

**JEFFERSON COUNTY, WISCONSIN**  
Jefferson, Wisconsin

**FINANCIAL STATEMENTS**  
December 31, 2010

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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, 2010, 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, 2010, 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 11, 2011 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 20 and the budgetary comparison information on pages 60 through 62 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 11, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Jefferson County, Wisconsin**  
**December 31, 2010**

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, 2010. 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**

- A. The County sold its nursing home building, neighboring land, and license (Countryside Home) to a private entity effective July 1, 2010.
  - a. The County's assets decreased by about \$6.5 million as compared to the prior year because of this sale activity.
  - b. The sale price for the building, neighboring land, and license was \$8,001,001. The related general obligation debt of \$2.2 million was required to be paid off because of the sale. As a net result of the sale transaction, the County recognized a *loss* of \$1.3 million.
- B. The County's total cash, cash equivalents, and investments increased by \$3.3 million or 13.5%. The primary reason for this was the sale of Countryside Home.
- C. Even with the sale of Countryside Home, the County's net assets invested in capital assets increased by \$0.8 million or 1.0%. The primary reason for this was the increase in flood mitigation land of \$5.6 million. Depending upon the grant program involved, the state and federal governments paid either 87.5% or 100% of the purchase price and related demolition costs.
- D. Receivables from other government units increased by \$1.4 million or as compared to the prior year. This can be primarily attributed to the year-end receivables for the flood mitigation programs increasing by \$1.6 million.

**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 \$78.6 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 continues to have a large positive balance in net assets. One of the main contributing factors to this is that the County is almost completely debt free. A second factor is that the County has over \$8.6 million in flood mitigation land purchases, primarily paid for by the federal and/or state governments. With the sale of Countryside Home during 2010, comparisons between the prior and current year are often skewed because ending balances for the nursing home are all zeroes.

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 increased by \$2.7 million. There were a number of large activities that contributed to this net increase.
  - a. The County levied for nursing home operations for the entire calendar year, but only operated the nursing home for six months. This resulted in about \$1.5 million in extra property tax being received.
  - b. The appeal of the condemnation proceeds from the State of Wisconsin for the Highway 26 bypass gave the County an additional \$0.3 million that was not budgeted for.
  - c. A net cash flow increase from capital activities for the nursing home gave the County another \$4.8 million.
  - d. The 2010 tax levied applied (\$2.7 million) in fund balance against the tax levy.
  - e. (\$1.0 million) was used to increase investments.
  - f. These listed items (a through e) net to \$2.9 million.
2. Investments increased by \$1.0 million in an effort to increase investment earnings. The reader should keep in mind that without this increase in investments, cash and cash equivalents would be even higher.
3. Prepaid assets decreased by \$291,000 or 23.1%. The largest single factor was that Countryside Home had prepaid assets in the prior year of \$182,000.

4. Restricted cash and cash equivalents – Restricted cash decreased by \$470,000 or 24.0%.
  - a. The General Fund decreased by \$94,000, primarily within the Clerk of Courts fiduciary checking.
  - b. Human Services decreased by \$347,000, primarily within fiduciary client funds.
5. Delinquent special assessments due to Village of Johnson Creek increased by \$681,000 or 10.6%. This was entirely due to interest at 12% being charged on the \$5.7 million outstanding receivable. There is a corresponding increase in the asset “receivables (net) for taxes.”
6. Accrued compensated absences in total decreased by \$665,000 or 13.3%. Of this total, \$871,000 was due to the sale of Countryside Home.
7. General obligation debt decreased by \$3.4 million or 86.6%. Of this total, \$3.2 million can be attributed to Countryside Home, which was paid off as a result of the sale of the facility.
8. Restricted net assets increased by \$2.0 million or 139.9%. During 2010, the County separated union vested benefits into restricted net assets due to contracts in place at year end. These union vested benefits totaled to \$1.6 million.

#### **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 \$6.9 million.

- Fines and forfeitures decreased by \$222,000. The estimated revenues within the Clerk of Courts were adjusted down by \$57,000 based upon updated projections. Collections within the Sheriff Department decreased by \$73,000 due to fewer citations being issued because of staffing levels as well as increased levels of past due citation balances.
- Public charges for services were down \$7.2 million. Of that amount:
  - The Health Department was down \$1.2 million, mainly as a result of the transfer of most of the Personal Care Program to Care Wisconsin.
  - Human Services was down \$2.2 million, mainly as a result of transferring medical waivers to Care Wisconsin.
  - Countryside Home was down \$4.7 million as a result of only half a year of operations.
- Intergovernmental charges were up by \$0.7 million or 14.3%. Of this amount, \$0.5 million was within the Highway Department, which had several large projects in 2010 for the Town of Sumner and Village of Sullivan as compared to the prior year.

Capital Grants—Capital grants increased by \$4.2 million or 442%.

- By far, the largest cause for this increase is within Public Safety for the flood mitigation program where grant income increased by \$4.5 million between the two years. There is also a related increase in capital assets because of these purchases.
- Under Culture, Recreation, Education, the County received \$378,000 in capital grants during 2009 for constructing the Hubbleton Snowmobile Bridge. There was no capital state aid within this category during 2010.

#### **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:

Investment Earnings – Based upon the (a) lower available investment rates of returns, (b) continued usage of fund balance applied against the tax levy, and (c) large outstanding receivables for the flood mitigation program throughout the year, investment earnings were down by \$267,000 or 46.1%.

Gain on sale of capital assets – Jefferson County appealed the amount received from the State of Wisconsin during 2008 for land sold to construct the Highway 26 bypass around Jefferson. As a result of that appeal, the County received an additional \$312,281 during 2010

Loss on sale of capital assets – Jefferson County sold its nursing home operation as of 7/1/10 to the Alden Group for about \$8 million. The net value after depreciation and outstanding bond issues on the facility and equipment was about \$9.27 million. As such, the County had to recognize an accounting loss of \$1.27 million during 2010 on the sale of assets. Sale related expenses such as realtor fees are included within expenses for Health and Human Services.

#### D. Total Revenues, government wide

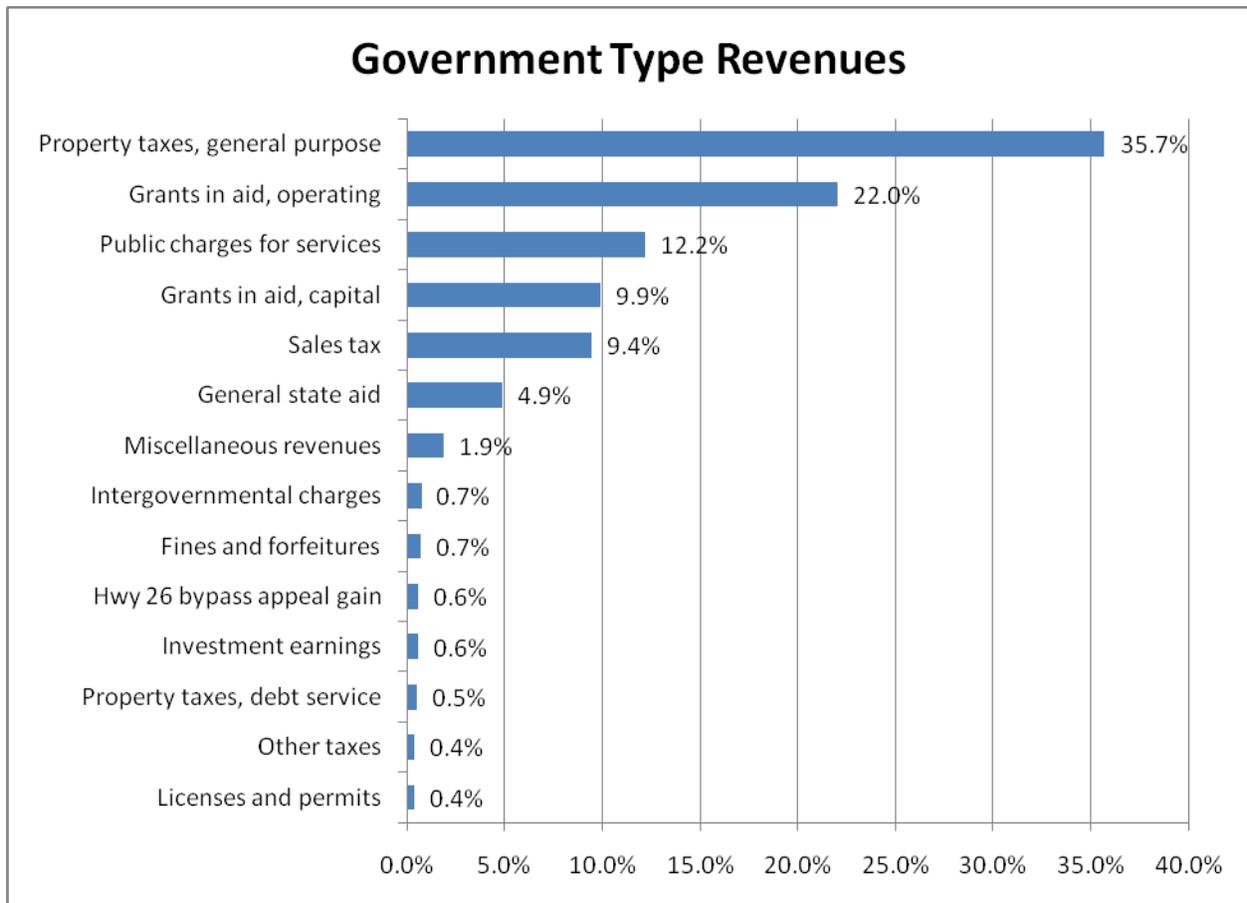
The following page is a comparison between years for all revenue types. The reader should note that property taxes once again remain the major source of revenue for the County. For a more detailed explanation of changes between the years, the reader should look at Section B of the Management Discussion & Analysis (MD&A).

