66.0603. Under state statute, investments are limited to:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association authorized to transact business in the state;
- Bonds or securities of any county, city, drainage district, vocational education district, village, town or school district of the state;
- Bonds or securities issued or guaranteed by the Federal government;
- Any security which matures within not more than 7 years, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or similar rating agency;
- Securities of an open-end management investment company or investment trust, if the company or trust does not charge a sales load, is registered under the investment company act of 1940, and if the portfolio is limited to bonds and securities issued by the federal government, bonds that are guaranteed as to principal and interest by the federal government, or repurchase agreements that are fully collateralized by bonds or securities of the federal government,
- The state local government investment pool.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Wisconsin cities, villages and towns are charged with the responsibility of assessing taxable property, collecting taxes and making distribution to the state, county, school districts and other taxing jurisdictions. Property of manufacturing establishments and utilities is assessed by the State Department of Revenue. All assessments are made as of January 1. Taxes on real estate and personal property are levied in December of each year by each municipality within the County for each taxing jurisdiction in amounts that, when collected in the ensuing year, are sufficient to cover net operating expenses, debt service and other expenditures of the said taxing jurisdiction.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities and net assets or equity (continued)

2. Receivables and payables (continued)

In all taxation districts, real property taxes must either be paid in full by January 31 to the taxation district treasurer, or paid in two or more installments with the first installment paid by January 31 and the balance due by July 31. Amounts paid after January 31 are paid to the County Treasurer. During February, all tax rolls are turned over to the County Treasurer who then continues to collect all delinquent and postponed taxes. Personal property taxes, special assessments, special charges and special taxes must be paid in full by January 31.

During January and February, the taxation district treasurer settles with other taxing jurisdictions for all collections through the preceding month. During August, the County Treasurer must settle in full with the underlying taxing jurisdictions for all real estate and special taxes (except special assessments). The County may then recover any tax delinquencies by enforcing the lien on the property (which commences on September 1) and retain any penalties or interest on the delinquencies for which it has settled.

Collection of delinquent personal property taxes is the duty of the local taxation district treasurer. However, if they remain uncollected after one year, each taxing jurisdiction may be billed their proportionate amount.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are charged to construction or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the Statement of Net Assets for the governmental activities in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and an initial cost of more than \$2,500 for the Elderly Care - Countryside Fund, and more than \$5,000 for all other funds. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities and net assets or equity (continued)

4. Capital assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25 - 50
Road surfaces	25
Bridges	50
Equipment	3 to 15

5. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits up to certain limits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet recognizable.

7. Self-funded insurance

The County is self-insured for its health, dental and worker's compensation claims. The claim costs are accounted for in the General Fund. The County calculates the contribution per employee for health, dental and worker's compensation insurance, which is used to charge other funds. An excess liability policy is carried for health and dental insurance and workers compensation insurance. An estimated liability for health and dental insurance claims incurred but not reported has been accrued in the General Fund. The County will cease to be self-funded for health insurance as of January 1, 2009. The County will cease to carry an excess liability policy for dental insurance as of January 1, 2009.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities and net assets or equity (continued)

8. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line method basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

Equity is classified as net assets government-wide and proprietary fund statements and displayed in three components:

- a. Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, less unexpended proceeds of borrowings.
- b. Restricted net assets - Amount of net assets that are subject to restrictions that are imposed by: 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, liabilities and net assets or equity (continued)

9. Fund equity (continued)

In the governmental fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either:

- a. not in spendable form; or
- b. legally or contractually required to be maintained intact.

Restricted fund balance is reported when constraints placed on the use of resources are either:

- a. externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. imposed by law through constitutional provisions or enabling legislation.

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County board.

Assigned fund balance is reported for amounts that are constrained by the County management's intent to be used for specific purposes, but is neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When committed, assigned, and unassigned amounts are available for use, it is the government's policy to use committed resources first, then assigned resources, then unassigned resources as they are needed.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

During October, County management submits to the County Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by County Board action.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.

During the year, formal budgetary integration is employed as a management control device for the governmental funds.

Expenditures may not exceed appropriations maintained for each department of the County. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the Finance Committee or County Board.

