

JEFFERSON COUNTY, WISCONSIN
Jefferson, Wisconsin

FINANCIAL STATEMENTS
December 31, 2009

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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, 2009, 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.

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, 2009, and the respective changes in financial position and 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 26, 2010 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 21 and the budgetary comparison information on pages 61 through 63 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 schedule of the Debt Service Fund as listed in the table of contents is presented for purposes of additional analysis and is 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 Henderson LLP

Milwaukee, Wisconsin
July 26, 2010



Jefferson County

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MANAGEMENT'S DISCUSSION AND ANALYSIS Jefferson County, Wisconsin December 31, 2009

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, 2009. 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.

I. Financial Highlights

The County's total assets exceed its liabilities by \$110.4 million, which is an increase of \$2.8 million, or 2.6%. 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 at \$3.3 million. This figure includes \$1.6 million as a result of scheduled principal reductions on outstanding debt issues. The largest area of increase within capital assets was for infrastructure (roads and bridges).
- A net decrease in cash (cash, cash equivalents, investments, and restricted cash) of almost \$4.9 million or 16.5%. For more detail on cash, the reader should see page 5.

Delinquent property taxes increased from the prior year by \$1.2 million or 26.7%, 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. Over the last three years, delinquent property taxes have averaged a 32.6% increase each year. 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 \$67.2 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. Major funds are reported separately while all others are combined into a single, aggregate presentation.

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—Spendable cash decreased by \$8.0 million. One factor affecting the available cash balance is the usage of cash against the property tax levy to adhere to levy limits. For 2009, \$2.7 million of cash was applied against the tax levy, and this was the fourth year that amounts of at least \$2.1 million were used. Cash would have been even lower in 2009 except for the fact that the State purchased land from the County at \$1.34 million.
2. Investments—Investments show an increase of \$3.7 million or 47.1% over the amount at year end 2008. It should be noted that the value at year end 2008 was \$4.0 million below “normal” investment levels because a bond issue was called in late 2008 and the proceeds were placed in a money market account until another investment could be purchased in 2009.
3. Receivable (net) for taxes—The total net receivable increased by \$8.3 million or 26.2%. This amount is reduced by \$5.9 million in delinquent special assessments due to the Village of Johnson Creek, for which there is an offsetting liability of \$5.9 million. This amount was retained as per County Board Resolution 2005-72. Some other comments that the reader should keep in mind:
 - a. The County charges 12% interest (as authorized under Wisconsin Statutes) on delinquent property tax receivables.
 - b. For properties secured by a mortgage, the lender will typically pay the back taxes rather than lose secured party status.
 - c. Only \$0.5 million can be foreclosed upon under state statutes regarding the age of the delinquent taxes.
4. Prepaid items—Prepaid items increased by \$283,000. This was a result of creating an imprest account at WMMIC (Wisconsin Municipal Mutual Insurance Company) of \$300,000 for self-insured liability insurance claims. WMMIC pays valid claims from this imprest account and the County reimburses WMMIC on a monthly basis. This imprest account earns interest at a competitive interest rate.
5. Restricted cash and cash equivalents—Restricted cash decreased by \$0.5 million or 20.3%. The Clerk of Courts restricted cash account decreased by \$0.7 million. This was a result of three fiduciary amounts being paid out at \$944,000. Also, restricted cash held as a fiduciary for client funds in Human Services increased by \$344,000.

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 Service category decreased by \$1.2 million or 4.7%. Within these categories, there were no single categories with any material variances between 2008 and 2009.

Operating Grants in Aid—Operating grants in total were down about \$13.1 million or 47.9%. The single largest factor causing this substantial decrease was the implementation of Family Care by the State of Wisconsin, which affected both the Health Department and Human Services.

Capital Grants in Aid—Capital grants decreased by \$293,156 or 23.6%. There were several areas affected within this category, as listed below. Comparisons between years can be difficult as the funding varies with the State of Wisconsin's budget, which has seen financial stress in the past few years.

- Public Safety capital grants increased by \$313,538 or 122%. For 2008, this category included funding for computer equipment in Dispatch (Sheriff Office), but there were no grants during 2009 for this purpose. The only capital grants for Public Safety for 2009 related to flood mitigation purchases.

- Public Works capital grants decreased by \$900,057 or 100%. These capital grants relate to bridge construction by the State of Wisconsin. The State typically pays 80% of the construction costs for infrastructure. There were no infrastructure projects (roads and/or bridges) that were completed in 2009 for which the state paid a portion of the costs.
- Education and Recreation capital grants increased by \$298,363 or 373%. Funding in 2008 was for a parking lot at Rock Lake and funding in 2009 was for a snowmobile bridge near Hubbleton.

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:

Sales tax—Sales tax collections were down \$311,000 or 6.1% as compared to the prior year. The general economic climate at the national, state, and local level affects purchases for which sales tax can be charged.

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 \$593,933 or 50.6%. As of 12-31-09, the weighted averages of the County's investments were at 1.069% as opposed to 1.945% 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 page 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 once again (for 2009) became the major source of revenue for the County, as opposed to operating grants in the prior year. 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 2009 and 2008, 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.

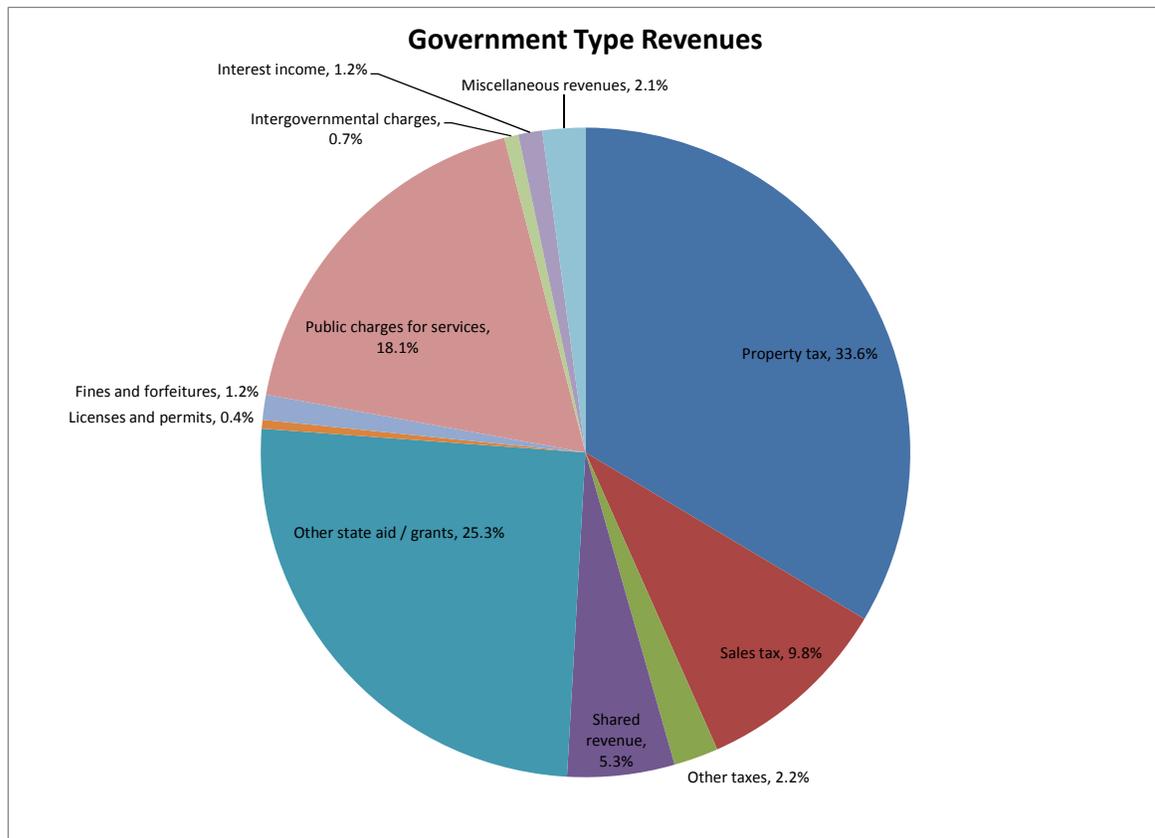
There are a number of revenue areas that experienced significant changes between 2009 and 2008:

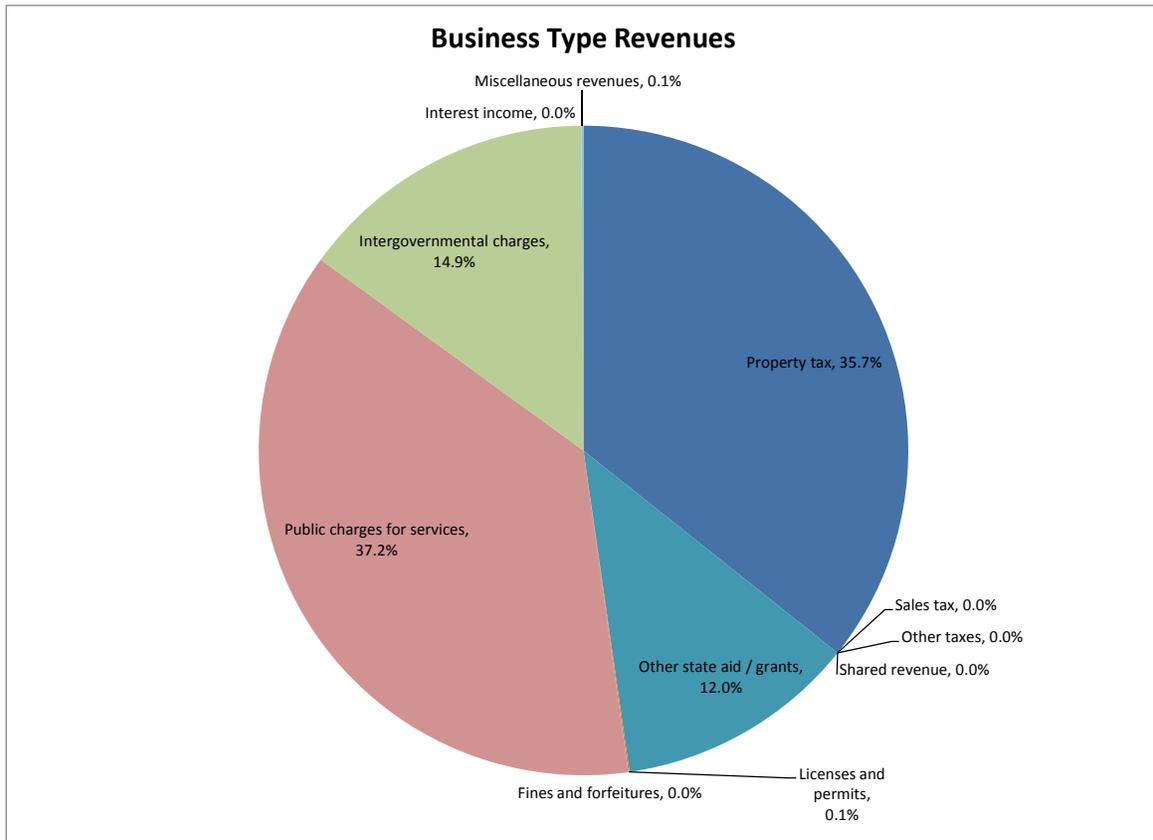
1. Grants in aid (operating) decreased by 47.9% because of Family Care implementation by the State of Wisconsin.
2. Intergovernmental charges decreased by 17.6% primarily because of reduced services to the State of Wisconsin by the Highway Department.
3. Miscellaneous revenues decreased by 20.5% or \$276,000. As the name implies, miscellaneous revenues comprises multiple revenue types across all departments. There were no particular accounts that had material reductions.
4. Grants in aid (capital) decreased by 23.6%. This particular area is difficult to compare between years based upon timing of capital expenditures that the State will pay for.
5. Interest and dividends decreased by 50.6% as a result of lower funds to invest as well as low interest rates due to the current recession.