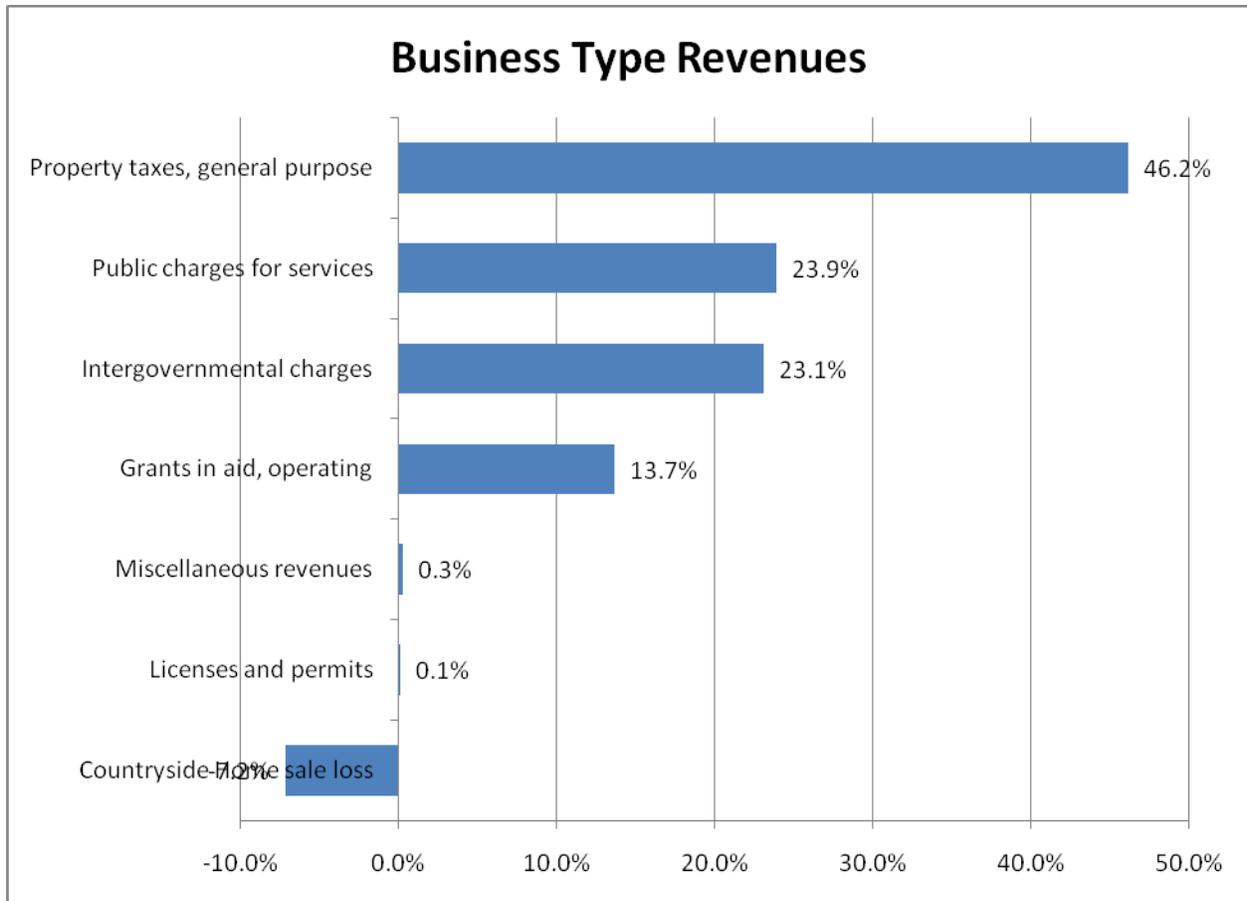
| Source                          | 2010        | Percent | 2009       | Percent | Increase<br>(Decrease) |
|---------------------------------|-------------|---------|------------|---------|------------------------|
| Property taxes, general purpose | 26,732,513  | 38.4%   | 25,569,010 | 35.1%   | 4.6%                   |
| Grants, operating               | 13,888,269  | 19.9%   | 14,228,993 | 19.5%   | -2.4%                  |
| Public charges for services     | 10,566,245  | 15.2%   | 17,758,376 | 24.4%   | -40.5%                 |
| Grants, capital                 | 5,146,199   | 7.4%    | 949,022    | 1.3%    | 442.3%                 |
| Sales tax                       | 4,911,356   | 7.0%    | 4,786,208  | 6.6%    | 2.6%                   |
| Intergovernmental charges       | 4,464,623   | 6.4%    | 3,905,403  | 5.4%    | 14.3%                  |
| General state aid               | 2,551,153   | 3.7%    | 2,660,723  | 3.7%    | -4.1%                  |
| Miscellaneous revenues          | 1,021,616   | 1.5%    | 1,071,061  | 1.5%    | -4.6%                  |
| Fines and forfeitures           | 380,794     | 0.5%    | 603,272    | 0.8%    | -36.9%                 |
| Investment earnings             | 312,281     | 0.4%    | 579,274    | 0.8%    | -46.1%                 |
| Property taxes, debt service    | 269,481     | 0.4%    | 266,663    | 0.4%    | 1.1%                   |
| Licenses and permits            | 201,708     | 0.3%    | 234,685    | 0.3%    | -14.1%                 |
| Other taxes                     | 192,947     | 0.3%    | 215,233    | 0.3%    | -10.4%                 |
| Subtotal                        | 70,639,185  | 101.4%  | 72,827,923 | 100.0%  | -3.0%                  |
| Hwy 26 bypass appeal gain       | 316,638     | 0.5%    |            | 0.0%    |                        |
| Countryside Home loss           | (1,269,884) | -1.8%   |            | 0.0%    |                        |
| Grand Total                     | 69,685,939  | 100.0%  | 72,827,923 | 100.0%  | -4.3%                  |

There are a number of revenue areas that experienced significant changes between the years:

1. Public charges in services decreased by over 40% primarily due to the sale of Countryside Home as well as the continued implementation of Family Care which continues to transfer the Medical Assistance Waiver program to Care Wisconsin.
2. Capital grants in aid increased by over 442% because of the large increase in the flood mitigation program.
3. Intergovernmental charges increased by 14.3%, primarily due to large projects performed by the Highway Department in 2010 for the Town of Sumner and Village of Sullivan.
4. Fines and forfeitures decreased because of (a) reduction in citations issued because of available road patrol deputies, (b) general decrease in actual payments received due to the economy, and (c) a reduction in estimated collection amounts based upon the economy.
5. Investment earnings decreased by over 46% because of both the amount and funds available for investment as well as lower available earning rates because of the economy.

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





#### 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                     | 2010              | % of Total    | 2009              | % of Total    | Inc (Dec)     |
|--------------------------------------|-------------------|---------------|-------------------|---------------|---------------|
| Health and Human Services            | 29,422,740        | 46.7%         | 37,069,776        | 52.9%         | -20.6%        |
| Public Safety                        | 13,197,129        | 21.0%         | 13,270,246        | 18.9%         | -0.6%         |
| Public Works                         | 7,495,423         | 11.9%         | 8,096,507         | 11.6%         | -7.4%         |
| General Government                   | 7,482,859         | 11.9%         | 6,883,711         | 9.8%          | 8.7%          |
| Culture, Recreation and Education    | 3,612,674         | 5.7%          | 3,472,403         | 5.0%          | 4.0%          |
| Conservation and Development         | 1,737,143         | 2.8%          | 1,236,440         | 1.8%          | 40.5%         |
| Debt service--interest & other costs | 28,410            | 0.0%          | 39,898            | 0.1%          | -28.8%        |
| <b>Totals</b>                        | <b>62,976,378</b> | <b>100.0%</b> | <b>70,068,981</b> | <b>100.0%</b> | <b>-10.1%</b> |

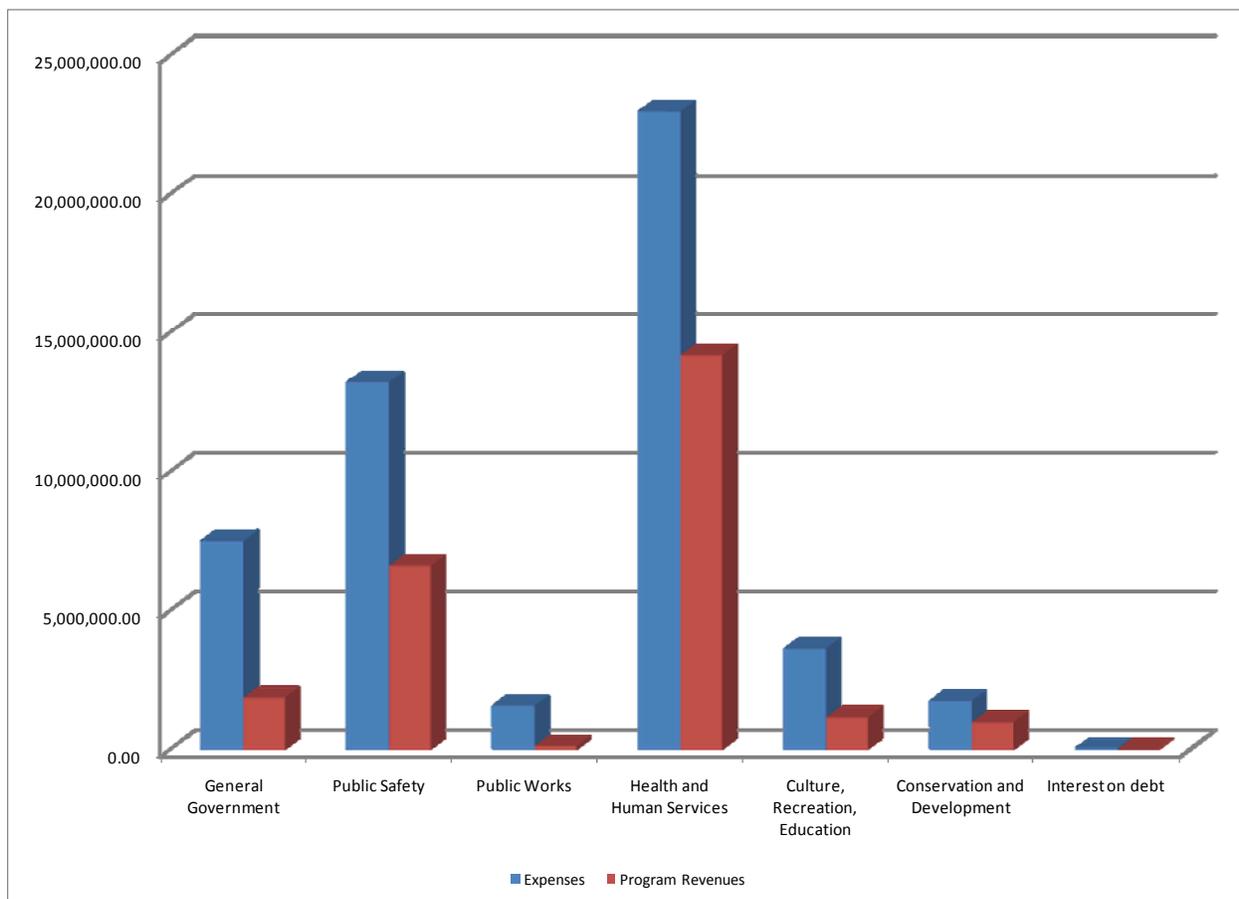
Health and Human Services—Expenses decreased by \$7.6 million. The two primary reasons were the closure of Countryside Home at mid-year 2010 as well as the continued implementation of Family Care by the State of Wisconsin.