III. DETAILED NOTES ON ALL FUNDS

A. Cash, cash equivalents and investments

Cash, cash equivalents and investments consist of the following:

Demand deposits	\$ 2,217,341
Petty Cash	5,050
Mutual funds	7,960,497
Certificate of deposit	305,000
Local Government Investment Pool	11,250,396
Federal Home Loan Bank Notes	1,882,100
Federal Home Loan Mortgage Corp. Notes	2,911,605
Federal Farm Credit Bank Notes	2,053,618
Corporate bonds	<u>950,492</u>
Total cash, cash equivalents and investments	<u>\$ 29,536,099</u>

Cash and investments are presented in the Statement of Net Assets as follows:

Cash and cash equivalents	\$ 19,281,593
Investments	7,797,815
Restricted cash and cash equivalents	<u>2,456,691</u>
Total cash, cash equivalents and investments	<u>\$ 29,536,099</u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash, cash equivalents and investments (continued)

1. Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The County's Policy requires collateralization of any deposits in excess of the FDIC and State Guarantee Fund coverage, and requires for those institutions which the County holds deposits and investments, that security interest in collateral pledged to secure deposits and investments are enforceable against the receiver of a failed financial institution by requiring:

- Agreement is in writing,
- Agreement was approved by the board of directors of the depository or its loan committee, and
- Agreement has been continuously from the time of execution an official record of the depository institution.

All pledged collateral shall be held at an independent third party institution, and evidenced by a written agreement in an effort to satisfy the Uniform Commercial Code requirement for control.

As of December 31, 2008, the County was not in compliance with this investment policy, as deposits at financial institutions exceed the FDIC and State Guarantee Fund coverage, and the County did not hold collateral for the excess balances.

As of December 31, 2008, the County's carrying value of the deposits was \$2,522,341, as compared to a bank balance of \$3,815,032. Of the bank balance at December 31, 2008, \$3,213,472 was uninsured and uncollateralized.

The State Deposit Guarantee Fund provides additional coverage of up to \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted at which time the fund is abolished. This additional coverage has not been considered in determining the amount of uninsured and uncollateralized balances listed above.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash, cash equivalents and investments (continued)

2. Investment Policy

The County has adopted a formal investment policy that is in accordance with Wisconsin State Statutes. Under the policy, investments are limited to:

- Certificates of Deposit
- Government Bonds and Securities
- Local Government Investment Pool
- Collateralized Repurchase Agreements
- Wisconsin Investment Trust
- Savings Deposits
- Securities

3. Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the County will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's investment policy for investment custodial credit risk requires investments greater than \$500,000 to be collateralized with obligations of the United States Government or its agencies.

As of December 31, 2008 the County's carrying value of investments subject to custodial credit risk was \$7,797,815, of which \$7,297,815 is uninsured and uncollateralized at December 31, 2008.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2008, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

The investments in the Local Government Investment Pool (the Pool) are covered up to \$400,000 by the State Guarantee Fund. Certificates of deposit held in the Pool are covered by FDIC insurance, which applies to the proportionate public unit share of accounts. Commercial paper and negotiable certificates of deposit are also covered by a surety bond with Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults, reduced by any FDIC and State Guarantee Fund insurance. As of February 15, 2009, this the Pool no longer has this bond.

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008**

III. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash, cash equivalents and investments (continued)

4. Credit Risk

Credit risk is the risk that, an issuer or other counterparty to an investment will not fulfill its obligations to the County.

The County's investment policy limits the County to investments of the following type:

- US Government securities (rating of AAA)
- US Government backed securities (rating of AAA)
- US Government Agencies that are implicitly backed by the US Government (rating of AAA)
- Wisconsin Local Government Investment Pool
- Commercial paper with companies rated AAA

Below is a listing of the County investment balances subject to credit risk and the corresponding rating at the end of the year.

<u>Security</u>	<u>Balance</u>	<u>Rating</u>
Government and Agency Mutual Funds	\$ 3,978,852	AAA
Money Market Mutual Fund	3,981,645	AAA
Federal Home Loan Bank Notes	1,882,100	AAA
Federal Farm Credit Bank Notes	2,053,618	AAA
Corporate Bonds	950,492	AAA
Local Government Investment Pool	11,250,396	Not rated
	<u>\$ 24,097,103</u>	

5. Concentration of Credit Risk

Concentration of credit risk refers to risk of loss attributed to the County investment in a single issuer. The County's investment policy related to concentration of credit risk is that the County Investment Officer shall diversify the investment portfolio within the allowed securities as needed with investment return, liquidity, and immediate cash flow needs kept in mind. The only limit related to concentration of securities with a single issuer shall be that no more than five percent (5%) of the investment portfolio shall be in commercial paper.