With the implementation of Family Care, the County has become even more reliant on property tax revenues as a percentage of total revenues.

Management's Discussion and Analysis Jefferson County, Wisconsin
December 31, 2009

<u>Source</u>	<u>2009</u>	<u>Total</u>	<u>2008</u>	<u>Total</u>	<u>(Decrease)</u>
Property taxes, general purposes	25,569,010	35.1%	24,976,058	28.1%	2.4%
Public charges for services	17,758,376	24.4%	17,808,710	20.0%	-0.3%
Grants in aid, operating	14,228,993	19.5%	27,298,531	30.7%	-47.9%
Sales tax	4,786,208	6.6%	5,097,149	5.7%	-6.1%
Intergovernmental charges	3,905,403	5.4%	4,737,289	5.3%	-17.6%
General state aid	2,660,723	3.7%	2,588,923	2.9%	2.8%
Miscellaneous revenues	1,071,061	1.5%	1,347,092	1.5%	-20.5%
Grants in aid, capital	949,022	1.3%	1,242,178	1.4%	-23.6%
Fines and forfeitures	603,272	0.8%	590,538	0.7%	2.2%
Interest and dividends	579,274	0.8%	1,173,207	1.3%	-50.6%
Property taxes, debt service	266,663	0.4%	254,779	0.3%	4.7%
Licenses and permits	234,685	0.3%	245,281	0.3%	-4.3%
Other taxes	215,233	0.3%	227,884	0.3%	-5.6%
Gain on sale of capital assets	-	0.0%	1,387,021	1.6%	-100.0%
Total revenues	72,827,924	100.0%	88,974,640	100.0%	-18.1%





E. Program expenses, by function

In all cases, if depreciation for capital 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.

Program Category	2009	% of Total	2008	% of Total	Inc (Dec)
Health and Human Services	37,069,776	52.9%	50,445,312	58.2%	-26.5%
Public Safety	13,270,246	18.9%	14,186,975	16.4%	-6.5%
Public Works	8,096,507	11.6%	8,811,479	10.2%	-8.1%
General Government	6,883,711	9.8%	8,038,208	9.3%	-14.4%
Culture, Recreation and Education	3,472,403	5.0%	3,600,004	4.2%	-3.5%
Conservation and Development	1,236,440	1.8%	1,548,127	1.8%	-20.1%
Debt service--interest & other costs	39,898	0.1%	51,781	0.1%	-22.9%
Totals	70,068,981	100.0%	86,681,886	100.0%	-19.2%

Health and Human Services—Expenses decreased by \$13.4 million, primarily as a result of the implementation of Family Care by the State of Wisconsin.

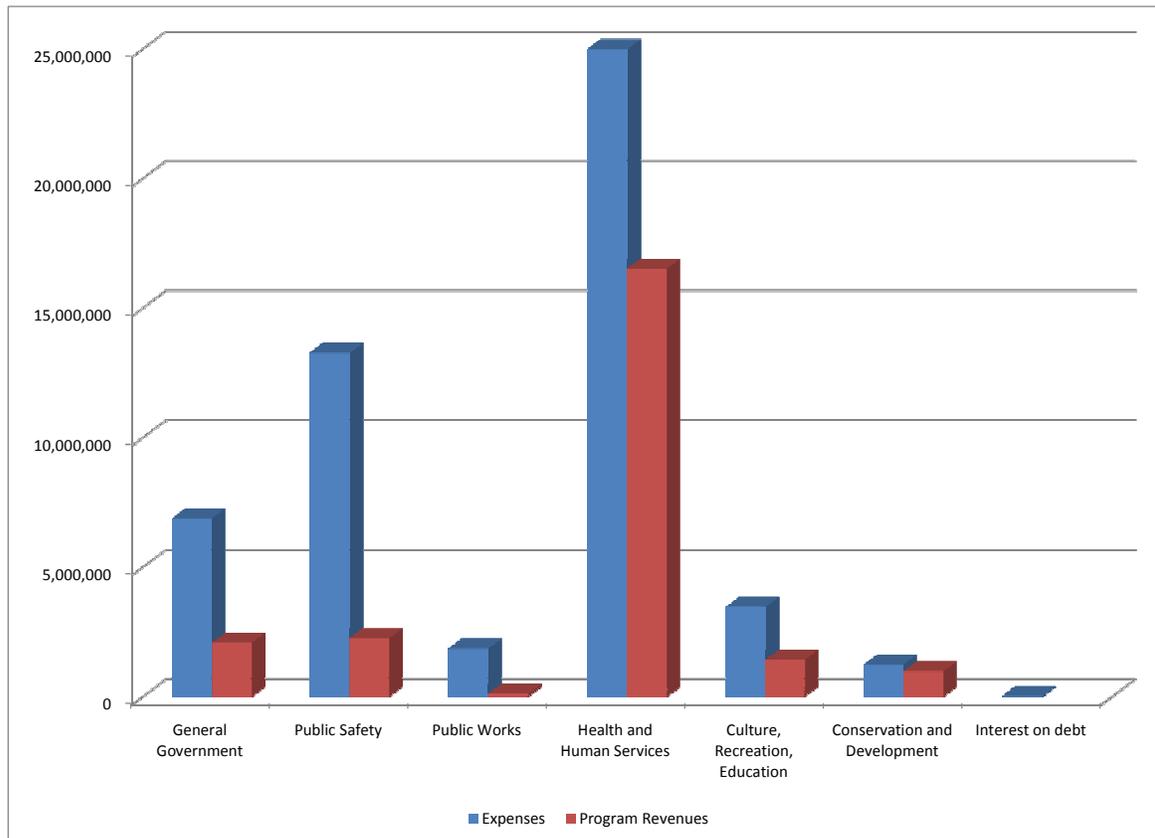
General Government—Expenses decreased by \$1.15 million, for which some of the major factors are:

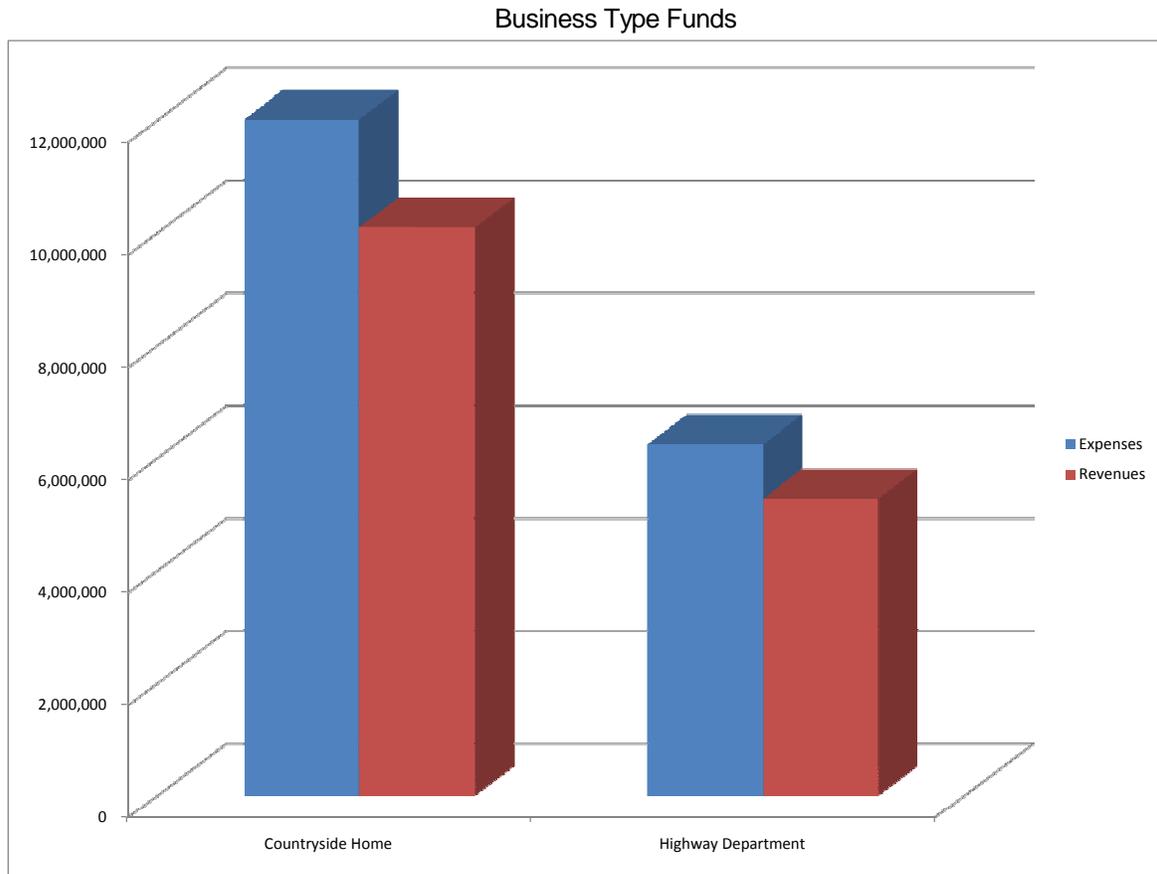
- \$261,000 reduction in retiree and COBRA health insurance claims as a result of switching from being self-insured in 2008 to participating in the state health insurance plan (and paying premiums) in 2009.
- \$397,000 increase in excluded expenses as other departments in the County recognized the expense.
- \$169,000 reduction in the amount of infrastructure that was disposed of.