General Government—Expenses increased by \$0.6 million between the two years. However, if you take into account the disposal of the un-depreciated fiber-optic network that was replaced during 2010 at \$0.9 million, total General Government expenses had a net decrease as compared to the prior year

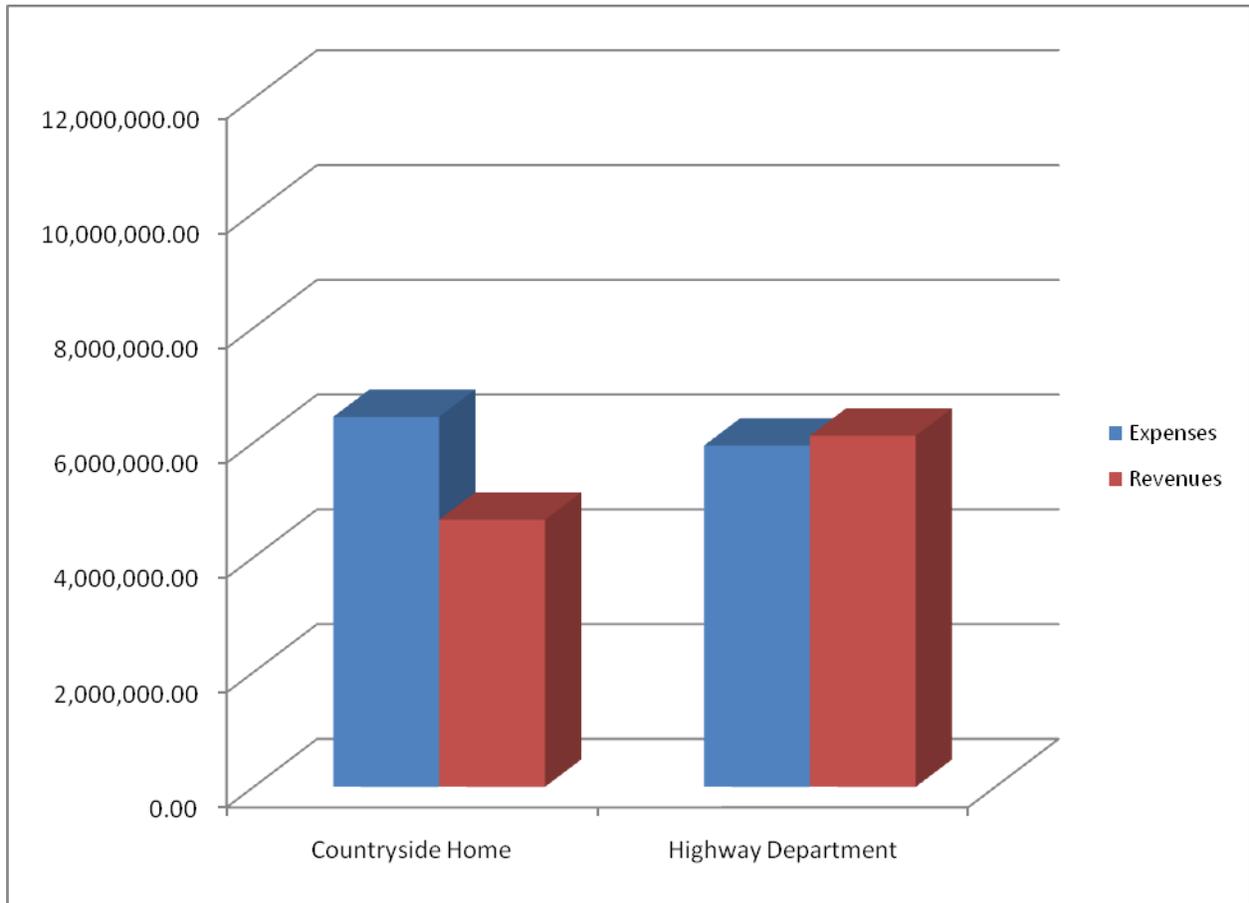
Conservation and Development—Expenses increased by \$0.5 million between the two years. Of this amount, \$0.4 million can be attributed to the small business flood recovery activity. During 2009, these cash payments were primarily loans that had to be paid back and thus not recorded as expenses. During 2010, these cash payments were primarily forgivable loans with no intent of being repaid and thus were recorded as expenses.

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

Governmental Type Funds



### Business 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. 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 a recap of program areas where large donations were received.

| Department     | Program                      | 2010<br>Amount | 2009<br>Amount | Increase<br>(Decrease) | Increase<br>(Decrease) |
|----------------|------------------------------|----------------|----------------|------------------------|------------------------|
| Human Services | Home delivered meals         | 60,411         | 51,058         | 9,353                  | 18.3%                  |
| Human Services | Congregate meals             | 45,873         | 43,810         | 2,064                  | 4.7%                   |
| Parks          | Garman Nature Preserve       | 0              | 25,000         | (25,000)               | -100.0%                |
| Parks          | Hubbleton Bridge             | (22,900)       | 22,900         | (45,800)               | -200.0%                |
| Human Services | General activities           | 21,718         | 1,100          | 20,618                 | 1874.3%                |
| Parks          | Glacial Heritage Development | 12,953         | 0              | 12,953                 |                        |
| Sheriff        | Multiple donation accts      | 11,120         | 6,033          | 5,087                  | 84.3%                  |
| Parks          | Dog Park                     | 9,300          | 2,251          | 7,049                  | 313.2%                 |
| Human Services | Early intervention           | 8,557          | 32,000         | (23,443)               | -73.3%                 |
| Zoning         | Solid Waste                  | 5,825          | 311            | 5,514                  | 1773.0%                |
| Human Services | Transportation               | 5,505          | 5,511          | (5)                    | -0.1%                  |
|                | All other areas              | 24,410         | 24,269         | 142                    | 0.6%                   |
|                |                              | 182,774        | 214,242        | (31,469)               | -14.7%                 |

Garman Nature Preserve—A donation was received during 2009 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. During 2010, the State of Wisconsin agreed to pay this amount and thus the prior year donation was reclassified as Grants in Aid, Capital.

#### H. 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 was one Special Item that occurred during 2010 for the sale of Countryside Home, the County’s nursing home operations. The decision was made during 2009 to sell the nursing home facility and license. After negotiations, an agreement was made with the Alden Group based in Illinois. The breakdown of the net loss on the sale of the facility is as follows:

|   |                  |
|---|------------------|
| Sale price of the facility and license              | \$8,001,001      |
| Depreciated value of land, buildings, and equipment | <u>9,270,885</u> |
| Net loss on sale                                    | (\$1,269,884)    |

Direct sale costs such as realtor fees totaled \$209,251 and were reported as non-operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets (Proprietary Funds).