As of December 31, 2008, the issuers with significant concentrations are:

<u>Issuer</u>	<u>Percent of Total Investments</u>
Federal Home Loan Bank Notes	8.2%
Federal Farm Credit Bank Notes	8.9%

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008**

III. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash, cash equivalents and investments (continued)

6. Interest Rate Risk

Interest rate risk is the risk that, changes in interest rates will adversely affect the fair value of an investment. The County's investment policy related to interest rate risk is that the County shall not have investments with maturities longer than 36 months unless specifically recommended by the Investment Officer and approved by the Finance Committee. As of December 31, 2008, the County had the following investments and maturities:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Average Maturity (Months)</u>
Federal Home Loan Bank Notes	\$ 1,882,100	20.7
Federal Home Loan Mortgage Corp. Notes	2,911,605	14.1
Federal Farm Credit Bank Notes	2,053,618	32.7
Corporate bonds	950,492	10.2
Local Government Investment Pool	11,250,396	2.7
Government and Agency Mutual Fund	3,978,852	1.2
Money Market Mutual Fund	3,981,645	2.3

The Local Government Investment Pool (LGIP) is a State of Wisconsin run and operated investment fund. Governmental entities including counties, municipalities and school districts may deposit money in the LGIP which holds investments in U.S. Government securities, certificate of deposits, commercial papers, corporate notes and repurchase agreements. Participants in the fund may withdraw or add to their account balances at par at any time. As of December 31, 2008, the fair value of these investments was substantially equal to the amount reported in these statements.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

B. Restricted assets

Restricted assets on December 31, 2008 consisted of cash, cash equivalents and investments held for the following purposes:

General Fund	
Park land purchase and development	\$ 204,749
Park deposits	5,000
Restricted purposes checking accounts	74,672
Clerk of courts checking	1,023,305
Clerk of courts - LGIP	159,599
	1,467,325
Health and Human Services Fund	
Protective payee accounts	826,015
Other restricted cash accounts	131,659
	957,674
Elderly Care - Countryside Fund	
Resident accounts	31,692
	31,692
Total	\$ 2,456,691

C. Property tax apportionments

Property taxes are apportioned annually in November to local taxing units within the County for financing state charges and the subsequent year's operations of the County. Since the November apportionment is not due from local taxing districts until February of the subsequent year, the County's apportionment is recorded as deferred revenue at year-end. Property tax payments from individual property owners are due in two installments by January 31 and July 31. During the month of February, each local taxing district settles with the County for both collected and unpaid property taxes. At the February settlement, the County becomes responsible for the collection of unpaid property taxes, including unpaid property taxes returned by local taxing districts for financing their individual operations. Property taxes subsequently not paid by property owners by September 1 of the same year are considered delinquent. The delinquent taxes are then acquired by the County's General Fund in accordance with state statutes in order to provide the County with statutory lien.

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008**

III. DETAILED NOTES ON ALL FUNDS (continued)

C. Property tax apportionments (continued)

Property taxes recorded on December 31, 2008 for collection in 2009 are for the following:

State apportionment	\$ 1,170,492
County apportionment	<u>24,956,936</u>
 Total	 <u>\$ 26,127,428</u>

D. Delinquent property taxes - General Fund

Delinquent property taxes of the General Fund represent unpaid property taxes on real estate, including state and local government equities therein. Under state statutes, the County annually reimburses the state and local governments, school districts and technical colleges within the County for their equities in property taxes not collected from the property owner. Unless redeemed by the property owner, the County will eventually obtain tax deed ownership of the properties comprising delinquent taxes. In the past, the County has generally been able to recover its investment in delinquent taxes by sale of the tax deeded properties.

On December 31, 2008, the County's General Fund reports \$4,815,198 in delinquent taxes as tax certificates as shown in the following aging.

Year Acquired:	
Prior to 2002	\$ 50,264
2002	52,713
2003	101,694
2004	172,800
2005	339,480
2006	873,825
2007	<u>3,224,422</u>
 Total	 <u>\$ 4,815,198</u>

In 2005, the County adopted a resolution that limits the County's requirement to settle with other taxing jurisdictions for unpaid special assessments using County funds. The County has resolved to settle in full for unpaid special assessments or special charges not to exceed a total of \$10,000 per tax parcel. Included in the above tax certificates is \$491,051 of delinquent special assessments, and \$54,016 of interest on delinquent special assessments that exceed the County's threshold of \$10,000 per tax parcel. These amounts will be remitted to the appropriate taxing jurisdictions only to the extent collected by the County. In addition to tax certificates, delinquent taxes includes interest of \$902,368.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