Conservation and Development—Expenses decreased by \$311,687. One item affecting these expenses was the reduction in spending within the Zoning Department, because of (a) one less staff member and (b) fewer clean sweep events for Solid Waste. In addition, just as with the rest of the expenses for the County, a change in estimated sick wages resulted in reduction in expenses.

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

Governmental Type Funds





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 of these years.

Calendar Year	Beginning Net Assets	Increase (Decrease) Amount	Ending Net Assets	Increase (Decrease) Percent
2008	105,370,103	2,292,753	107,662,856	2.2%
2009	107,662,856	2,758,943	110,421,799	2.6%

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 have been \$798,583.

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	2009 Amount	2008 Amount	Increase (Decrease)	Increase (Decrease)
Human Services	Delivered meals	94,868	89,022	5,846	6.6%
All other areas		34,194	28,301	5,893	20.8%
Human Services	Early intervention	32,000	50,550	(18,550)	-36.7%
Parks	Garman Nature Preserve	25,000		25,000	
Parks	Hubbleton Bridge	22,900		22,900	
Parks	Multiple programs	5,133	24,020	(18,887)	-78.6%
Parks	Bike trails	147	6,665	(6,518)	-97.8%
Sheriff	FEMA Disaster	-	4,850	(4,850)	
County Board	Conservation easement	-	400,000	(400,000)	100.0%
County totals		214,242	603,408	(389,166)	-64.5%

Early Intervention—This program is also known as Birth to Three. The \$20,000 payment from St. Vincent de Paul as an advance for 2009 was classified as 2008 revenue in error.

Garman Nature Preserve—A donation was received from Theo Garman for \$25,000 for the continued development of the Dr JS Garman Nature Preserve.

Hubbleton Bridge—A donation, in the form of a line of credit, was received for \$22,900 to offset construction costs for the snowmobile bridge constructed near Hubbleton during 2009.

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

County Board—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. No easements were received during 2009.

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
2008	105,370,103	2,292,753	107,662,856	2.2%
2009	107,662,856	2,758,943	110,421,799	2.6%

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 have been \$798,583.

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 County early implemented GASB Statement No. 54 in 2008. The various categories of fund balance in accordance with that statement (governmental funds only) are:

Management's Discussion and Analysis Jefferson County, Wisconsin
December 31, 2009

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

Year	Category	General	Health	Human Services	Debt Service	MIS	Country-side	Highway	Total
2009	Non-spendable	5,149,488	28,245	224,083	-	-	-	-	5,401,816
	Restricted	1,230,905	89,275	-	-	-	-	-	1,320,180
	Committed	4,743,730	-	19,212	-	-	-	-	4,762,942
	Assigned	14,132,128	-	-	-	-	-	-	14,132,128
	Unassigned	-	-	-	-	-	-	-	-
	Capital	-	-	-	-	-	7,823,675	6,289,894	14,113,569
	Restricted	-	-	-	-	-	88,026	-	88,026
	Unrestricted	-	-	-	-	-	3,267,406	182,290	3,449,696
	Totals	25,256,251	117,519	243,295	-	-	11,179,107	6,472,184	43,268,356
	2008	Non-spendable	3,816,147	32,781	226,561	-	-	-	-
Restricted		329,846	64,348	-	219	-	-	-	394,413
Committed		5,817,726	-	14,121	-	203,369	-	-	6,035,215
Assigned		15,737,181	-	-	-	-	-	-	15,737,181
Unassigned		173,433	-	-	-	-	-	-	173,433
Capital		-	-	-	-	-	6,251,899	5,767,338	12,019,237
Restricted		-	-	-	-	-	217,032	-	217,032
Unrestricted		-	-	-	-	-	4,008,429	210,437	4,218,866
Totals		25,874,332	97,129	240,682	219	203,369	10,477,360	5,977,775	42,870,866
Inc (Dec)		Non-spendable	1,333,341	(4,536)	(2,478)	-	-	-	-
	Restricted	901,059	24,927	-	(219)	-	-	-	925,767
	Committed	(1,073,996)	-	5,091	-	(203,369)	-	-	(1,272,273)
	Assigned	(1,605,053)	-	-	-	-	-	-	(1,605,053)
	Unassigned	(173,433)	-	-	-	-	-	-	(173,433)
	Capital	-	-	-	-	-	1,571,776	522,556	2,094,332
	Restricted	-	-	-	-	-	(129,006)	-	(129,006)
	Unrestricted	-	-	-	-	-	(741,023)	(28,147)	(769,170)
	Totals	(618,081)	20,390	2,613	(219)	(203,369)	701,747	494,409	397,491

A brief recap of the major changes within each category is listed below:

- Non-spendable – The reserve for delinquent property taxes increased by \$1.03 million, or 30.7%. This is a direct result of the current recession. While the increase is large, the potential for losses is mitigated by the fact that the vast majority of delinquent properties are either (a) secured by a mortgage, for which the mortgage company will not let the property go, or (b) has a market value above the amount of delinquent taxes, so the owner will typically not let the property go in a tax foreclosure.
- Restricted and committed – The County refined the classification of fund balances between restricted and committed in 2009. The net result is that the sum of these classifications went down by only \$346,503.

General Fund—The General Fund is the County's primary operating fund. The total fund balance decreased by \$0.6 million or 2.4%. The County's policy related to fund balance includes amounts assigned for working capital of two months of budgeted expenditures that the County has previously maintained. The intent when the 2010 budget was created was that proceeds from the sale of Countryside Home would be used to replenish the "shortage" below two months of budgeted expenditures.

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/downloads/AppropriateLevelUnrestrictedFundBalanceGeneralFund_BestPractice.pdf

Health Department--The fund balance for the Health Department decreased by \$20,390 or 21.0%. 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 restricted ending fund balance for 2009 will be applied against the 2011 tax levy, as consistent with prior year tax levy calculations.

The Health Department and Human Services are combined together on the audited financial statements.

Human Services—The total fund balance for Human Services increased by only \$2,614 or 1.1%. The "non-spendable" category is for prepaid expenses (primarily health insurance). The "committed" category is for a van replacement fund.

The Health Department and Human Services are combined together on the audited financial statements.

Debt Services— 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. This results in a goal of having an ending fund balance of zero.

While the Debt Service fund is not a major fund under the criteria of GASB Statement No. 34, management has elected to present the fund in the financial statements as a major fund.

MIS Department—In prior years, the ending fund balances was carried forward for operations in the subsequent year. The ending balance for 2008 was a significant percentage of the 2009 budgeted expenditures at 13.1%. Since this department is allocated out to all other departments, this large ending fund balance becomes a concern under OMB Circular 87-A. This circular is issued by the federal Office of Management and Budget and deals with cost allocation plans. As such, a change in accounting policy occurred in 2009, in that MIS charges reflected only actual expenses, rather than both actual and those anticipated.

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 \$701,747 or 6.7%. The equity in the building and contents increased from \$6.8 million to \$7.8 million. The majority of this increase (\$1.0 million) is due to scheduled principal reductions. Countryside also has equity in prepaid assets of about \$182,300, which are included in the "unrestricted" category on the financial statements.

Highway Department—The net assets (equity) for the Highway Department increased by \$494,409 or 8.3%. 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 2009:

1. At year end, funds were transferred from the General Fund and/or contingency fund to amend the departmental budgets for operating deficits. It should be noted that it is "normal" to have some departments with operating budgetary deficits as the budget is trying to predict the future. A recap of the departments affected is below.

- a. County Treasurer at \$93,243 or 7.5% of their original tax levy. Investment interest (deficit), delinquent property tax interest (surplus), investment fair market value adjustment (deficit), and foreclosure property sale (surplus) all contributed to this overall deficit.
 - b. Sheriff Department at \$644,640 or 5.9% of their original tax levy. The two main factors for this were workers compensation claims at \$300,000 and reduced boarding of prisoner revenue at \$271,000.
 - c. Zoning Department at \$31,771 or 12.4% of their original tax levy. The two main factors for this department were a payout for a retired employee at \$22,000 and reduced revenue at \$12,000 due to the recession.
 - d. Human Services at \$4,507 or 0.1% of their original tax levy. The amount was not considered material in relation to their budget, so was not analyzed further.
2. Countryside Home returned \$975,684 back to the General Fund for a surplus in operations, as per the Fund Balance Policy.
 3. The required contribution to the State for Family Care was reclassified from a "negative" revenue account of \$2,026,925 to an expense account.
 4. The budget for debt principal and interest related to Countryside Home construction (\$900,000) was transferred from the Debt Service Fund to Countryside Home to be consistent with reporting Countryside as a business-type fund.
 5. Approximately \$2 million in budgeted expenditures and revenue was transferred from the Emergency Management budget to Economic Development budget in relation to the CDBG-EAP program (Community Development Block Grant—Emergency Assistance Program). These grants were for businesses affected by the massive flooding in June 2008.
 6. Budgeted expenditures of \$361,995 were approved for the construction of a snowmobile bridge by Hubbleton.

B. Budget versus actual variances—General Fund

Within the General Fund (excluding the MIS Fund), there were a number of areas where the variances between amended budget and actual activity exceeded 10% during 2009. These areas are detailed below.