## I. 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.

## J. Change in net assets and ending net assets

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.

| <b>Calendar<br/>Year</b> | <b>Beginning<br/>Net<br/>Assets</b> | <b>Increase<br/>(Decrease)<br/>Amount</b> | <b>Ending<br/>Net<br/>Assets</b> | <b>Increase<br/>(Decrease)<br/>Percent</b> |
|--------------------------|-------------------------------------|---|----------------------------------|--|
| 2009                     | 107,662,866                         | 2,758,933                                 | 110,421,799                      | 2.6%                                       |
| 2010                     | 110,421,799                         | 6,709,559                                 | 117,131,358                      | 6.1%                                       |

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

## 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:

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 Fund  | Health    | Human Services | Debt Service | Countryside | Highway    | Total       |
|----------------------|----------------------|---------------|-----------|----------------|--------------|-------------|------------|-------------|
| 2010                 | Non-spendable        | 5,646,343     | 19,093    | 159,707        |              |             |            | 5,825,143   |
|                      | Restricted           | 3,114,279     | 141,846   | 30,119         |              |             |            | 3,286,244   |
|                      | Committed            | 2,432,986     | 7,926     | 66,100         |              |             |            | 2,507,012   |
|                      | Assigned             | 18,729,656    |           |                |              |             |            | 18,729,656  |
|                      | Unassigned           | 489,194       |           |                |              |             |            | 489,194     |
|                      | Capital Restricted   |               |           |                |              |             | 7,561,268  | 7,561,268   |
|                      | Capital Unrestricted |               |           |                |              |             | 91,674     | 91,674      |
|                      | Capital Restricted   |               |           |                |              |             | 3,994,197  | 3,994,197   |
|                      | Totals               | 30,412,458    | 168,865   | 255,926        | 0            | 0           | 11,647,139 | 42,484,388  |
|                      | 2009                 | Non-spendable | 5,149,488 | 28,245         | 224,083      |             |            |             |
| Restricted           |                      | 1,230,905     | 89,275    | 0              |              |             |            | 1,320,180   |
| Committed            |                      | 4,743,730     |           | 19,212         |              |             |            | 4,762,942   |
| Assigned             |                      | 14,132,128    |           |                |              |             |            | 14,132,128  |
| Unassigned           |                      |               |           |                |              |             |            | 0           |
| Capital Restricted   |                      |               |           |                |              | 6,289,894   | 7,823,675  | 14,113,569  |
| Capital Unrestricted |                      |               |           |                |              | 0           | 88,026     | 88,026      |
| Capital Restricted   |                      |               |           |                |              | 182,290     | 3,267,406  | 3,449,696   |
| Totals               |                      | 25,256,251    | 117,520   | 243,295        | 0            | 6,472,184   | 11,179,107 | 43,268,357  |
| Inc (Dec)            |                      | Non-spendable | 496,855   | (9,152)        | (64,376)     |             |            |             |
|                      | Restricted           | 1,883,374     | 52,571    | 30,119         |              |             |            | 1,966,064   |
|                      | Committed            | (2,310,744)   | 7,926     | 46,888         |              |             |            | (2,255,930) |
|                      | Assigned             | 4,597,528     |           |                |              |             |            | 4,597,528   |
|                      | Unassigned           | 489,194       |           |                |              |             |            | 489,194     |
|                      | Capital Restricted   |               |           |                |              | (6,289,894) | (262,407)  | (6,552,301) |
|                      | Capital Unrestricted |               |           |                |              | 0           | 3,648      | 3,648       |
|                      | Capital Restricted   |               |           |                |              | (182,290)   | 726,791    | 544,501     |
|                      | Totals               | 5,156,207     | 51,345    | 12,631         | 0            | (6,472,184) | 468,032    | (783,969)   |

For restricted versus committed fund balances, the County took a closer look during 2010 to ensure that that the classification between the two categories was correct. The net change for the County was only \$289,863. For assigned fund balances, the increase can be attributed to the County changing its Fund Balance Policy to retain

three months of budgeted expenditures rather than two months of budgeted expenditures. This change in policy was based upon current Best Practices as issued by the GFOA (Government Finance Officers Association).

**General Fund**—The General Fund is the County’s primary operating fund. The total fund balance increased by \$5.2 million or 20.4%. The single major factor causing this increase was the sale the nursing home (Countryside Home) for \$8 million. From this amount, \$2.2 million had to be paid out for remaining debt for the nursing home. The remaining funds, after closing the accounting records for Countryside Home, were transferred back to the General Fund.

As part of the “assigned” category, the Finance Committee applies the County’s Fund Balance Policy (Resolution 2010-56) every year during the budget process. From this policy, any balance of funds in excess of three 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) Best Practices 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/index.php?option=com\\_content&task=view&id=1450](http://www.gfoa.org/index.php?option=com_content&task=view&id=1450)

**Health Department**--The fund balance for the Health Department increased by \$51,345 or 43.7%. 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 increase can be attributed to more grant funding was received than anticipated during 2010, thus causing a surplus from tax levy proceeds that were not needed. The restricted ending fund balance for 2010 will be applied against the 2012 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 Department**—The total fund balance for Human Services increased by only \$12,631 or 5.2%. The “non-spendable” category is for prepaid expenses (primarily health insurance). The “restricted” category is for donations received that did not have related expenditures yet. The “committed” category is for a van replacement fund at \$26,000

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.

**Countryside Home**—The total net assets (equity) for Countryside Home decreased to zero because of the sale of the facility and license effective July 1, 2010.

**Highway Department**—The net assets (equity) for the Highway Department increased by \$468,032 or 4.2%. The majority of the increase was in the “unrestricted” net asset category. Because this category is primarily related to operations, it can be hard to pinpoint specific causes for the increase. One area readily ascertained is an increase in County work projects between 2009 and 2010 of \$166,000 not completed but retained to be completed in the subsequent year.

## VI. General Fund Budgetary Highlights

### A. Budget Amendments – General Fund

A comparison of original versus final budgeted amounts, recapped by classification, appears below.

| Category                             | Original Budget    | Amended Budget    | Inc (Dec)        | Inc (Dec)      |
|--------------------------------------|--------------------|-------------------|------------------|----------------|
| Property tax                         | 9,677,502          | 9,677,502         | 0                | 0.0%           |
| Sales tax                            | 4,724,586          | 4,724,586         | 0                | 0.0%           |
| Intergovernmental revenues           | 9,476,937          | 9,505,937         | 29,000           | 0.3%           |
| Licenses and permits                 | 217,495            | 217,495           | 0                | 0.0%           |
| Fines and forfeitures                | 624,750            | 625,750           | 1,000            | 0.2%           |
| Public charges for services          | 2,454,785          | 2,498,785         | 44,000           | 1.8%           |
| Intergovernmental charges            | 592,439            | 612,439           | 20,000           | 3.4%           |
| Miscellaneous revenues               | 1,113,291          | 1,148,633         | 35,342           | 3.2%           |
| <b>Total revenues</b>                | <b>28,881,785</b>  | <b>29,011,127</b> | <b>129,342</b>   | <b>0.4%</b>    |
| General government                   | 7,538,839          | 7,831,373         | 292,534          | 3.9%           |
| Public safety                        | 14,222,642         | 14,637,324        | 414,682          | 2.9%           |
| Health and human services            | 1,399,950          | 1,402,175         | 2,225            | 0.2%           |
| Public works                         | 199,452            | 223,199           | 23,747           | 11.9%          |
| Culture, recreation, education       | 3,433,169          | 3,689,284         | 256,115          | 7.5%           |
| Conservation development             | 3,447,824          | 3,575,075         | 127,251          | 3.7%           |
| Capital outlay                       | 3,513,725          | 3,513,725         | 0                | 0.0%           |
| <b>Total expenditures</b>            | <b>33,755,601</b>  | <b>34,872,155</b> | <b>1,116,554</b> | <b>3.3%</b>    |
| Proceeds from sale of capital assets | 0                  | 316,638           | 316,638          |                |
| Transfer in                          | 950,000            | 7,644,082         | 6,821,420        | 718.04%        |
| Transfer out                         | 0                  | (586)             | (586)            |                |
| <b>Total other financing</b>         | <b>950,000</b>     | <b>7,960,134</b>  | <b>7,010,134</b> | <b>737.9%</b>  |
| <b>Changes in Fund Balance</b>       | <b>(3,923,816)</b> | <b>2,099,106</b>  | <b>6,022,922</b> | <b>-153.5%</b> |

There are a number of areas that the reader should be aware of:

- General Government – Of the total increased budget, \$98,464 can be attributed to departmental deficits for eight (8) various departments in total.
- Public Safety – The Sheriff Department had a year end deficit as compared to budget of \$365,356. This amount was the result of a number of factors, but only totaled 3.3% of their tax levy.
- Culture, Recreation, Education – The Parks Department was allowed to carry \$285,493 forward from the 2009 budget into 2010, which is reflected as increased in the 2010 budget.
- Proceeds from sale of capital assets – In calendar year 2008, the County recognized a gain of \$1,387,021 from the sale of about 66 acres of land to the State of Wisconsin during for the construction of the Highway 26 bypass around the City of Jefferson. . Because management felt the price received per acre under eminent domain was too low, the County appealed the sale price. As a result of this appeal, the County received another \$316,638 during 2010. No budget was set up as it was uncertain on the outcome of the appeal.
- Transfers In – These transfers primarily relate to the sale of Countryside Home.

## **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 2010. These areas are detailed below.

Intergovernmental revenues—While the total variance between the budget and actual activity for intergovernmental revenues (often called state aid) was only \$919,888 or 9.7% above budget, there were one area by itself that affected this figure. Actual revenues in relation to the flood mitigation program for residential properties were about \$2.5 million above budget due to the sharp increase in number of properties purchased.

Licenses and permits revenue—Compared to budget, actual revenues were \$31,527 or 14.5% below budget. Of this amount, a total of \$36,333 was within the Zoning Department. The permits issued by Zoning are related to sanitary and/or construction permits. The revenues within this department have been affected by the economy and the slowing of building construction.

Fines and forfeitures revenue—In total, fines and forfeitures were down by \$187,568 or 30.0% as compared to budget. The largest portion of this deficit was within the Sheriff Department, where fines and forfeitures were down by \$148,290. 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.

In relation to expenditures, the variance between budget and actual was often affected by large purchases that were not completed during the year.

General Government expenditures—Compared to budget, actual expenditures were \$1,170,441 below budget. Listed below are some of the larger factors affecting this variance:

- In lieu of operational expenditures, various departments spent \$259,000 for capital expenditures.
- The County Clerk was authorized to spend \$211,000 for new voting machines, but the purchase has been delayed pending approval from the State of Wisconsin Government Accountability Board.
- Central Services had approval to install a backup generator in the Courthouse at \$111,000, but the project was delayed until 2011.
- Total expenditures within the District Attorney's office were about \$95,000 below budget, of which about half related to costs for serving court orders upon parties involved in the case.

Public Safety expenditures—In total, actual expenditures for Public Safety were \$1,818,488 or 12.4% below budget. The Sheriff Department was authorized to spend an additional \$1,175,956 that was not accomplished during the year and was authorized to be carried forward into the subsequent year. Although this amount seems large, the vast majority of the amounts were funds that were either restricted by grant source or Wisconsin Statutes.