E. Receivables

Receivables as of year-end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

Property taxes levied for subsequent year		\$ 26,127,428
Delinquent property taxes	4,815,198	
Interest on delinquent property taxes	<u>902,368</u>	
		5,717,566
Due from other governments		3,702,714
Accounts receivable		<u>3,948,903</u>
Gross receivables		39,496,611
Less: allowance for uncollectible accounts		<u>(83,250)</u>
Net total receivables		<u><u>\$ 39,413,361</u></u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Capital assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,912,458	\$ 730,286	\$ 7,100	\$ 6,635,644
Land - right of way	8,920,478	-	-	8,920,478
Construction in Progress	<u>1,134,191</u>	<u>564,085</u>	<u>586,655</u>	<u>1,111,621</u>
Total capital assets, not being depreciated	<u>15,967,127</u>	<u>1,294,371</u>	<u>593,755</u>	<u>16,667,743</u>
Capital assets being depreciated				
Buildings and improvements	25,866,538	877,200	96,190	26,647,548
Roads and bridges	55,089,814	3,930,850	1,955,352	57,065,312
Equipment	<u>7,933,166</u>	<u>522,455</u>	<u>269,931</u>	<u>8,185,690</u>
Total capital assets being depreciated	<u>88,889,518</u>	<u>5,330,505</u>	<u>2,321,473</u>	<u>91,898,550</u>
Accumulated depreciation				
Buildings and improvements	16,521,732	495,709	15,230	17,002,211
Roads and bridges	19,923,255	1,665,823	1,786,177	19,802,901
Equipment	<u>3,345,869</u>	<u>801,740</u>	<u>193,445</u>	<u>3,954,164</u>
Total accumulated depreciation	<u>39,790,856</u>	<u>2,963,272</u>	<u>1,994,852</u>	<u>40,759,276</u>
Capital assets being depreciated, net of accumulated depreciation	<u>49,098,662</u>	<u>2,367,233</u>	<u>326,621</u>	<u>51,139,274</u>
Total capital assets, net of depreciation	<u>\$ 65,065,789</u>	<u>\$ 3,661,604</u>	<u>\$ 920,376</u>	<u>\$ 67,807,017</u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Capital assets (continued)

	<u>Beginning Balance (Restated)</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Business Activities				
Capital assets, not being depreciated:				
Land	\$ 151,287	\$ -	\$ -	\$ 151,287
Total capital assets, not being depreciated	<u>151,287</u>	<u>-</u>	<u>-</u>	<u>151,287</u>
Capital assets, being depreciated:				
Buildings and improvements	13,727,397	6,854	875	13,733,376
Equipment	<u>12,729,598</u>	<u>2,253,969</u>	<u>2,076,021</u>	<u>12,907,546</u>
Total capital assets, being depreciated	<u>26,456,995</u>	<u>2,260,823</u>	<u>2,076,896</u>	<u>26,640,922</u>
Less accumulated depreciation for:				
Buildings and improvements	2,917,242	407,517	875	3,323,884
Equipment	<u>7,766,406</u>	<u>652,715</u>	<u>1,045,033</u>	<u>7,374,088</u>
Total accumulated depreciation	<u>10,683,648</u>	<u>1,060,232</u>	<u>1,045,908</u>	<u>10,697,972</u>
Total capital assets, being depreciated, net	<u>15,773,347</u>	<u>1,200,591</u>	<u>1,030,988</u>	<u>15,942,950</u>
Business activities capital assets, net	<u>\$ 15,924,634</u>	<u>\$ 1,200,591</u>	<u>\$ 1,030,988</u>	<u>\$ 16,094,237</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 322,576
Public safety	446,604
Public works	1,672,192
Health and human services	202,119
Education and recreation	306,605
Conservation and development	<u>13,176</u>
 Total depreciation expense - governmental activities	 <u>\$ 2,963,272</u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Capital assets (continued)

Business-Type Activities	
Highway	\$ 626,410
Elderly Care - Countryside	<u>433,822</u>
Total depreciation expense - business-type activities	<u>\$ 1,060,232</u>

G. Interfund activity

The details of interfund transfers for the year ended December 31, 2008 are shown below:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
Health and Human Services Fund	\$ -	\$ 652,809
Elderly Care - Countryside Fund	1,061,695	20,700
Highway Fund	<u>-</u>	<u>122,054</u>
Total General Fund	1,061,695	795,563
Health and Human Services Fund - General Fund	652,809	-
Highway Fund - General Fund	122,054	-
Elderly Care - Countryside Fund - General Fund	<u>20,700</u>	<u>1,061,695</u>
	<u>\$ 1,857,258</u>	<u>\$ 1,857,258</u>

During the year, infrastructure assets related to governmental activities with a book value of \$3,069,691 were transferred from the Highway Fund. This amount has been reported as an operating expense in the Highway fund statements, rather than a transfer of financial resources. However, in the government-wide statements a transfer of capital resources was reported.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

G. Interfund activity (continued)

The details of interfund receivables and payables for the year ended December 31, 2007 are shown below. Interfund payables were incurred to replenish deficit fund cash balances.