Intergovernmental Revenues—In total, this deficit was substantial at about \$6.9 million or 53.1% of budgeted revenues. However, there were some major areas that explain this variance:

- Flood mitigation revenues were almost \$4.0 million below budget, as the number of estimated properties to purchase in 2009 was extremely overstated. The reader should note that there is will a similar resulting variance in expenditures under Capital Outlay.
- A pass through grant for \$756,000 to Cargill for an expansion at their ethanol plant never occurred because of Cargill's bankruptcy. The reader should note that there will be a similar resulting variance in expenditures under Conservation and Development.
- Pass through forgivable loan payments from the Department of Commerce for about \$2.0 million were not received during 2009. The reader should also note that there will be a similar resulting variance in expenditures under Conservation and Development.

Fines and forfeitures—In total, fines and forfeitures were down by \$141,112 or 20.6% as compared to budget. The largest portion of this deficit was within the Sheriff Department, where fines and forfeitures were down by \$111,032. The Sheriff Department indicated that between budget cuts for staffing levels as well as openings due to military service, fewer patrol hours are available for traffic enforcement. Put another way, the department is more reactive to current incidents rather than proactive in traffic enforcement.

Intergovernmental charges—In total, the intergovernmental charges were down \$358,954 or 40.1% 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 almost \$243,000 below budget or only 23.9% of budget. The Wisconsin Department of Corrections had indicated a much higher level of inmates being housed at the County, but this did not materialize. One reason could be the State's new policy of early release to relieve overcrowding.

Miscellaneous revenues—The total deficit compared to budget was \$168,070 or 10.2%. Several areas contributed to this net deficit:

- The County Treasurer had a net revenue deficit of \$309,640. These areas are listed on the prior page in the description of their budget amendment.
- The Fair Park received an additional \$100,000 over budgeted revenues for their operations during 2009.
- The County's equity investment in WMMIC (Wisconsin Municipal Mutual Insurance Company) increased by \$18,936 in value.

Public Safety expenditures—There were a number of areas that contributed to a net budgeted expenditure surplus of \$2.8 million, or 17.6% of the amended budget. These items listed below are in no particular order:

- Wages and benefits in total were \$456,000 in excess of budget (i.e. deficit).
- The operating/capital reserves were \$1.54 million below budget (i.e. surplus). These reserves can be very misleading without further explanation. There are multiple areas where the funds are restricted for usage, and the budget is set up with the anticipation that funds will be carried forward into subsequent years. As such, there will never be any actual postings to these ledger accounts, and they will always have a surplus.
- The total operational budget for the Sheriff Department was a deficit of \$644,640. The department budget was amended to increase the expenditure budget by this amount, which created a surplus when looking at expenditures only. Thus, this surplus of \$644,640 is also misleading unless the "big picture" is looked at.

Public works expenditures—The total surplus compared to budget for Public Works is \$201,901 or 59.5%. There were two large items that are included in this amount.

- The operating/capital reserves were \$140,054 below budget (i.e. surplus). These reserves can be very misleading without further explanation. These funds are restricted for usage, and the budget is set up with the anticipation that funds will be carried forward into subsequent years. As such, there will never be any actual postings to these ledger accounts, and they will always have a surplus.
- The number of clean sweeps for solid waste was reduced from the typical four per year to only three during 2009. This was a result of a large decrease in the amount of state aid available for clean sweeps.

Culture, Recreation & Education expenditures—The total surplus for this area was \$455,617 or 12.6% of budget. As with other areas, there are a number of factors that affect this. These items are listed in no particular order:

- The operating/capital reserves were \$244,993 below budget (i.e. surplus). These reserves can be very misleading without further explanation. There are multiple areas where the funds are restricted for usage, and the budget is set up with the anticipation that funds will be carried forward into subsequent years. As such, there will never be any actual postings to these ledger accounts, and they will always have a surplus.
- A shelter within the JS Garman Nature Preserve was budgeted for at \$100,000 and never built.
- Road improvements at Jones Lane, adjacent to Carnes Park, were budgeted for at \$50,000 and never begun.

Conservation and Development expenditures—In total, this surplus in expenditures was \$2.29 million as compared to budget, or 63.0%. Some of the major factors contributing to this surplus were:

- \$2.0 million was budgeted to be expended for forgivable loans in relation to flood mitigation for businesses in relation to the June 2008 massive flooding. No expenditures occurred during 2009 under this program (CDBG).
- \$250,000 was budgeted for capital conservation easements, and no funds were expended.
- The operating/capital reserves were \$124,515 below budget (i.e. surplus). These reserves can be very misleading without further explanation. There are multiple areas where the funds are restricted for usage, and the budget is set up with the anticipation that funds will be carried forward into subsequent years. As such, there will never be any actual postings to these ledger accounts, and they will always have a surplus.

Capital Outlay expenditures—In total, the capital expenditures were \$3.81 million under budget or 72.7%. The single largest factor affecting this surplus was \$4.9 million budgeted for purchasing flood mitigation properties versus only \$652,000 actually being expended.

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.

In total for the County, capital assets (net of depreciation) increased by only 2.7% or \$2.2 million. Within each category, there were only two areas where any change exceeded 10%.

The first is that land purchased through the flood mitigation program increased by \$652,182 or 27.5%. These purchases were paid for by the state/federal governments at 87.5%, with the other 12.5% coming from the sale proceeds from the Highway 26 Bypass land sale of 2008, as per County Board resolution. The second area with large changes was construction in progress (roads and bridges) which decreased by \$417,400 or 37.5%. This \$417,400 was part of the almost \$2 million increase in infrastructure.

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-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. The first debt issue for Countryside has been paid in full now.

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 2010 debt levy, which was set in November 2009, the County levied a mill rate of \$0.1975, so 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 the two largest large population centers in the State of Wisconsin (Milwaukee and Madison), the County has averaged significant annual growth of 6.04% in the tax base (equalized value) over the last five years, but that number has been trending downward recently. The equalized values, as provided by the Wisconsin Department of Revenue, actually reflect a small decrease (0.21%) in property values for 2010. This is a direct result of the 2008-2009 national, state, and local recessions, and is anticipated to remain flat for 2011. (Equalized values for the subsequent budget year are released each August 15th.)

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 2011 and 2012 budget years in the five-year financial projections.

Both residential and commercial developments have contributed to this growth in equalized values in the past years. However, it should be noted that new construction figures have averaged only 2.441% over the last five 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 7.3% since 2000 (as of October 2009).

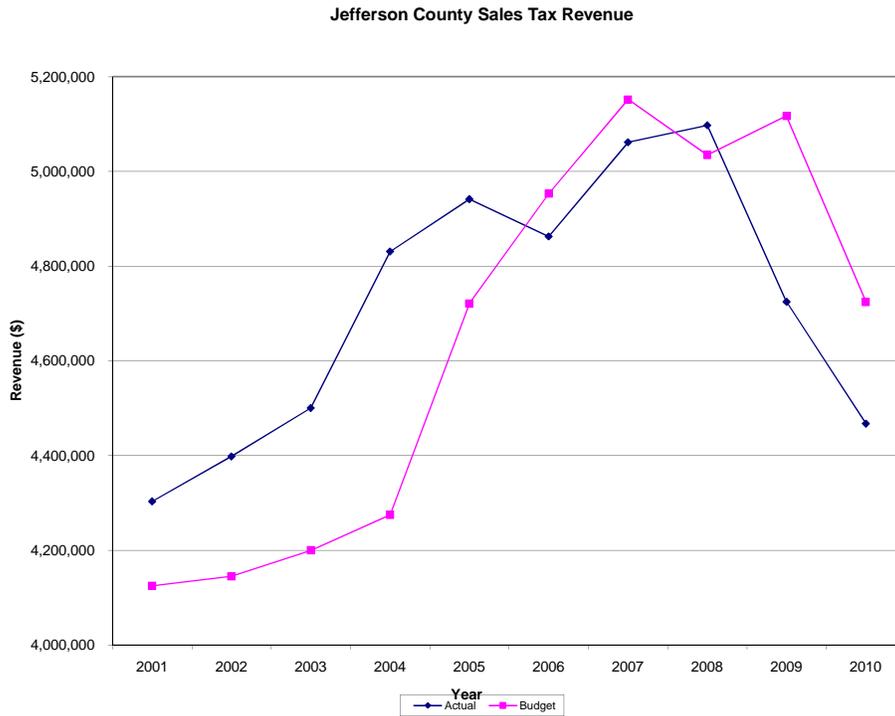
There are also a number of factors, both internally and externally imposed, that will most certainly affect the financial health of Jefferson County within the next few years.

1. The economy. The national, state, and local economies are currently experiencing the effects of a recession (or near recession). 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, but have appeared to level off in the past 18 months. 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 general health of the economy is a large factor affecting sales tax paid within Jefferson County. Sales tax revenue has shown signs of reaching a peak in 2008 and has been trending downward. The chart on the subsequent page indicates the actual and budgeted amounts for the last 10 years. The amount shown for 2010 is projected based upon four months of revenue received.

Much of the prior years' growth in sales tax receipts 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 keep the County's property tax levy at a reduced amount.