Public Works expenditures—Total expenditures for Public Works were down \$146,635 or 65.7% as compared to budget. This amount was almost entirely within the Solid Waste Program. Because of contract restrictions, the program retained about \$160,000 that was carried forward into the subsequent year.

Culture, Recreation, and Education expenditures—As compared to the budget, total expenditures were down by \$441,682. This was mainly a result of \$301,000 that was budgeted within the Parks Department for 2010 but not expended. This amount was authorized to be carried forward to be used in the subsequent year budget.

Conservation and Development expenditures—Expenditures within this category were down by \$1.77 million or 49.4% as compared to budgeted amounts. Of this amount, \$1.57 million relates to the flood mitigation program for businesses. Because of timing issues as well as the complexity of the projects, these expenditures did not take place until the subsequent year (2011).

Capital Outlay expenditures—Capital outlay expenditures were about \$3.1 million above budgeted amounts, or 87.6%. Of this amount, almost \$2.8 million related to the flood mitigation program for residential properties. The number of properties purchases increased from 5 in 2009 to 37 in 2010, which was a vast increase over the

anticipated amount. The reader should note that there was a corresponding increase in state aid. In addition, there was almost \$0.6 million in budgeted expenditures that were authorized to be carried forward into the subsequent year (2011).

## **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) decreased by \$2.6 million, or 3.0%. There were a number of important factors that affected this total net decrease. There were two large categories that affected this total net decrease.

1. Land purchased under the flood mitigation program increased by \$5.6 million. (These costs include the land purchase, building purchase, building demolition, and other disposal costs.)
2. As result of the sale of Countryside Home, the capital assets decreased by (\$9.5 million).

### **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, but did increase the rating of the County to Aa2 during 2010 as a result of changes in the global rating system. 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 debt is below:

Korth Park—This promissory note was issued to David Korth for the purchase of land for Korth Park. Prepayments were 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 and is scheduled to be paid in full during 2011.

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 were allowed beginning April 2008, April 2009, and April 2010 for issues A, B, and C, respectively. With the sale of the nursing home, all related debt was paid off during 2010.

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 2011 debt levy, which was set in November 2010, the County levied a mill rate of \$0.0543, so has plenty of room under this statutory limit. This statute went into effect in 1992, and has no provision to end.

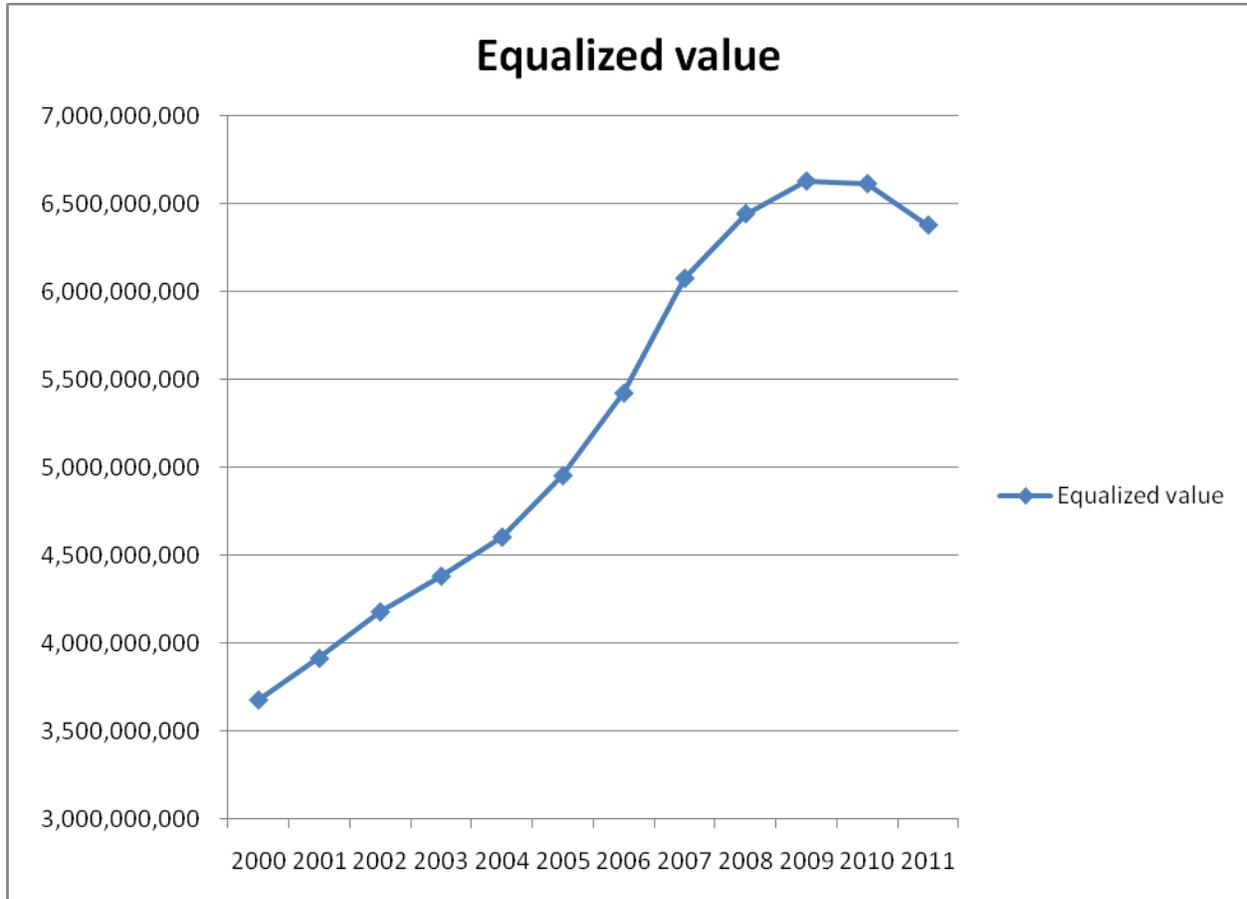
### **VIII. Modified approach to infrastructure.**

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

Discussion point A -- Located between the two largest large population centers in the State of Wisconsin (Milwaukee and Madison), the County has averaged annual growth of 3.44% in the tax base (equalized value) over the last five years, but that number has been trending downward recently and was actually negative the past year. The current projection is to remain relatively flat for 2012. The equalized values for the subsequent budget year are released each August 15<sup>th</sup>. The graph below shows the recent fluctuations:

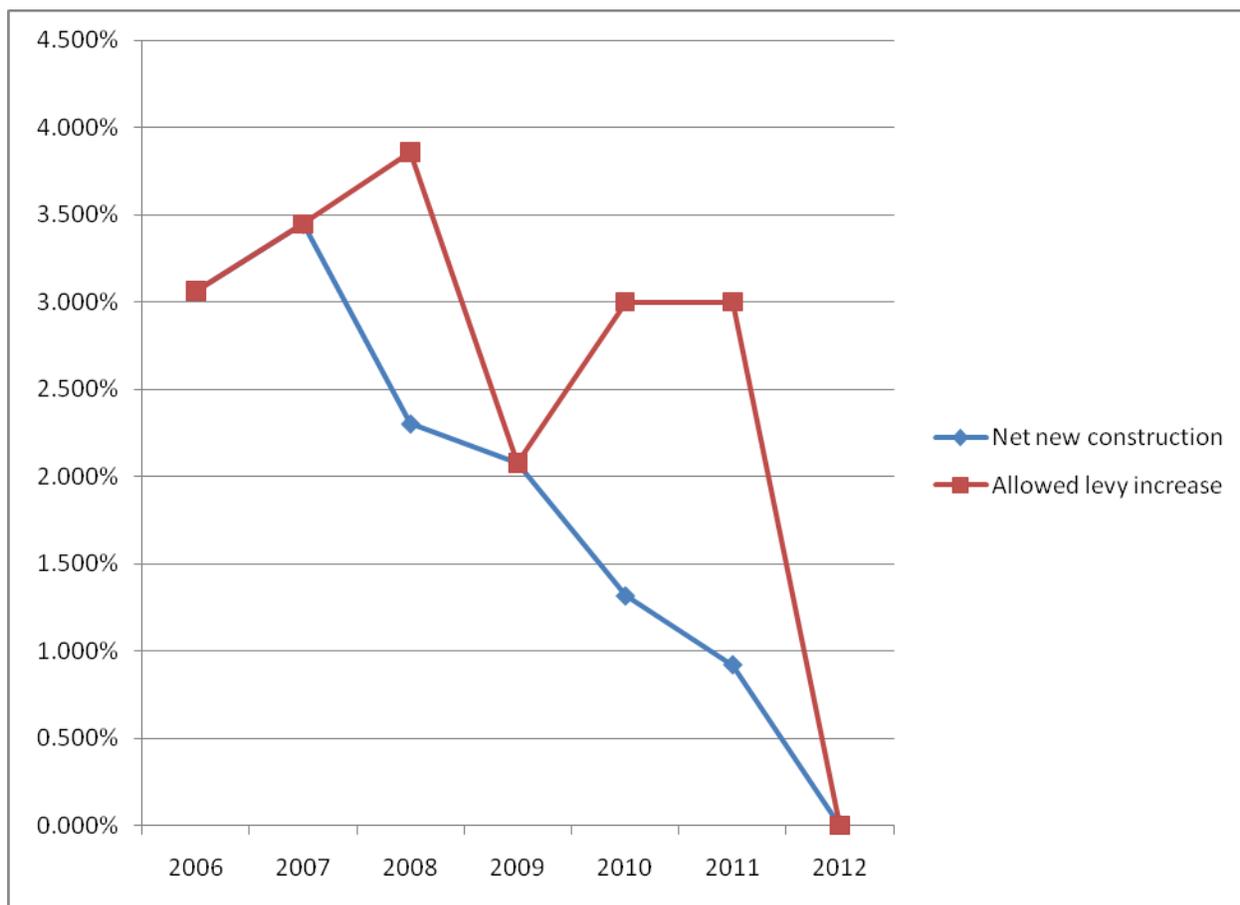
The equalized value is a factor in calculating mill rates for the tax levy. In the recent past, the Finance Committee has kept a close watch on the mill rate increases. *With the flat and/or downward trend in equalized value, it appears it will be difficult to keep the mill rate increase low in the subsequent year budget.*



Discussion Point B -- 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 2.188% over the last six years and have been trending downward. The Wisconsin Legislature has modified the levy limit law as it relates to net new construction every two years since the law was introduced in 2006. The indications are that the law will be even more restrictive for the 2012 budget, which will be adopted in November 2011. The chart on the next page recaps both the net new construction figures for the County as well as the allowed (or estimated) increase under the Wisconsin Statutes at the time.