Due To	Due From	Amount
General Fund	Health and Human Services Fund	\$ <u>813,356</u>

H. Deferred revenues

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Current year property tax levy	\$ -	\$ 16,428,456
Delinquent property taxes interest	848,354	-
County portion of delinquent property taxes	963,603	-
Court fees receivable	272,902	-
Grant revenue	79,438	-
Other deferred revenue	-	157,952
Total	\$ 2,164,297	\$ 16,586,408

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008**

III. DETAILED NOTES ON ALL FUNDS (continued)

I. Long-term obligations

Legal margin for new debt

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 5% of the equalized valuation of taxable property. The County's legal margin for creation of additional general obligation debt on December 31, 2008 follows:

Equalized valuation of the County (TID In)	\$ 6,897,170,600
Statutory limitation percentage	<u>5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	344,858,530
Less: Outstanding general obligation debt	<u>5,069,176</u>
	<u><u>\$ 339,789,354</u></u>

General obligation debt is a direct obligation and pledge of the full faith and credit of the County. General obligation debt currently outstanding includes the following individual debt issues:

\$875,000 promissory notes issued 7/12/00; due in varying installments of \$9,764 to \$20,464 through 2015; interest at 5%	\$ 469,176
\$840,000 promissory notes issued 4/04/01; due in varying installments of \$155,000 to \$185,000 through 2011; interest at 4.1 to 4.5%	525,000
\$5,000,000 promissory notes issued 11/01/02; due in varying installments of \$300,000 to \$1,250,000 through 2012; interest at 2% to 3.7%	1,750,000
\$4,000,000 promissory notes issued 08/01/03; due in varying installments of \$250,000 to \$525,000 through 2013; interest at 1.2% to 3.6%	<u>2,325,000</u>
Total General Obligation Debt	<u><u>\$ 5,069,176</u></u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

I. Long-term obligations (continued)

Annual debt service requirements to maturity are as follows:

Year Ending December 31,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 224,961	\$ 41,919	\$ 266,880	\$ 900,000	\$ 124,994	\$ 1,024,994
2010	238,015	31,466	269,481	950,000	94,475	1,044,475
2011	251,226	20,244	271,470	975,000	61,650	1,036,650
2012	69,600	12,707	82,307	725,000	31,838	756,838
2013	73,145	9,161	82,306	525,000	9,450	534,450
2014-2015	137,229	6,808	144,037	-	-	-
Total	\$ 994,176	\$ 122,305	\$ 1,116,481	\$ 4,075,000	\$ 322,407	\$ 4,397,407

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation notes	\$ 1,197,230	\$ -	\$ 203,054	\$ 994,176	\$ 224,961
Compensated absences	3,881,617	3,076,248	2,780,452	4,177,413	2,803,901
Total governmental activities long-term liabilities	<u>\$ 5,078,847</u>	<u>\$ 3,076,248</u>	<u>\$ 2,983,506</u>	<u>\$ 5,171,589</u>	<u>\$ 3,028,862</u>
Business-Type Activities					
General obligation notes	\$ 5,500,000	\$ -	\$ 1,425,000	\$ 4,075,000	\$ 900,000
Compensated absences	1,426,512	1,211,538	1,196,615	1,441,435	1,211,635
Total business-type activities long-term liabilities	<u>\$ 6,926,512</u>	<u>\$ 1,211,538</u>	<u>\$ 2,621,615</u>	<u>\$ 5,516,435</u>	<u>\$ 2,111,635</u>

In January of 2006, the County deposited \$2,748,021 into an irrevocable escrow, invested in State and Local Government Series securities for purposes of retiring \$2,685,000 in principal, and to pay \$13,500 in fees and \$49,520 in interest expense. Consequently these balances have been removed from the cash and debt balances of the County. Outstanding debt considered defeased as of December 21, 2008 amounts to \$2,685,000.

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008**

III. DETAILED NOTES ON ALL FUNDS (continued)

J. Fund equity

1. Government-wide statements

Net assets of the governmental activities reported on the government-wide statement of net assets at December 31, 2008 includes the following:

Invested in capital assets, net of accumulated depreciation and related debt		
Land	\$	6,635,644
Land - right of way		8,920,478
Construction in Progress		1,111,621
Buildings and improvements		26,647,548
Machinery and equipment		8,185,690
Roads and bridges		<u>57,065,312</u>
Total capital assets		108,566,293
Less: Accumulated depreciation		<u>(40,759,276)</u>
		67,807,017
Less: related long-term debt outstanding		<u>(994,176)</u>
Total Invested in Capital Assets, Net of Related Debt		<u>66,812,841</u>
Restricted for CDBG Program		125,097
Restricted for park improvements		<u>204,749</u>
Total restricted net assets		<u>329,846</u>
Unrestricted		<u>24,065,034</u>
Total Governmental Activities Net Assets	\$	<u><u>91,207,721</u></u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