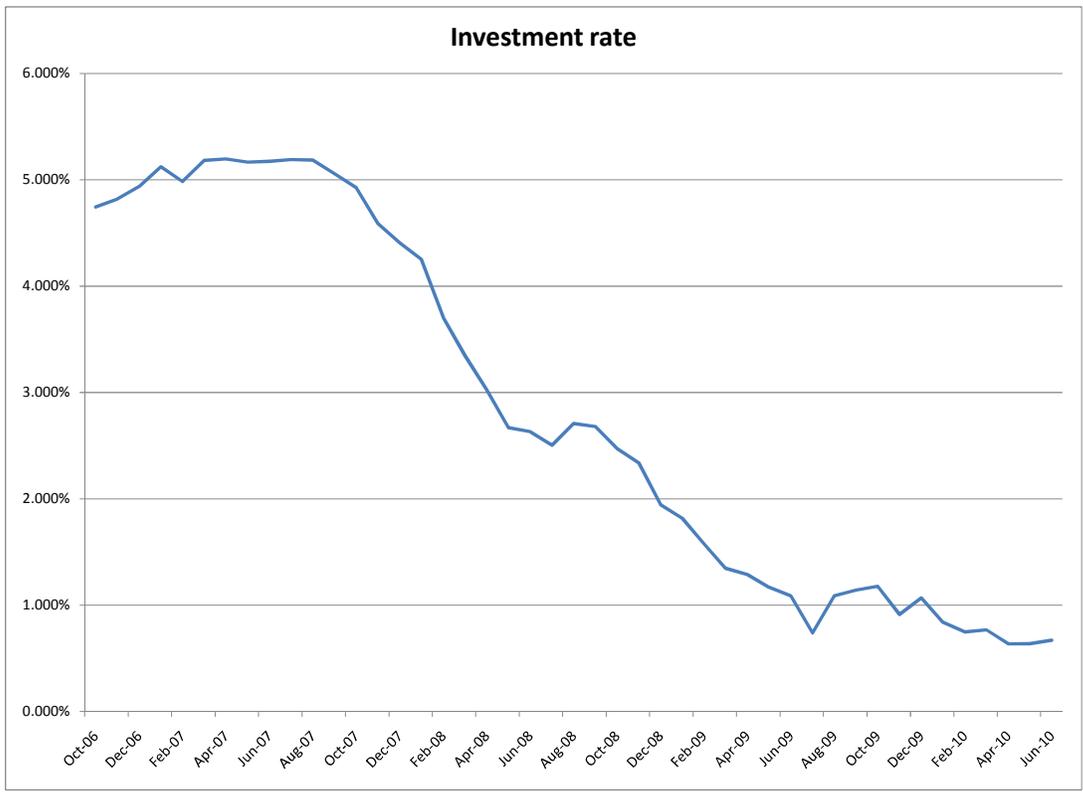
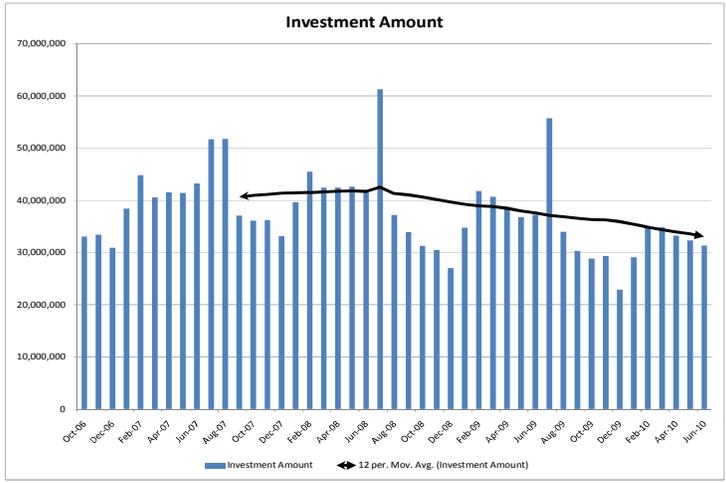


3. Structural Deficits and fund balance application—With the sale of Countryside Home effective 6/30/10, it appears that the County will not have to continue to use fund balance (i.e. cash) for operational costs to adhere to state levy limits and/or internally set levy limits. (For each of the past four years, the County has applied an average of \$2.4 million of fund balance against the tax levy.) This usage of cash reduced investment returns because of the amount available to invest. The chart on the next page indicates a downward trend line in available cash to invest based upon a rolling twelve month average. From September 2007 to June 2010, the average amount available to invest is down \$7.6 million.

Having a fairly stable amount of cash to invest in the future will help somewhat alleviate the downward trend of investment earnings.

4. Investment rate of returns—The chart below tracks the weighted average investment rate that the County has achieved since October 2006, when this data first began to be tracked. While the economic recession limits the earnings rates available and the Wisconsin statutes limit the types of investments allowed, the County could potentially achieve higher investment earnings by continuing to diversify our portfolio, especially with Certificates of Deposits that can still be FDIC insured.

Management's Discussion and Analysis Jefferson County, Wisconsin
 December 31, 2009



5. Union Contracts—All five remaining union contracts expire at the end 2010. With the current Wisconsin mediation/arbitration law, it is very hard to predict how our comparables (i.e. other government units) will settle their contracts. This and a number of other areas (inflation and cost of living adjustments, political will, and levy limit laws, etc.) make the potential settlement with the unions hard to predict. Although the initial determination is that the 2011 budget is being developed with a zero percent cost of living increase, it may be more difficult to achieve these results.

6. Countryside sale proceeds—Some major questions need to be answered in the next few months regarding what to do with the Countryside sale proceeds. Please note that this list is certainly not meant to be all inclusive:

- Should the outstanding debt issues of \$2,225,000 related to Countryside Home be paid off or not?
- Should the County amend its Fund Balance Policy to reflect the fact that the Government Finance Officers Association now indicates that two months, not one month, of budgeted expenditures should be the minimum retained?
- Should a new and/or remodeled Highway facility be constructed?
- Should any capital items that have been delayed be purchased/constructed with the proceeds?
- Should a new dispatch/communications center be constructed?

7. Levy limits—It appears that the County will not have a problem with the 2011 budget adhering to the “net new construction” levy limits. The Countryside operating tax levy was more than the amount of fund balance applied in recent years, and the County was about \$1 million below that levy limit for 2010. The 1992 levy limits, which deal with the mill rates may become a potential concern in the near future. In a time of limited property value growth (or even decline), it is very possible that mill rates will start approaching those levy limits.

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, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 9,036,718	\$ 2,187,843	\$ 11,224,561
Investments	11,470,645	-	11,470,645
Receivables, net			
Taxes	32,042,499	8,151,177	40,193,676
Accounts	5,314,487	1,536,990	6,851,477
Inventories	13,079	1,433,593	1,446,672
Prepaid Items	996,291	260,630	1,256,921
Investment in WMMIC	801,936	-	801,936
Restricted Cash and Cash Equivalents	1,928,912	28,666	1,957,578
Capital Assets, Net of Accumulated Depreciation	68,837,534	17,288,569	86,126,103
TOTAL ASSETS	130,442,101	30,887,468	161,329,569
LIABILITIES			
Accounts Payable	5,015,347	263,049	5,278,396
Delinquent Special Assessments			
Due to Other Governments	6,415,292	-	6,415,292
Accrued Payroll and Related Liabilities	2,220,407	209,546	2,429,953
Accrued Interest Payable	5,712	27,606	33,318
Unearned Revenues			
Current Year Property Tax Levy	17,822,341	8,151,177	25,973,518
Other Unearned Revenue	57,237	-	57,237
Liabilities Payable from Restricted Assets	1,752,623	28,666	1,781,289
Long-term Liabilities			
Accrued Compensated Absences			
Current Portion	829,205	1,159,219	1,988,424
Noncurrent Portion	2,784,214	221,914	3,006,128
General Obligation Debt			
Current Portion	238,015	950,000	1,188,015
Noncurrent Portion	531,200	2,225,000	2,756,200
TOTAL LIABILITIES	37,671,593	13,236,177	50,907,770
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	68,068,319	14,113,569	82,181,888
Restricted	1,320,180	88,026	1,408,206
Unrestricted	23,382,009	3,449,696	26,831,705
TOTAL NET ASSETS	\$ 92,770,508	\$ 17,651,291	\$ 110,421,799

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

JEFFERSON COUNTY, WISCONSIN
Statement of Activities
December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary Government							
Governmental Activities							
General Government	\$ 6,883,711	\$ 1,574,725	\$ 510,269	\$ -	\$ (4,798,717)	\$ -	\$ (4,798,717)
Public Safety	13,270,246	1,302,260	382,565	570,659	(11,014,762)	-	(11,014,762)
Public Works	1,861,463	81,274	28,730	-	(1,751,459)	-	(1,751,459)
Health and Human Services	25,008,265	6,708,498	9,816,057	-	(8,483,710)	-	(8,483,710)
Culture, Recreation, and Education	3,472,403	1,001,979	57,698	378,363	(2,034,363)	-	(2,034,363)
Conservation and Development	1,236,440	420,106	561,852	-	(254,482)	-	(254,482)
Interest on Debt	39,898	-	-	-	(39,898)	-	(39,898)
Total Governmental Activities	\$ 51,772,426	\$ 11,088,842	\$ 11,357,171	\$ 949,022	(28,377,391)	-	(28,377,391)
Business-type Activities							
Highway	\$ 6,235,044	\$ 3,561,888	\$ 1,704,857	\$ -	-	(968,299)	(968,299)
Elderly Care - Countryside	12,061,511	8,922,068	1,166,965	-	-	(1,972,478)	(1,972,478)
Total Business-type Activities	\$ 18,296,555	\$ 12,483,956	\$ 2,871,822	\$ -	-	(2,940,777)	(2,940,777)
General Revenues							
Property Taxes, Levied for General Purposes					17,040,530	8,528,480	25,569,010
Property Taxes, Levied for Debt Service					266,663	-	266,663
Sales Tax					4,786,208	-	4,786,208
Other Taxes					215,233	-	215,233
General State Aid					2,660,723	-	2,660,723
Investment Earnings					579,274	-	579,274
Total General Revenues					25,548,631	8,528,480	34,077,111
Transfers							
Total General Revenues and Transfers					4,391,547	(4,391,547)	-
Change in Net Assets							
Net Assets							
Beginning of Year					91,207,721	16,455,135	107,662,856
End of Year					\$ 92,770,508	\$ 17,651,291	\$ 110,421,799

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

JEFFERSON COUNTY, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2009

<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	\$ 9,034,218	\$ 2,500	\$ -	\$ 9,036,718
Investments	11,470,645	-	-	11,470,645
Property Taxes Receivables				
Current Year Tax Levy	10,227,034	8,493,478	269,481	18,989,993
Delinquent Property Taxes	13,052,506	-	-	13,052,506
Accounts Receivable				
Due from Other Government Units	1,733,445	500,842	-	2,234,287
General Accounts Receivable	1,998,546	1,081,654	-	3,080,200
Due from Other Funds	697,802	-	-	697,802
Inventories	13,079	-	-	13,079
Prepaid Expenditures	743,963	252,328	-	996,291
Investment in WMMIC	801,936	-	-	801,936
Restricted Cash and Cash Equivalents	735,800	1,193,112	-	1,928,912
Total Assets	\$ 50,508,974	\$ 11,523,914	\$ 269,481	\$ 62,302,369
<u>Liabilities</u>				
Accounts Payable	\$ 4,845,929	\$ 1,922,041	\$ -	\$ 6,767,970
Delinquent Special Assessments Due to Other Governments	6,415,292	-	-	6,415,292
Accrued Liabilities	2,180,106	40,301	-	2,220,407
Due to Other Funds	-	697,802	-	697,802
Deferred Revenues				
Current Year Property Tax Levy	9,059,382	8,493,478	269,481	17,822,341
Delinquent Property Taxes	2,244,768	-	-	2,244,768
Deferred Revenue	507,246	9,477	-	516,723
Total Liabilities	25,252,723	11,163,099	269,481	36,685,303
<u>Fund Balances</u>				
Nonspendable	5,149,488	252,328	-	5,401,816
Restricted	1,230,905	89,275	-	1,320,180
Committed	4,743,732	19,212	-	4,762,944
Assigned	14,132,126	-	-	14,132,126
Unassigned	-	-	-	-
Total Fund Balances	25,256,251	360,815	-	25,617,066
Total Liabilities and Fund Balances	\$ 50,508,974	\$ 11,523,914	\$ 269,481	
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.				68,837,534
Long-term debt is not due and payable in the current period and therefore is not reported in the funds.				(769,215)
Accrued interest is not due and payable in the current period and therefore is not reported in the funds.				(5,712)
Other long-term assets that are not available to pay current period expenditures and therefore are deferred in the funds.				2,704,254
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.				(3,613,419)
Total Assets per Statement of Net Assets				\$ 92,770,508