The values for the 2012 budget are estimated based upon both the trend of net new construction as well as from the indications from the Wisconsin Legislature for the 2011-2013 annual state budget. In the past, the legislature allowed a base level of increase or net new construction, whichever is higher. The indication is that there will no longer be a base level, but that net new construction will be the prime factor. The Legislature is also proposing major adjustments to revenue sources for the County as well as requiring most employees to pay

more for health insurance and retirement contributions. *Based upon current fiscal projections, it will be somewhat difficult to adhere to this levy limit without making further cuts to departments.*



Discussion point C—The Wisconsin Department of Administration, as of October 10, 2010, estimated that the County’s population increased from the 2000 census by 7.4%. However, the census figures related in April 2011 showed a population increase of 10.5%. Given that both the economic recovery has been slow as well as the increased population base, *it is anticipated that the need for social services departments such as Health Department, Human Services, Veterans Services and Child Support will continue to increase, making the creation of the 2012 budget even more difficult.*

Discussion point D—There have been indications that the federal government MAY be reducing their budget to deal with the ever increasing federal debt level and the future deficit in the Social Security/Medicare/Medicaid funds. In addition, there are indications that the State of Wisconsin MAY be reducing their budget to deal with their structural deficit. Both these governments give substantial amounts of funds on an annual basis to Jefferson County for our operations. For 2010, the intergovernmental grants accounted for 22% of governmental funds revenues and 13.7% of business-type funds revenues. *The potential reduction in funds from the federal/state governments can have a material effect on both the 2012 and future budgets*

Discussion point E-- With the sale of Countryside Home effective 7/1/10, 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 helped contributed to reduced investment returns because of the amount available to invest. By having a fairly stable amount of cash to invest in the future, the County will be able to help somewhat alleviate the downward trend of investment earnings.

At the same time, the County does not have any future potential “cash cows” available. Countryside Home, as a result of typically underestimating revenues in the budget process, often could return \$0.5 to \$1.0 million back to the General Fund each year. That cash source is no longer available. One time sale transactions such as (a) sale of the old Countryside facility on Wisconsin Drive, (b) sale of the new Countryside facility on Collins Rd, and (c) the sale of land to the State of Wisconsin for the Highway 26 bypass allowed for cash to be available to apply against the tax levy and will no longer be available.

The County elected to use the Countryside Home sale proceeds to elevate the County’s working capital reserve to three months of budgeted expenditures, based upon the Government Finance Officers Association (GFOA) Best Practices. While the County can elect in the future to dip into these reserves in order to maintain current service levels, *it does not appear that the County will have a viable way to returning the reserves back up to current levels, especially given the levy limits imposed by the Wisconsin Legislature.*

Discussion point F-- All five remaining union contracts expired at the end of 2010. As of the writing of this document, negotiations have informally been put on hold until the passage of the State budget and the effects of the County are known. It is anticipated the State budget will be adopted before the State’s fiscal year begins on July 1<sup>st</sup>. 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, levy limit laws, etc.) make the potential settlement with the unions hard to predict. .

#### **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 Department at 320 S. Main Street, Room 109, Jefferson, WI 53549.

**JEFFERSON COUNTY, WISCONSIN**  
**Statement of Net Assets**  
**December 31, 2010**

|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>          |
|--|------------------------------------|-------------------------------------|-----------------------|
| <b>ASSETS</b>                                      |                                    |                                     |                       |
| Cash and Cash Equivalents                          | \$ 11,188,475                      | \$ 2,784,080                        | \$ 13,972,555         |
| Investments  | 12,530,982                         | -                                   | 12,530,982            |
| Receivables, net                                   |                                    |                                     |                       |
| Taxes  | 37,119,822                         | 5,350,198                           | 42,470,020            |
| Accounts   | 6,042,719                          | 789,042                             | 6,831,761             |
| Inventories  | 2,730                              | 1,363,772                           | 1,366,502             |
| Prepaid Items                                      | 898,154                            | 68,259                              | 966,413               |
| Investment in WMMIC                                | 822,008                            | -                                   | 822,008               |
| Restricted Cash and Cash Equivalents               | 1,487,910                          | -                                   | 1,487,910             |
| Capital Assets, Net of Accumulated<br>Depreciation | 75,912,085                         | 7,561,268                           | 83,473,353            |
| <b>TOTAL ASSETS</b>                                | <b>146,004,885</b>                 | <b>17,916,619</b>                   | <b>163,921,504</b>    |
| <b>LIABILITIES</b>                                 |                                    |                                     |                       |
| Accounts Payable                                   | 4,701,493                          | 187,136                             | 4,888,629             |
| Delinquent Special Assessments                     |                                    |                                     |                       |
| Due to Other Governments                           | 7,096,012                          | -                                   | 7,096,012             |
| Accrued Payroll and Related Liabilities            | 1,565,616                          | 177,574                             | 1,743,190             |
| Accrued Interest Payable                           | 3,643                              | -                                   | 3,643                 |
| Unearned Revenues                                  |                                    |                                     |                       |
| Current Year Property Tax Levy                     | 21,357,645                         | 5,350,198                           | 26,707,843            |
| Other Unearned Revenue                             | 207,819                            | -                                   | 207,819               |
| Liabilities Payable from Restricted Assets         | 1,283,637                          | -                                   | 1,283,637             |
| Long-term Liabilities                              |                                    |                                     |                       |
| Accrued Compensated Absences                       |                                    |                                     |                       |
| Current Portion                                    | 2,924,497                          | 491,281                             | 3,415,778             |
| Noncurrent Portion                                 | 850,091                            | 63,291                              | 913,382               |
| General Obligation Debt                            |                                    |                                     |                       |
| Current Portion                                    | 329,638                            | -                                   | 329,638               |
| Noncurrent Portion                                 | 200,575                            | -                                   | 200,575               |
| <b>TOTAL LIABILITIES</b>                           | <b>40,520,666</b>                  | <b>6,269,480</b>                    | <b>46,790,146</b>     |
| <b>NET ASSETS</b>                                  |                                    |                                     |                       |
| Invested in Capital Assets,<br>Net of Related Debt | 75,381,872                         | 7,561,268                           | 82,943,140            |
| Restricted   | 3,286,244                          | 91,674                              | 3,377,918             |
| Unrestricted                                       | 26,816,103                         | 3,994,197                           | 30,810,300            |
| <b>TOTAL NET ASSETS</b>                            | <b>\$ 105,484,219</b>              | <b>\$ 11,647,139</b>                | <b>\$ 117,131,358</b> |

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

**JEFFERSON COUNTY, WISCONSIN**  
**Statement of Activities**  
**December 31, 2010**

| <u>Functions/Programs</u>                                  | <u>Expenses</u>      | <u>Program Revenues</u>         |   |   | <u>Net (Expense) Revenue<br/>and Changes in Net Assets</u> |  |                       |
|--|----------------------|---------------------------------|---|---|--|--|-----------------------|
|  |                      | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                         | <u>Business-<br/>Type<br/>Activities</u> | <u>Totals</u>         |
| <b>Primary Government</b>                                  |                      |                                 |   |   |  |  |                       |
| <b>Governmental Activities</b>                             |                      |                                 |   |   |  |  |                       |
| General Government   | \$ 7,482,859         | \$ 1,338,178                    | \$ 518,504  | \$ -  | \$ (5,626,177)   | \$ -                                     | \$ (5,626,177)        |
| Public Safety  | 13,197,129           | 1,194,996                       | 289,539   | 5,122,628                                       | (6,589,966)  | -  | (6,589,966)           |
| Public Works   | 1,573,661            | 104,987                         | -   | -   | (1,468,674)  | -  | (1,468,674)           |
| Health and Human Services                                  | 22,976,053           | 4,345,987                       | 9,805,770   | 23,571  | (8,800,725)  | -  | (8,800,725)           |
| Culture, Recreation, and Education                         | 3,612,676            | 1,044,024                       | 119,823   | -   | (2,448,829)  | -  | (2,448,829)           |
| Conservation and Development                               | 1,737,143            | 250,028                         | 738,772   | -   | (748,343)  | -  | (748,343)             |
| Interest on Debt   | 28,410               | -                               | -   | -   | (28,410)   | -  | (28,410)              |
| <b>Total Governmental Activities</b>                       | <b>50,607,931</b>    | <b>8,278,200</b>                | <b>11,472,408</b>                                 | <b>5,146,199</b>                                | <b>(25,711,124)</b>  | <b>-</b>                                 | <b>(25,711,124)</b>   |
| <b>Business-type Activities</b>                            |                      |                                 |   |   |  |  |                       |
| Highway  | 5,921,762            | 4,131,586                       | 1,986,454   | -   | -  | 196,278                                  | 196,278               |
| Elderly Care - Countryside                                 | 6,446,687            | 4,225,200                       | 429,407   | -   | -  | (1,792,080)                              | (1,792,080)           |
| <b>Total Business-type Activities</b>                      | <b>12,368,449</b>    | <b>8,356,786</b>                | <b>2,415,861</b>                                  | <b>-</b>  | <b>-</b>   | <b>(1,595,802)</b>                       | <b>(1,595,802)</b>    |
| <b>Total Primary Government</b>                            | <b>\$ 62,976,380</b> | <b>\$ 16,634,986</b>            | <b>\$ 13,888,269</b>                              | <b>\$ 5,146,199</b>                             |  |  |                       |
| <b>General Revenues</b>                                    |                      |                                 |   |   |  |  |                       |
| Property Taxes, Levied for General Purposes                |                      |                                 |   |   | 18,581,336   | 8,151,177                                | 26,732,513            |
| Property Taxes, Levied for Debt Service                    |                      |                                 |   |   | 269,481  | -  | 269,481               |
| Sales Tax  |                      |                                 |   |   | 4,911,356  | -  | 4,911,356             |
| Other Taxes  |                      |                                 |   |   | 192,947  | -  | 192,947               |
| General State Aid  |                      |                                 |   |   | 2,551,153  | -  | 2,551,153             |
| Investment Earnings  |                      |                                 |   |   | 312,281  | -  | 312,281               |
| Proceeds on Sale of Capital Assets                         |                      |                                 |   |   | 316,638  | -  | 316,638               |
| Total General Revenues                                     |                      |                                 |   |   | 27,135,192   | 8,151,177                                | 35,286,369            |
| <b>Extraordinary Item - Loss on Sale of Capital Assets</b> |                      |                                 |   |   | -  | (1,269,884)                              | (1,269,884)           |
| <b>Transfers</b>   |                      |                                 |   |   | 11,289,643   | (11,289,643)                             | -                     |
| Total General Revenues, Extraordinary items and Transfers  |                      |                                 |   |   | 38,424,835   | (4,408,350)                              | 34,016,485            |
| <b>Change in Net Assets</b>                                |                      |                                 |   |   | 12,713,711   | (6,004,152)                              | 6,709,559             |
| <b>Net Assets</b>  |                      |                                 |   |   |  |  |                       |
| <b>Beginning of Year</b>                                   |                      |                                 |   |   | 92,770,508   | 17,651,291                               | 110,421,799           |
| <b>End of Year</b>   |                      |                                 |   |   | <u>\$ 105,484,219</u>                                      | <u>\$ 11,647,139</u>                     | <u>\$ 117,131,358</u> |