III. DETAILED NOTES ON ALL FUNDS (continued)

J. Fund equity (continued)

Net assets of the business-type activities reported on the government-wide statement of net assets at December 31, 2008 includes the following:

Invested in capital assets, net of accumulated depreciation and related debt		
Land	\$	151,287
Buildings and improvements		13,733,376
Machinery and equipment		<u>12,907,546</u>
Total capital assets		26,792,209
Less: Accumulated depreciation		<u>(10,697,972)</u>
		16,094,237
Less: related long-term debt outstanding		<u>(4,075,000)</u>
Total Invested in Capital Assets, Net of Related Debt		12,019,237
Restricted for local road improvements		217,032
Unrestricted		<u>4,218,866</u>
Total Business-type Activities Net Assets	\$	<u><u>16,455,135</u></u>

2. Fund Statements

Governmental Fund Balances reported on the fund financial statements at December 31, 2008 include the following:

Nonspendable		
General Fund		
Inventory	\$	18,345
Delinquent property taxes		3,360,545
Prepaid expenditures		<u>437,257</u>
Total General Fund		3,816,147
Health and Human Services Fund		
Prepaid expenditures		<u>259,342</u>
Total nonspendable	\$	<u><u>4,075,489</u></u>

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008**

III. DETAILED NOTES ON ALL FUNDS (continued)

J. Fund equity (continued)

2. Fund Statements (continued)

Restricted	
General Fund	
CDBG Program	125,097
Park improvements	<u>204,749</u>
Total General Fund	329,846
Health and Human Services Fund - health services	64,348
Debt service Fund - debt service	<u>219</u>
Total restricted	<u>\$ 394,413</u>
Committed	
General Fund	
Subsequent year budget	\$ 2,701,577
Continuing accounts	3,001,840
Health insurance reserve	<u>317,677</u>
Total General Fund	6,021,094
Health and Human Services Fund - continuing accounts	<u>14,121</u>
Total committed	<u>\$ 6,035,215</u>
Assigned	
General Fund	
Management intent - generator	\$ 140,000
Accumulated sick pay	909,130
Accumulated vacation pay	1,800,329
Working capital	<u>12,887,722</u>
Total assigned	<u>\$ 15,737,181</u>
Unassigned - General Fund	<u>\$ 173,433</u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

IV. OTHER INFORMATION

A. Claims and other legal proceedings

From time to time, the County becomes party to claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and Corporation Counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position.

B. Intergovernmental grants

The County participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

C. Risk management

The County is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; or acts of God. The County has chosen to retain a portion of the risks through self-insurance programs and has also purchased insurance to transfer other risks to outside parties. A description of the County's risk management is presented below:

1. Property and liability insurance:

During 1992, the County became a member of the Wisconsin County Mutual Insurance Corporation (WCMIC). WCMIC was created by several governmental units within the State of Wisconsin to provide liability insurance services to its members. The County pays premiums to WCMIC for its liability insurance coverage. The actuary for WCMIC determines charges to its members for the expected losses and loss adjustment expenses on which premiums are based. Premium charges for WCMIC are recorded as expenditures in various funds of the County.

In 2008, the County became a member, with certain other units of government within the State of Wisconsin, of the Wisconsin Municipal Mutual Insurance Company (WMMIC), a non-assessable mutual company which provides liability insurance and risk management services to its members. The County's coverage will begin as of January 1, 2009. The scope of insurance protection provided by WMMIC is broad, covering automobile liability, general liability, law enforcement liability, public official's errors and omissions, civil rights, incidental medical malpractice, personal injury, equal rights, and Americans with Disabilities Act at policy limits of \$5,000,000 per occurrence with a \$10,000,000 aggregate for general and automobile liability claims and a \$15,000,000 aggregate for errors or omissions claims. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. WMMIC's exposure in its layer of insurance is limited to \$1,000,000 per occurrence in that the company purchases \$4,000,000 per occurrence in reinsurance for losses in excess of its retained layer of coverage.

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008**

IV. OTHER INFORMATION (continued)

C. Risk management (continued)

WMMIC is governed by one entity-one vote. Member entities include the counties of Walworth, Brown, Chippewa, Dane, Dodge, Eau Claire, Kenosha, LaCrosse, Manitowoc, Marathon, Outagamie, St Croix, Waukesha, and the cities of Eau Claire and Madison. All member entities participate in the governing of the company. Its Board of Directors is made up of at least five representatives of the participating entities and the company's Charter allows for the appointment of two at large members to the Board of Directors. The participants elect the board members at the annual meeting. The board has the authority to adopt its own budget, set policy matters and control the financial affairs of the company.