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, 2009

	<u>General</u>	<u>Special Revenue Fund Health and Human Services</u>	<u>Debt Service</u>	<u>Total</u>
Revenues				
Property Taxes	\$ 8,837,322	\$ 8,039,646	\$ 266,663	\$ 17,143,631
Sales Taxes	4,786,208	-	-	4,786,208
Intergovernmental Revenues	6,111,609	8,848,852	-	14,960,461
Licenses and Permits	220,054	-	-	220,054
Fines and Forfeitures	544,138	-	-	544,138
Public Charges for Services	2,306,573	6,524,452	-	8,831,025
Intergovernmental Charges	537,484	52,738	-	590,222
Miscellaneous Revenues	1,488,671	80,518	-	1,569,189
Total Revenues	<u>24,832,059</u>	<u>23,546,206</u>	<u>266,663</u>	<u>48,644,928</u>
Expenditures				
General Government	6,383,364	-	-	6,383,364
Public Safety	13,074,443	-	-	13,074,443
Public Works	137,569	-	-	137,569
Health and Human Services	1,316,200	23,834,441	-	25,150,641
Culture, Recreation, and Education	3,151,768	-	-	3,151,768
Conservation and Development	1,341,778	-	-	1,341,778
Capital Outlay	1,948,346	462	-	1,948,808
Debt Service				
Principal	-	-	224,961	224,961
Interest	-	-	41,921	41,921
Total Expenditures	<u>27,353,468</u>	<u>23,834,903</u>	<u>266,882</u>	<u>51,455,253</u>
Revenues Over (Under) Expenditures	<u>(2,521,409)</u>	<u>(288,697)</u>	<u>(219)</u>	<u>(2,810,325)</u>
Other Financing Sources (Uses)				
Transfer In	2,017,386	311,701	-	2,329,087
Transfer Out	(317,427)	-	-	(317,427)
Total Other Financing Sources (Uses)	<u>1,699,959</u>	<u>311,701</u>	<u>-</u>	<u>2,011,660</u>
Change in Fund Balances	(821,450)	23,004	(219)	(798,665)
Fund Balances, Beginning of Year	<u>26,077,701</u>	<u>337,811</u>	<u>219</u>	<u>26,415,731</u>
Fund Balances, End of Year	<u>\$ 25,256,251</u>	<u>\$ 360,815</u>	<u>\$ -</u>	<u>\$ 25,617,066</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, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (798,665)

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	1,948,808
Infrastructure transferred from highway department	2,379,887
Depreciation expense reported in the statement of activities	(3,090,633)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 539,957

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	224,961
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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. 2,023

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. 563,994

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>(207,545)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 1,562,787</u></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, 2009

	<u>Highway</u>	<u>Elderly Care - Countryside</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,062,962	\$ 124,881	\$ 2,187,843
Property Taxes Receivables			
Current Year Tax Levy	4,017,693	4,133,484	8,151,177
Accounts Receivable			
Due from Other Government Units	655,045	672,159	1,327,204
General Accounts Receivable	12,636	197,150	209,786
Inventories	1,433,593	-	1,433,593
Prepaid Expenditures	78,340	182,290	260,630
Restricted Cash and Cash Equivalents	-	28,666	28,666
Capital Assets, Net of Accumulated Depreciation	<u>7,823,675</u>	<u>9,464,894</u>	<u>17,288,569</u>
TOTAL ASSETS	<u>16,083,944</u>	<u>14,803,524</u>	<u>30,887,468</u>
LIABILITIES			
Accounts Payable	261,653	1,396	263,049
Accrued Liabilities	115,845	93,701	209,546
Accrued Interest	-	27,606	27,606
Unearned Revenues			
Current Year Property Tax Levy	4,017,693	4,133,484	8,151,177
Liabilities Payable from Restricted Assets	-	28,666	28,666
Long-term liabilities			
Accrued Compensated Absences			
Current Portion	381,929	777,290	1,159,219
Noncurrent Portion	127,717	94,197	221,914
General Obligation Debt			
Current Portion	-	950,000	950,000
Noncurrent Portion	-	<u>2,225,000</u>	<u>2,225,000</u>
TOTAL LIABILITIES	<u>4,904,837</u>	<u>8,331,340</u>	<u>13,236,177</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,823,675	6,289,894	14,113,569
Restricted	88,026	-	88,026
Unrestricted	<u>3,267,406</u>	<u>182,290</u>	<u>3,449,696</u>
TOTAL NET ASSETS	<u>\$ 11,179,107</u>	<u>\$ 6,472,184</u>	<u>\$ 17,651,291</u>

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, 2009

	<u>Highway</u>	<u>Elderly Care - Countryside</u>	<u>Total</u>
Operating Revenues			
Charges for Services	\$ 3,544,822	\$ 8,911,964	\$ 12,456,786
Miscellaneous Revenues	<u>17,066</u>	<u>10,104</u>	<u>27,170</u>
Total Operating Revenues	<u>3,561,888</u>	<u>8,922,068</u>	<u>12,483,956</u>
Operating Expenses			
Operation and Maintenance	8,177,713	11,515,711	19,693,424
Depreciation	<u>723,817</u>	<u>428,090</u>	<u>1,151,907</u>
Total Operating Expenses	<u>8,901,530</u>	<u>11,943,801</u>	<u>20,845,331</u>
Operating loss	<u>(5,339,642)</u>	<u>(3,021,733)</u>	<u>(8,361,375)</u>
Nonoperating Revenues (Expenses)			
Property Taxes	4,115,486	4,412,994	8,528,480
Intergovernmental Grants	1,704,857	1,166,965	2,871,822
Interest Expense	-	(117,710)	(117,710)
Gain on Disposal of Assets	<u>286,599</u>	<u>-</u>	<u>286,599</u>
Income Before Transfers	<u>767,300</u>	<u>2,440,516</u>	<u>3,207,816</u>
Transfer In	5,218	508	5,726
Transfer Out	<u>(70,771)</u>	<u>(1,946,615)</u>	<u>(2,017,386)</u>
Change in Net Assets	701,747	494,409	1,196,156
Net Assets, Beginning of Year	<u>10,477,360</u>	<u>5,977,775</u>	<u>16,455,135</u>
Net Assets, End of Year	<u>\$ 11,179,107</u>	<u>\$ 6,472,184</u>	<u>\$ 17,651,291</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, 2009

	Highway	Elderly Care - Countryside	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 4,389,789	\$ 9,122,993	\$ 13,512,782
Payments to suppliers	(5,667,553)	(5,688,138)	(11,355,691)
Payments to employees	(2,778,345)	(6,098,218)	(8,876,563)
Net cash used in operating activities	(4,056,109)	(2,663,363)	(6,719,472)
Cash Flows from Noncapital Financing Activities			
General property taxes	4,115,486	4,412,994	8,528,480
Transfers from (to) other funds	(65,553)	(1,946,107)	(2,011,660)
Net cash provided by noncapital financing activities	4,049,933	2,466,887	6,516,820
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(2,476,094)	(50,646)	(2,526,740)
Proceeds from the sale of property, plant and equipment	467,100	-	467,100
Grant funds received	1,704,857	1,166,965	2,871,822
Principal paid on capital debt	-	(900,000)	(900,000)
Interest paid on capital debt	-	(124,994)	(124,994)
Net cash provided by (used in) capital and related financing activities	(304,137)	91,325	(212,812)
Cash and Cash Equivalents - Beginning of Year	2,373,275	258,698	2,631,973
Cash and Cash Equivalents - End of Year	\$ 2,062,962	\$ 153,547	\$ 2,216,509
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (5,339,642)	\$ (3,021,733)	\$ (8,361,375)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation expense	723,817	428,090	1,151,907
Change in assets and liabilities			
Accounts receivable	827,901	200,925	1,028,826
Inventories	(119,911)	-	(119,911)
Prepaid items	1,855	14,547	16,402
Accounts payable	(74,506)	(10,931)	(85,437)
Accrued payroll	(26,678)	(262,904)	(289,582)
Other accrued liabilities	(48,945)	(11,357)	(60,302)
Net cash used in operating activities	\$ (4,056,109)	\$ (2,663,363)	\$ (6,719,472)
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets			
Cash and cash equivalents	\$ 2,062,962	\$ 124,881	\$ 2,187,843
Restricted cash and cash equivalents	-	28,666	28,666
Total Cash and cash equivalents	\$ 2,062,962	\$ 153,547	\$ 2,216,509
Noncash Transactions			
Capital additions for equipment received in exchange for equipment traded in	\$ 1,354,245	\$ -	\$ 1,354,245
Net book value of disposal of capital assets for equipment traded in	(1,163,926)	-	(1,163,926)
Gain on assets for equipment traded in	\$ 190,319	\$ -	\$ 190,319

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

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

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, 2009

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. As a general rule, 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.

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, 2009

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 fund 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, 2009

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 - This fund accounts for social, mental health and public health operations that are primarily funded from federal and state assistance.

Debt Service Fund - This fund accounts for property taxes levied 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 are accounted for in this fund.

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

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

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, 2009

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, 2009

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.