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

**JEFFERSON COUNTY, WISCONSIN**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2010**

| <u>Assets</u>   | <u>General</u>       | <u>Special<br/>Revenue<br/>Fund<br/>Health and<br/>Human<br/>Services</u> | <u>Debt<br/>Service</u> | <u>Total</u>          |
|---|----------------------|---|-------------------------|-----------------------|
| Cash and Cash Equivalents   | \$ 11,185,975        | \$ 2,500  | \$ -                    | \$ 11,188,475         |
| Investments   | 12,530,982           | -   | -                       | 12,530,982            |
| Property Taxes Receivables  |                      |   |                         |                       |
| Current Year Tax Levy   | 13,269,137           | 8,872,916   | 346,469                 | 22,488,522            |
| Delinquent Property Taxes   | 14,631,300           | -   | -                       | 14,631,300            |
| Accounts Receivable   |                      |   |                         |                       |
| Due from Other Government Units   | 3,313,673            | 359,332   | -                       | 3,673,005             |
| General Accounts Receivable   | 1,536,025            | 833,689   | -                       | 2,369,714             |
| Due from Other Funds  | 201,308              | -   | -                       | 201,308               |
| Inventories   | 2,730                | -   | -                       | 2,730                 |
| Prepaid Expenditures  | 719,354              | 178,800   | -                       | 898,154               |
| Investment in WMMIC   | 822,008              | -   | -                       | 822,008               |
| Restricted Cash and Cash Equivalents  | 641,856              | 846,054   | -                       | 1,487,910             |
| <b>Total Assets</b>   | <u>\$ 58,854,348</u> | <u>\$ 11,093,291</u>  | <u>\$ 346,469</u>       | <u>\$ 70,294,108</u>  |
| <br><u>Liabilities</u>  |                      |   |                         |                       |
| Accounts Payable  | \$ 4,464,815         | \$ 1,520,315  | \$ -                    | \$ 5,985,130          |
| Delinquent Special Assessments Due to Other Governments   | 7,096,012            | -   | -                       | 7,096,012             |
| Accrued Liabilities   | 1,558,622            | 6,994   | -                       | 1,565,616             |
| Due to Other Funds  | -                    | 201,308   | -                       | 201,308               |
| Deferred Revenues   |                      |   |                         |                       |
| Current Year Property Tax Levy  | 12,138,260           | 8,872,916   | 346,469                 | 21,357,645            |
| Delinquent Property Taxes   | 2,611,029            | -   | -                       | 2,611,029             |
| Other Deferred Revenue  | 573,152              | 66,967  | -                       | 640,119               |
| <b>Total Liabilities</b>  | <u>28,441,890</u>    | <u>10,668,500</u>   | <u>346,469</u>          | <u>39,456,859</u>     |
| <br><u>Fund Balances</u>  |                      |   |                         |                       |
| Nonspendable  | 5,646,343            | 178,800   | -                       | 5,825,143             |
| Restricted  | 3,114,279            | 171,965   | -                       | 3,286,244             |
| Committed   | 2,432,986            | 74,026  | -                       | 2,507,012             |
| Assigned  | 18,729,656           | -   | -                       | 18,729,656            |
| Unassigned  | 489,194              | -   | -                       | 489,194               |
| <b>Total Fund Balances</b>  | <u>30,412,458</u>    | <u>424,791</u>  | <u>-</u>                | <u>30,837,249</u>     |
| <b>Total Liabilities and Fund Balances</b>  | <u>\$ 58,854,348</u> | <u>\$ 11,093,291</u>  | <u>\$ 346,469</u>       |                       |
| <br>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.        |                      |   |                         | 75,912,085            |
| Long-term debt is not due and payable in the current period and therefore is not reported in the funds.                   |                      |   |                         | (530,213)             |
| Accrued interest is not due and payable in the current period and therefore is not reported in the funds.                 |                      |   |                         | (3,643)               |
| Other long-term assets that are not available to pay current period expenditures and therefore are deferred in the funds. |                      |   |                         | 3,043,329             |
| Compensated absences are not due and payable in the current period and therefore are not reported in the funds.           |                      |   |                         | <u>(3,774,588)</u>    |
| <b>Total Assets per Statement of Net Assets</b>   |                      |   |                         | <u>\$ 105,484,219</u> |

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, 2010**

|   | <u>General</u>       | <u>Special<br/>Revenue<br/>Fund<br/>Health and<br/>Human<br/>Services</u> | <u>Debt<br/>Service</u> | <u>Total</u>         |
|---|----------------------|---|-------------------------|----------------------|
| <b>Revenues</b>                                 |                      |   |                         |                      |
| Property Taxes                                  | \$ 9,914,544         | \$ 8,493,478  | \$ 269,481              | \$ 18,677,503        |
| Sales Taxes                                     | 4,911,356            | -   | -                       | 4,911,356            |
| Intergovernmental Revenues                      | 10,425,825           | 8,769,684   | -                       | 19,195,509           |
| Licenses and Permits                            | 185,968              | -   | -                       | 185,968              |
| Fines and Forfeitures                           | 438,182              | -   | -                       | 438,182              |
| Public Charges for Services                     | 2,351,620            | 3,942,911   | -                       | 6,294,531            |
| Intergovernmental Charges                       | 600,269              | 42,682  | -                       | 642,951              |
| Miscellaneous Revenues                          | 1,074,813            | 212,153   | -                       | 1,286,966            |
| <b>Total Revenues</b>                           | <u>29,902,577</u>    | <u>21,460,908</u>   | <u>269,481</u>          | <u>51,632,966</u>    |
| <b>Expenditures</b>                             |                      |   |                         |                      |
| General Government                              | 6,660,932            | -   | -                       | 6,660,932            |
| Public Safety                                   | 12,818,836           | -   | -                       | 12,818,836           |
| Public Works                                    | 76,564               | -   | -                       | 76,564               |
| Health and Human Services                       | 1,501,599            | 21,186,788  | -                       | 22,688,387           |
| Culture, Recreation, and Education              | 3,247,602            | -   | -                       | 3,247,602            |
| Conservation and Development                    | 1,808,807            | -   | -                       | 1,808,807            |
| Capital Outlay                                  | 6,592,164            | 109,766   | -                       | 6,701,930            |
| Debt Service                                    |                      |   |                         |                      |
| Principal                                       | -                    | -   | 239,002                 | 239,002              |
| Interest  | -                    | -   | 30,479                  | 30,479               |
| <b>Total Expenditures</b>                       | <u>32,706,504</u>    | <u>21,296,554</u>   | <u>269,481</u>          | <u>54,272,539</u>    |
| <b>Revenues Over (Under) Expenditures</b>       | <u>(2,803,927)</u>   | <u>164,354</u>  | <u>-</u>                | <u>(2,639,573)</u>   |
| <b>Other Financing Sources (Uses)</b>           |                      |   |                         |                      |
| Proceeds on sale of capital assets              | 316,638              | -   | -                       | 316,638              |
| Transfer In                                     | 7,644,082            | -   | -                       | 7,644,082            |
| Transfer Out                                    | (586)                | (100,378)   | -                       | (100,964)            |
| <b>Total Other Financing<br/>Sources (Uses)</b> | <u>7,960,134</u>     | <u>(100,378)</u>  | <u>-</u>                | <u>7,859,756</u>     |
| <b>Change in Fund Balances</b>                  | 5,156,207            | 63,976  | -                       | 5,220,183            |
| <b>Fund Balances, Beginning of Year</b>         | <u>25,256,251</u>    | <u>360,815</u>  | <u>-</u>                | <u>25,617,066</u>    |
| <b>Fund Balances, End of Year</b>               | <u>\$ 30,412,458</u> | <u>\$ 424,791</u>   | <u>\$ -</u>             | <u>\$ 30,837,249</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, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ 5,220,183