The County's investment in WMMIC is reported on the General fund balance sheet as an investment in WMMIC. The County's original capitalization amount paid in was \$783,000. According to its bylaws, WMMIC allocated equity to members based on the percentage of participation. As of December 31, 2008, the County's percentage participation was 2.33% and the current value of their equity was \$783,000. A list of other members and their share of participation is in the WMMIC report. Separate financial statements can be obtained from WMMIC at their address of 4785 Hayes Road, Madison, Wisconsin, 53704.

The County also purchases commercial insurance policies for various property and other liability risks. Payments of premiums for these policies are also recorded as expenditures in various funds of the County.

2. Health and dental self-insurance:

County employees, retirees and employee dependents are eligible for health and dental benefits from a health and dental self-insurance plan. Funding is provided by charges to County departments, employees and retirees. The program is supplemented by stop loss protection, which limits the County's annual liability. Fund expenses consist of payments to a third-party administrator for medical and dental claims, stop loss insurance premiums and administrative fees. The claims liability of \$1,395,000 reported in the General Fund at December 31, 2008, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount for 2008 is as follows:

	<u>Liability</u> <u>January 1</u>	<u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>December 31</u>
2007	\$ 1,004,000	\$ 9,846,616	\$ 9,656,616	\$ 1,194,000
2008	1,194,000	11,469,678	11,268,678	1,395,000

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008**

IV. OTHER INFORMATION (continued)

C. Risk management (continued)

3. Workers' Compensation:

The County has established a worker's compensation fund to finance workers' compensation awards for County employees. The program is funded by charges to County departments. The program also is supplemented by stop loss protection, which limits the County's annual liability. Fund expenses and accrual of claim liabilities are accounted for based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's liability for 2008 are as follows:

	<u>Liability January 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability December 31</u>
2007	\$ 146,912	\$ 785,376	\$ 635,035	\$ 297,253
2008	297,253	227,944	81,738	443,459

D. Encumbrances

The County has outstanding encumbrances of \$1,166,467 which are reported as committed fund balance in the General Fund continuing accounts.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

IV. OTHER INFORMATION (continued)

E. Defined benefit pension plans

All eligible County employees participate in the Wisconsin Retirement System (System); a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for protective Occupations with Social Security) to the plan. Employers may make these contributions to the plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for County employees covered by the System for the year ended December 31, 2008 was \$29,974,166; the employer's total payroll was \$30,725,838. The total required contribution for the year ended December 31, 2008 was \$3,666,507, which consisted of \$1,929,629 from the employer and \$1,736,756 from employees. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2007 and 2006 were \$3,399,273 and \$2,896,493, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees), and receive actuarially reduced benefits. The factors influencing the benefit are (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employee's three highest year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested.

The system also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2008

IV. OTHER INFORMATION (continued)

F. Restatement

The County has restated the Highway fund balance to change from reporting the Highway fund as a special revenue fund reported on the modified accrual basis, to an enterprise fund reported on the full accrual basis. The County has also restated the Highway Fund to reduce road aid payables to the amount due to the municipalities as of the end of the year.

The County has restated the Elderly Care - Countryside fund balance to change from reporting the Elderly Care - Countryside as a special revenue fund reported on the modified accrual basis to an enterprise fund reported on the full accrual basis.

The County has restated the General fund balance to record the necessary transfers to the Highway and Elderly Care - Countryside funds to replenish the resulting deficits that arose through the restatements of the two funds.

The County has restated the Governmental and Business-type activities to change from reporting the Highway fund and the Elderly Care - Countryside fund as governmental activities to business-type activities.

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Elderly Care - Countryside Fund</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Fund balance / net assets, as reported, 12/31/2007	\$ 29,847,545	\$ 4,431,955	\$ 3,433	\$ 105,218,243	\$ -
Adjustment to include beginning of the year capital assets, net of accumulated depreciation	-	5,695,587	10,229,047	(15,924,634)	15,924,634
Adjustment to include beginning of the year debt balances	-	-	(5,500,000)	5,500,000	(5,500,000)
Adjustment to include beginning of the year accrued interest on debt	-	-	(46,778)	46,778	(46,778)
Adjustment to include beginning of the year compensated absences	-	(606,378)	(820,134)	1,426,512	(1,426,512)
Adjustment to record beginning of the year transfer to cover accrued interest	(46,778)	-	46,778	(46,778)	46,778
Adjustment to record beginning of the year transfer to cover compensated absences	(1,058,821)	238,687	820,134	(1,058,821)	1,058,821
Adjustment to road aid payable	-	151,860	-	-	151,860
Transfer beginning of the year fund balance	-	-	-	(4,435,388)	4,435,388
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance / net assets, as restated, 1/1/2008	<u>\$ 28,741,946</u>	<u>\$ 9,911,711</u>	<u>\$ 4,732,480</u>	<u>\$ 90,725,912</u>	<u>\$ 14,644,191</u>