The county participates in a flood mitigation program in which purchased property is held for flood mitigation purposes. These properties have been shown separately in the related schedules.

Property, plant, and equipment of the primary government 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 dental, general liability, and worker's compensation claims. The claim costs are accounted for in the General Fund. The County calculates the contribution per employee for dental and worker's compensation insurance, which is used to charge other funds. An estimated liability for dental, general liability, and worker's compensation insurance claims incurred but not reported have been accrued in the General Fund.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

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, 2009

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, 2009**

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	\$ 1,445,385
Petty Cash	5,100
Mutual funds	4,524,034
Certificate of deposit	305,000
Local Government Investment Pool	6,902,620
Federal Home Loan Bank Notes	5,901,565
Federal Farm Credit Bank Notes	1,750,402
Federal National Mortgage Notes	579,506
Corporate bonds	<u>3,239,172</u>
Total cash, cash equivalents and investments	<u>\$ 24,652,784</u>

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

Cash and cash equivalents	\$ 11,224,561
Investments	11,470,645
Restricted cash and cash equivalents	<u>1,957,578</u>
Total cash, cash equivalents and investments	<u>\$ 24,652,784</u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

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 is 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, 2009, 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, 2009, the County's carrying value of the deposits was \$1,750,385, as compared to a bank balance of \$1,988,051. Of the bank balance at December 31, 2009, \$1,655,668 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, 2009

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
- 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, 2009, the County was not in compliance with this investment policy, as the county held investments greater than \$500,000 without obtaining collateral.

As of December 31, 2009 the County's carrying value of investments subject to custodial credit risk was \$11,470,645, of which \$10,970,645 is uninsured and uncollateralized at December 31, 2009.

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, 2009, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009**

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 purchase investments to the investments permitted by Wisconsin Statute 66.0603

In the event a corporate security subsequently drops below highest or second highest rating categories as defined by a nationally recognized rating agency, the County shall not purchase any additional securities issued by that corporation until such time as their rating returns to the highest or second highest rating.

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	\$ 3,988,987	AAA
Money Market Mutual Fund	535,047	AAA
Federal Home Loan Bank Notes	5,901,565	AAA
Federal National Mortgage Notes	579,506	AAA
Federal Farm Credit Bank Notes	1,750,402	AAA
Corporate Bonds	909,828	A
Corporate Bonds	559,978	AA-
Corporate Bonds	1,007,231	AAA
Corporate Bonds	762,135	AA+
Local Government Investment Pool	<u>6,902,620</u>	Not rated
	<u>\$ 22,897,299</u>	

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009**

III. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash, cash equivalents and investments (continued)

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, 2009, the issuers with significant concentrations are:

<u>Issuer</u>	<u>Percent of Total Investments</u>
Federal Home Loan Bank Notes	25.8%
Federal Farm Credit Bank Notes	7.6%

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, 2009, 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	\$ 5,901,565	25.5
Federal National Mortgage Notes	579,506	55.2
Federal Farm Credit Bank Notes	1,750,402	21.3
Corporate bonds	3,239,172	16.0
Local Government Investment Pool	6,902,620	2.9
Government and Agency Mutual Funds	3,988,987	74.5

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, 2009, 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, 2009**

III. DETAILED NOTES ON ALL FUNDS (continued)

B. Restricted assets

Restricted assets on December 31, 2009 consisted of cash, cash equivalents and investments held for the following purposes:

General Fund	
Park land purchase and development	\$ 203,842
Park deposits	5,000
Restricted purposes checking accounts	54,729
Clerk of courts checking	311,861
Clerk of courts - LGIP	<u>160,368</u>
	735,800
Health and Human Services Fund	
Protective payee accounts	1,169,769
Other restricted cash accounts	<u>23,343</u>
	1,193,112
Elderly Care - Countryside Fund	
Resident accounts	<u>28,666</u>
Total	<u>\$ 1,957,578</u>

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, 2009**

III. DETAILED NOTES ON ALL FUNDS (continued)

C. Property tax apportionments (continued)

Property taxes recorded on December 31, 2009 for collection in 2010 are for the following:

State apportionment	\$ 1,167,652
County apportionment	<u>25,973,518</u>
Total	<u>\$ 27,141,170</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, 2009, the County's General Fund reports \$5,479,054 in delinquent taxes as tax certificates as shown in the following aging.

Year Acquired:	<u>Total</u>	Johnson Creek Special <u>Assessments</u>	<u>Net</u>
Prior to 2003	\$ 92,021	\$ -	\$ 92,021
2003	77,609	-	77,609
2004	118,375	-	118,375
2005	245,468	-	245,468
2006	481,963	-	481,963
2007	1,920,551	491,051	1,429,500
2008	<u>8,269,523</u>	<u>5,235,405</u>	<u>3,034,118</u>
Total	<u>\$ 11,205,510</u>	<u>\$ 5,726,456</u>	<u>\$ 5,479,054</u>

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009**

III. DETAILED NOTES ON ALL FUNDS (continued)

D. Delinquent property taxes - General Fund (continued)

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 \$5,726,456 of 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 \$1,846,996. Included in the interest on delinquent taxes is \$688,836 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.

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		\$ 27,141,170
Delinquent property taxes	11,205,510	
Interest on delinquent property taxes	<u>1,846,996</u>	
		13,052,506
Due from other governments		3,561,491
Accounts receivable		<u>3,326,207</u>
Gross receivables		47,081,374
Less: allowance for uncollectible accounts		<u>(36,221)</u>
Net total receivables		<u>\$ 47,045,153</u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Capital assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 4,263,836	\$ -	\$ -	\$ 4,263,836
Land - right of way	8,920,478	-	-	8,920,478
Land - flood mitigation	2,371,808	652,182	-	3,023,990
Construction in Progress	<u>1,111,621</u>	<u>694,221</u>	<u>1,111,621</u>	<u>694,221</u>
Total capital assets, not being depreciated	<u>16,667,743</u>	<u>1,346,403</u>	<u>1,111,621</u>	<u>16,902,525</u>
Capital assets being depreciated				
Buildings and improvements	26,647,548	154,554		26,802,102
Roads and bridges	57,065,312	3,212,649	1,215,704	59,062,257
Equipment	<u>8,185,690</u>	<u>726,710</u>	<u>124,452</u>	<u>8,787,948</u>
Total capital assets being depreciated	<u>91,898,550</u>	<u>4,093,913</u>	<u>1,340,156</u>	<u>94,652,307</u>
Accumulated depreciation				
Buildings and improvements	17,002,211	548,122		17,550,333
Roads and bridges	19,802,901	1,710,888	1,071,723	20,442,066
Equipment	<u>3,954,164</u>	<u>831,623</u>	<u>60,888</u>	<u>4,724,899</u>
Total accumulated depreciation	<u>40,759,276</u>	<u>3,090,633</u>	<u>1,132,611</u>	<u>42,717,298</u>
Capital assets being depreciated, net of accumulated depreciation	<u>51,139,274</u>	<u>1,003,280</u>	<u>207,545</u>	<u>51,935,009</u>
Total capital assets, net of depreciation	<u>\$ 67,807,017</u>	<u>\$ 2,349,683</u>	<u>\$ 1,319,166</u>	<u>\$ 68,837,534</u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Capital assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Business Activities				
Capital assets not being depreciated				
Land	\$ 151,287	\$ -	\$ -	\$ 151,287
Capital assets, being depreciated:				
Buildings and improvements	13,733,376	24,771	37,793	13,720,354
Equipment	<u>12,907,546</u>	<u>3,856,214</u>	<u>3,816,580</u>	<u>12,947,180</u>
Total capital assets being depreciated	<u>26,640,922</u>	<u>3,880,985</u>	<u>3,854,373</u>	<u>26,667,534</u>
Accumulated depreciation				
Buildings and improvements	3,323,884	406,849	30,997	3,699,736
Equipment	<u>7,374,088</u>	<u>745,058</u>	<u>2,288,630</u>	<u>5,830,516</u>
Total accumulated depreciation	<u>10,697,972</u>	<u>1,151,907</u>	<u>2,319,627</u>	<u>9,530,252</u>
Capital assets being depreciated, net of accumulated depreciation	<u>15,942,950</u>	<u>2,729,078</u>	<u>1,534,746</u>	<u>17,137,282</u>
Total capital assets, net of depreciation	<u>\$ 16,094,237</u>	<u>\$ 2,729,078</u>	<u>\$ 1,534,746</u>	<u>\$ 17,288,569</u>

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

Governmental Activities	
General government	\$ 359,543
Public safety	449,542
Public works	1,723,894
Health and human services	196,392
Education and recreation	348,087
Conservation and development	<u>13,175</u>
Total depreciation expense - governmental activities	<u>\$ 3,090,633</u>

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009**

III. DETAILED NOTES ON ALL FUNDS (continued)

F. Capital assets (continued)

Business-Type Activities	
Highway	\$ 428,090
Elderly Care - Countryside	<u>723,817</u>
Total depreciation expense - business-type activities	<u>\$ 1,151,907</u>

G. Interfund activity

The details of interfund transfers for the year ended December 31, 2009 are shown below:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund		
Health and Human Services Fund	\$ -	\$ 311,701
Elderly Care - Countryside Fund	1,946,615	508
Highway Fund	<u>70,771</u>	<u>5,218</u>
Total General Fund	2,017,386	317,427
Health and Human Services Fund - General Fund	311,701	-
Highway Fund - General Fund	5,218	70,771
Elderly Care - Countryside Fund - General Fund	<u>508</u>	<u>1,946,615</u>
	<u>\$ 2,334,813</u>	<u>\$ 2,334,813</u>

During the year, infrastructure assets related to governmental activities with a book value of \$2,379,887 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, 2009**

III. DETAILED NOTES ON ALL FUNDS (continued)

G. Interfund activity (continued)

The details of interfund receivables and payables for the year ended December 31, 2009 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>\$ 697,802</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	\$ -	\$ 17,822,341
Delinquent property taxes interest	1,158,160	
County portion of delinquent property taxes	1,086,608	
Court fees receivable	332,036	
Grant revenue	127,450	
Other deferred revenue	-	57,237
Total	\$ 2,704,254	\$ 17,879,578

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009**

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, 2009 follows:

Equalized valuation of the County (TID In)	\$ 6,880,434,400
Statutory limitation percentage	<u>5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	344,021,720
Less: Outstanding general obligation debt	<u>3,944,215</u>
	<u>\$ 340,077,505</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%	\$ 409,215
\$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%	360,000
\$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%	1,275,000
\$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>1,900,000</u>
Total General Obligation Debt	<u>\$ 3,944,215</u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

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
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	76,872	5,435	82,307	-	-	-
2015	60,357	1,373	61,730	-	-	-
Total	\$ 769,215	\$ 80,386	\$ 849,601	\$ 3,175,000	\$ 197,413	\$ 3,372,413

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General obligation notes	\$ 994,176	\$ -	\$ 224,961	\$ 769,215	\$ 238,015
Compensated absences	4,177,413	2,313,140	2,877,134	3,613,419	2,784,214
Total governmental activities long-term liabilities	<u>\$ 3,028,862</u>	<u>\$ 2,313,140</u>	<u>\$ 3,102,095</u>	<u>\$ 4,382,634</u>	<u>\$ 3,022,229</u>
Business-Type Activities					
General obligation notes	\$ 4,075,000	\$ -	\$ 900,000	\$ 3,175,000	\$ 950,000
Compensated absences	1,441,235	1,643,149	1,703,251	1,381,133	1,159,219
Total business-type activities long-term liabilities	<u>\$ 2,111,635</u>	<u>\$ 1,643,149</u>	<u>\$ 2,603,251</u>	<u>\$ 4,556,133</u>	<u>\$ 2,109,219</u>

In January 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. During 2009 all remaining defeased debt was retired.