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY, WISCONSIN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Property Taxes	\$ 8,602,962	\$ 8,602,962	\$ 8,298,440	\$ (304,522)
Sales Taxes	5,034,541	5,034,541	5,097,149	62,608
Intergovernmental Revenues	5,082,815	5,168,852	5,620,857	452,005
Licenses and Permits	331,850	331,850	224,895	(106,955)
Fines and Forfeitures	696,700	696,700	572,018	(124,682)
Public Charges for Services	2,655,358	2,655,358	2,567,975	(87,383)
Intergovernmental Charges	942,405	889,412	501,331	(388,081)
Miscellaneous Revenues	2,484,032	2,884,032	2,305,539	(578,493)
Total Revenues	<u>25,830,663</u>	<u>26,263,707</u>	<u>25,188,204</u>	<u>(1,075,503)</u>
Expenditures				
General Government	7,805,417	8,997,710	7,375,693	1,622,017
Public Safety	13,237,925	14,049,786	13,737,707	312,079
Health and Human Services	1,284,683	1,358,885	1,267,343	91,542
Public Works	191,050	403,690	149,495	254,195
Culture, Recreation, and Education	3,731,759	3,343,271	3,286,239	57,032
Conservation and Development	1,456,837	1,740,800	1,584,123	156,677
Capital Outlay	-	2,638,566	2,062,531	576,035
Total Expenditures	<u>27,707,671</u>	<u>32,532,708</u>	<u>29,463,131</u>	<u>3,069,577</u>
Revenues Over (Under) Expenditures	(1,877,008)	(6,269,001)	(4,274,927)	1,994,074
Other Financing Sources (Uses)				
Proceeds from the Sale of Capital Assets	-	-	1,344,550	1,344,550
Transfer In	-	2,141,622	1,061,695	(1,079,927)
Transfer Out	-	(1,993,751)	(795,563)	1,198,188
Change in Fund Balance	<u>\$ (1,877,008)</u>	<u>\$ (6,121,130)</u>	(2,664,245)	<u>\$ 3,456,885</u>
Fund Balance, Beginning of Year (restated)			<u>28,741,946</u>	
Fund Balance, End of Year			<u>\$ 26,077,701</u>	

See accompanying note to required supplementary information.

JEFFERSON COUNTY, WISCONSIN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Health and Human Services Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 7,078,300	\$ 7,078,300	\$ 7,078,300	\$ -
Intergovernmental Revenues	22,921,289	22,921,289	21,607,207	(1,314,082)
Public Charges for Services	8,291,211	8,291,211	7,243,315	(1,047,896)
Intergovernmental Charges	31,000	31,000	52,331	21,331
Fines and Forfeitures	-	-	200	200
Miscellaneous Revenues	196,324	196,324	158,434	(37,890)
Total Revenues	38,518,124	38,518,124	36,139,787	(2,378,337)
Expenditures				
Health and Human Services	38,619,871	38,881,830	36,709,304	2,172,526
Capital Outlay	-	5,000	17,940	(12,940)
Total Expenditures	38,619,871	38,886,830	36,727,244	2,159,586
Revenues Over (Under) Expenditures	(101,747)	(368,706)	(587,457)	(218,751)
Other Financing Sources (Uses)				
Transfer In	-	547,555	652,809	105,254
Transfer Out	-	9,940	-	9,940
Change in Fund Balance	\$ (101,747)	\$ 188,789	65,352	\$ (103,557)
Fund Balance, Beginning of Year			272,459	
Fund Balance, End of Year			\$ 337,811	

See accompanying note to required supplementary information.

JEFFERSON COUNTY, WISCONSIN
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2008

NOTE 1 - BUDGETARY INFORMATION

During October, County management submits to the County Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by County Board action.

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.

During the year, formal budgetary integration is employed as a management control device for the governmental funds.

Expenditures may not exceed appropriations maintained for each department of the County. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the proper oversight committee or County Board.

OTHER SUPPLEMENTAL INFORMATION

JEFFERSON COUNTY, WISCONSIN
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2008

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Property Taxes	\$ 254,779	\$ 254,779	\$ -
Expenditures			
Debt Service			
Principal	203,054	203,054	-
Interest	51,725	51,506	219
Total Expenditures	<u>254,779</u>	<u>254,560</u>	<u>219</u>
Change in Fund Balance	<u>\$ -</u>	219	<u>\$ 219</u>
Fund Balance, Beginning of Year		<u>-</u>	
Fund Balance, End of Year		<u>\$ 219</u>	