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009**

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, 2009 includes the following:

Invested in capital assets, net of accumulated depreciation and related debt	
Land	\$ 4,263,836
Land - flood mitigation	3,023,990
Land - right of way	8,920,478
Construction in Progress	694,221
Buildings and improvements	26,802,102
Machinery and equipment	8,787,948
Roads and bridges	<u>59,062,257</u>
Total capital assets	111,554,832
Less: Accumulated depreciation	<u>(42,717,298)</u>
	68,837,534
Less: related long-term debt outstanding	<u>(769,215)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>68,068,319</u>
Restricted for CDBG Program	156,664
Restricted for Environmental Protection	128,174
Restricted for Historical preservation	304
Restricted for Land information - statute	39,455
Restricted for Public Safety Programs	280,391
Restricted for Park Improvements	625,917
Restricted for Health Services	<u>89,275</u>
Total restricted net assets	<u>1,320,180</u>
Unrestricted	<u>23,382,009</u>
Total Governmental Activities Net Assets	<u>\$ 92,770,508</u>

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009**

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, 2009 includes the following:

Invested in capital assets, net of accumulated depreciation and related debt		
Land	\$	151,287
Buildings and improvements		13,720,354
Machinery and equipment		<u>12,947,180</u>
Total capital assets		26,818,821
Less: Accumulated depreciation		<u>(9,530,252)</u>
		17,288,569
Less: related long-term debt outstanding		<u>(3,175,000)</u>
Total Invested in Capital Assets, Net of Related Debt		14,113,569
Restricted for local road improvements		88,026
Unrestricted		<u>3,449,696</u>
Total Business-type Activities Net Assets	\$	<u><u>17,651,291</u></u>

2. Fund Statements

Governmental Fund Balances reported on the fund financial statements at December 31, 2009 include the following:

Nonspendable		
General Fund		
Inventory	\$	13,079
Delinquent property taxes		4,392,446
Prepaid expenditures		<u>743,963</u>
Total General Fund		5,149,488
Health and Human Services Fund		
Prepaid expenditures		<u>252,328</u>
Total nonspendable	\$	<u><u>5,401,816</u></u>

**JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009**

III. DETAILED NOTES ON ALL FUNDS (continued)

J. Fund equity (continued)

2. Fund Statements (continued)

Restricted	
General Fund	
CDBG Program	156,664
Environmental protection	128,174
Historical preservation	304
Land information - statute	39,455
Park improvements	280,391
Public safety donations	<u>625,917</u>
Total General Fund	1,230,905
Health and Human Services Fund - health services	<u>89,275</u>
Total restricted	<u>\$ 1,320,180</u>
Committed	
General Fund	
Subsequent year budget	\$ 2,524,109
Continuing accounts	1,947,123
Health insurance reserve	10,000
General liability insurance reserve	<u>262,500</u>
Total General Fund	4,743,732
Health and Human Services Fund - continuing accounts	<u>19,212</u>
Total committed	<u>\$ 4,762,944</u>
Assigned	
General Fund	
Management intent - generator	\$ 140,000
Accumulated sick pay	859,228
Accumulated vacation pay	1,749,427
Working capital	<u>11,383,471</u>
Total assigned	<u>\$ 14,132,126</u>

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

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. 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:

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 began on 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, 2009

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, 2009, the County's percentage participation was 2.34% and the current value of their equity was \$801,936. 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 Insurance:

Prior to January 1, 2009 County employees, retirees and employee dependents were eligible for health benefits from a health self-insurance plan, as of January 1, 2009 the county ceased coverage under the self-insured health plan, and now purchases commercial for this risk of loss. The County did not have settled claims that exceeded the County's commercial insurance coverage in the past year. County employees, retirees and employee dependents are eligible for dental benefits from a 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 \$31,685 reported in the General Fund at December 31, 2009, 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.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

IV. OTHER INFORMATION (continued)

2. Health and Dental Insurance (continued):

Changes in the fund's claim liability amount for 2008 and 2009 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>
2008	\$ 1,194,000	\$ 11,469,678	\$ 11,268,678	\$ 1,395,000
2009	1,395,000	873,811	2,237,126	31,685

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 and 2009 are 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>
2008	\$ 297,253	\$ 227,944	\$ 81,738	\$ 443,459
2009	443,459	590,769	585,149	449,079

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

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 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% 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, 2009 was \$29,068,879; the employer's total payroll was \$29,857,767. The total required contribution for the year ended December 31, 2009 was \$3,497,627, which consisted of \$1,836,296 from the employer and \$1,661,271 from employees. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2008 and 2007 were \$3,666,507 and \$3,399,273, 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.

JEFFERSON COUNTY, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2009

IV. OTHER INFORMATION (continued)

E. Defined benefit pension plans (continued)

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.

F. Subsequent events

Management evaluated subsequent events through July 26, 2010, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2009, but prior to July 26, 2010 that provide additional evidence about conditions that existed at December 31, 2009, have been recognized in the financial statements for the year ended December 31, 2009. Events or transactions that provided evidence about conditions that did not exist at December 31, 2009 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2009.

On July 2, 2010, the County entered into an agreement relating to the sale of Countryside for a net purchase price of \$7,806,562. In conjunction with this sale, employees of Countryside employed on the sale date became eligible to receive an increase in the sick leave payout, and additional severance pay based on the years of service.

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 8,739,767	\$ 8,739,767	\$ 8,837,322	\$ 97,555
Sales Taxes	5,117,009	5,117,009	4,786,208	(330,801)
Intergovernmental Revenues	7,480,939	13,025,837	6,111,609	(6,914,228)
Licenses and Permits	236,600	236,600	220,054	(16,546)
Fines and Forfeitures	681,250	685,250	544,138	(141,112)
Public Charges for Services	2,434,750	2,434,750	2,306,573	(128,177)
Intergovernmental Charges for Services	717,805	890,994	537,484	(353,510)
Miscellaneous Revenues	1,566,684	1,647,484	1,488,671	(158,813)
Total Revenues	26,974,804	32,777,691	24,832,059	(7,945,632)
Expenditures				
General Government	7,638,289	6,980,958	6,383,364	597,594
Public Safety	13,169,995	15,857,782	13,074,443	2,783,339
Health and Human Services	1,361,137	1,445,906	1,316,200	129,706
Public Works	294,482	339,472	137,569	201,903
Culture, Recreation, and Education	3,120,694	3,607,404	3,151,768	455,636
Conservation and Development	1,525,025	3,630,296	1,341,778	2,288,518
Capital Outlay	5,242,254	5,888,292	1,948,346	3,939,946
Total Expenditures	32,351,876	37,750,110	27,353,468	10,396,642
Revenues Over (Under) Expenditures	(5,377,072)	(4,972,419)	(2,521,409)	2,451,010
Other Financing Sources (Uses)				
Transfer In	925,000	2,042,386	2,017,386	(25,000)
Transfer Out	(25,000)	(342,427)	(317,427)	25,000
Change in Fund Balance	\$ (4,477,072)	\$ (3,272,460)	(821,450)	\$ 2,451,010
Fund Balance, Beginning of Year			26,077,701	
Fund Balance, End of Year			\$ 25,256,251	

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$ 8,039,646	\$ 8,039,646	\$ 8,039,646	\$ -
Intergovernmental Revenues	6,266,612	8,293,537	8,848,852	555,315
Public Charges for Services	6,483,192	6,483,192	6,524,452	41,260
Intergovernmental Charges for Services	11,488	11,488	52,738	41,250
Miscellaneous Revenues	129,600	129,600	80,518	(49,082)
Total Revenues	20,930,538	22,957,463	23,546,206	588,743
Expenditures				
Health and Human Services	21,157,517	23,489,706	23,834,441	(344,735)
Capital Outlay	5,479	479	462	17
Total Expenditures	21,162,996	23,490,185	23,834,903	(344,718)
Revenues Over (Under) Expenditures	(232,458)	(532,722)	(288,697)	244,025
Other Financing Sources				
Transfer In	-	311,701	311,701	-
Change in Fund Balance	\$ (232,458)	\$ (221,021)	23,004	\$ 244,025
Fund Balance, Beginning of Year			337,811	
Fund Balance, End of Year			\$ 360,815	

See accompanying note to required supplementary information.

JEFFERSON COUNTY, WISCONSIN
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2009

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, 2009

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Property Taxes	\$ 266,663	\$ 266,663	\$ -
Expenditures			
Debt Service			
Principal	224,961	224,961	-
Interest	41,921	41,921	-
Total Expenditures	<u>266,882</u>	<u>266,882</u>	<u>-</u>
Change in Fund Balance	<u>\$ (219)</u>	(219)	<u>\$ -</u>
Fund Balance, Beginning of Year		<u>219</u>	
Fund Balance, End of Year		<u>\$ -</u>	