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           | 6,701,930   |
| Capital outlay not capitalized                               | (300)       |
| Infrastructure transferred from highway department           | 3,746,525   |
| Depreciation expense reported in the statement of activities | (2,832,859) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 339,075

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 | 239,002 |
|-------------------------------------|---------|

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. 2,069

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. (161,169)

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>(540,745)</u> |
|---|------------------|

Change in Net Assets of Governmental Activities \$ 12,713,711

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

**JEFFERSON COUNTY, WISCONSIN**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2010**

|   | <b>Highway</b>       | <b>Elderly<br/>Care -<br/>Countryside</b> | <b>Total</b>         |
|---|----------------------|---|----------------------|
| <b>ASSETS</b>                                   |                      |   |                      |
| Cash and Cash Equivalents                       | \$ 2,784,080         | \$ -                                      | \$ 2,784,080         |
| Property Taxes Receivables                      |                      |   |                      |
| Current Year Tax Levy                           | 5,350,198            | -   | 5,350,198            |
| Accounts Receivable                             |                      |   |                      |
| Due from Other Government Units                 | 750,100              | -   | 750,100              |
| General Accounts Receivable                     | 38,942               | -   | 38,942               |
| Inventories                                     | 1,363,772            | -   | 1,363,772            |
| Prepaid Expenditures                            | 68,259               | -   | 68,259               |
| Capital Assets, Net of Accumulated Depreciation | 7,561,268            | -   | 7,561,268            |
| <b>TOTAL ASSETS</b>                             | <b>17,916,619</b>    | <b>-</b>                                  | <b>17,916,619</b>    |
| <b>LIABILITIES</b>                              |                      |   |                      |
| Accounts Payable                                | 187,136              | -   | 187,136              |
| Accrued Liabilities                             | 177,574              | -   | 177,574              |
| Accrued Interest                                | -                    | -   | -                    |
| Unearned Revenues                               |                      |   |                      |
| Current Year Property Tax Levy                  | 5,350,198            | -   | 5,350,198            |
| Long-term liabilities                           |                      |   |                      |
| Accrued Compensated Absences                    |                      |   |                      |
| Current Portion                                 | 491,281              | -   | 491,281              |
| Noncurrent Portion                              | 63,291               | -   | 63,291               |
| <b>TOTAL LIABILITIES</b>                        | <b>6,269,480</b>     | <b>-</b>                                  | <b>6,269,480</b>     |
| <b>NET ASSETS</b>                               |                      |   |                      |
| Invested in Capital Assets, Net of Related Debt | 7,561,268            | -   | 7,561,268            |
| Restricted                                      | 91,674               | -   | 91,674               |
| Unrestricted                                    | 3,994,197            | -   | 3,994,197            |
| <b>TOTAL NET ASSETS</b>                         | <b>\$ 11,647,139</b> | <b>\$ -</b>                               | <b>\$ 11,647,139</b> |

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, 2010**

|   | <u>Highway</u>       | <u>Elderly<br/>Care -<br/>Countryside</u> | <u>Total</u>         |
|---|----------------------|---|----------------------|
| <b>Operating Revenues</b>                             |                      |   |                      |
| Charges for Services                                  | \$ 4,094,779         | \$ 4,215,036                              | \$ 8,309,815         |
| Miscellaneous Revenues                                | <u>36,807</u>        | <u>10,164</u>                             | <u>46,971</u>        |
| <b>Total Operating Revenues</b>                       | <u>4,131,586</u>     | <u>4,225,200</u>                          | <u>8,356,786</u>     |
| <b>Operating Expenses</b>                             |                      |   |                      |
| Operation and Maintenance                             | 8,908,607            | 5,959,827                                 | 14,868,434           |
| Depreciation  | <u>855,744</u>       | <u>197,653</u>                            | <u>1,053,397</u>     |
| <b>Total Operating Expenses</b>                       | <u>9,764,351</u>     | <u>6,157,480</u>                          | <u>15,921,831</u>    |
| <b>Operating loss</b>                                 | <u>(5,632,765)</u>   | <u>(1,932,280)</u>                        | <u>(7,565,045)</u>   |
| <b>Nonoperating Revenues (Expenses)</b>               |                      |   |                      |
| Property Taxes  | 4,017,693            | 4,133,484                                 | 8,151,177            |
| Intergovernmental Grants                              | 1,986,454            | 429,407                                   | 2,415,861            |
| Other nonoperating expenses                           | -                    | (209,251)                                 | (209,251)            |
| Interest Expense                                      | -                    | (79,956)                                  | (79,956)             |
| Gain on Disposal of Assets                            | <u>96,064</u>        | <u>-</u>                                  | <u>96,064</u>        |
| <b>Income Before Transfers and Extraordinary Item</b> | <u>467,446</u>       | <u>2,341,404</u>                          | <u>2,808,850</u>     |
| <b>Extraordinary Item</b>                             |                      |   |                      |
| Loss on Sale of Capital Assets                        | <u>-</u>             | <u>(1,269,884)</u>                        | <u>(1,269,884)</u>   |
| <b>Transfer In</b>                                    | 586                  | -   | 586                  |
| <b>Transfer Out</b>                                   | <u>-</u>             | <u>(7,543,704)</u>                        | <u>(7,543,704)</u>   |
| <b>Change in Net Assets</b>                           | 468,032              | (6,472,184)                               | (6,004,152)          |
| <b>Net Assets, Beginning of Year</b>                  | <u>11,179,107</u>    | <u>6,472,184</u>                          | <u>17,651,291</u>    |
| <b>Net Assets, End of Year</b>                        | <u>\$ 11,647,139</u> | <u>\$ -</u>                               | <u>\$ 11,647,139</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, 2010**

|  | <u>Highway</u>        | <u>Elderly<br/>Care -<br/>Countryside</u> | <u>Total</u>          |
|--|-----------------------|---|-----------------------|
| <b>Cash Flows from Operating Activities</b>                                      |                       |   |                       |
| Receipts from Customers and Users  | \$ 4,010,225          | \$ 5,094,509                              | \$ 9,104,734          |
| Payments to Suppliers  | (6,171,662)           | 16,358                                    | (6,155,304)           |
| Payments to Employees  | <u>(2,624,905)</u>    | <u>(6,789,145)</u>                        | <u>(9,414,050)</u>    |
| <b>Net Cash Used in Operating Activities</b>                                     | <u>(4,786,342)</u>    | <u>(1,678,278)</u>                        | <u>(6,464,620)</u>    |
| <b>Cash Flows from Noncapital Financing Activities</b>                           |                       |   |                       |
| General Property Taxes   | 4,017,693             | 4,133,484                                 | 8,151,177             |
|  | -                     | 429,407                                   | 429,407               |
| Transfers from (to) Other Funds  | <u>586</u>            | <u>(7,543,704)</u>                        | <u>(7,543,118)</u>    |
| <b>Net Cash Provided by Noncapital Financing Activities</b>                      | <u>4,018,279</u>      | <u>(2,980,813)</u>                        | <u>1,037,466</u>      |
| <b>Cash Flows from Capital and Related Financing Activities</b>                  |                       |   |                       |
| Acquisition and Construction of Capital Assets                                   | (528,528)             | (3,644)                                   | (532,172)             |
| Closing Costs Paid on Sale of Capital Assets                                     | -                     | (209,251)                                 | (209,251)             |
| Proceeds from the Sale of Property and Equipment                                 | 31,255                | 8,001,001                                 | 8,032,256             |
| Grant Funds Received   | 1,986,454             | -   | 1,986,454             |
| Principal Paid on Capital Debt   | -                     | (3,175,000)                               | (3,175,000)           |
| Interest Paid on Capital Debt  | <u>-</u>              | <u>(107,562)</u>                          | <u>(107,562)</u>      |
| <b>Net Cash Provided by Capital and Related Financing Activities</b>             | <u>1,489,181</u>      | <u>4,505,544</u>                          | <u>5,994,725</u>      |
| <b>Cash and Cash Equivalents - Beginning of Year</b>                             | <u>2,062,962</u>      | <u>153,547</u>                            | <u>2,216,509</u>      |
| <b>Cash and Cash Equivalents - End of Year</b>                                   | <u>\$ 2,784,080</u>   | <u>\$ -</u>                               | <u>\$ 2,784,080</u>   |
| <b>Reconciliation of Operating Loss to Net Cash used in Operating Activities</b> |                       |   |                       |
| Operating Loss   | \$ (5,632,765)        | \$ (1,932,280)                            | \$ (7,565,045)        |
| Adjustments to Reconcile Operating Loss to Net Cash used in Operating Activities |                       |   |                       |
| Depreciation Expense   | 855,744               | 197,653                                   | 1,053,397             |
| Change in Assets and Liabilities   |                       |   |                       |
| Accounts Receivable  | (121,361)             | 869,309                                   | 747,948               |
| Inventories  | 69,821                | -   | 69,821                |
| Prepaid Items  | 10,081                | 182,290                                   | 192,371               |
| Accounts Payable   | (45,679)              | (30,062)                                  | (75,741)              |
| Accrued Payroll  | 32,891                | (93,701)                                  | (60,810)              |
| Other Accrued Liabilities  | <u>44,926</u>         | <u>(871,487)</u>                          | <u>(826,561)</u>      |
| <b>Net Cash used in Operating Activities</b>                                     | <u>\$ (4,786,342)</u> | <u>\$ (1,678,278)</u>                     | <u>\$ (6,464,620)</u> |
| <b>Noncash Transactions</b>  |                       |   |                       |
| Capital Additions for Equipment Received in Exchange for Equipment Traded-in     | \$ 1,040,847          | \$ -                                      | \$ 1,040,847          |
| Net Book Value of Disposal of Capital Assets for Equipment Traded-in             | <u>(1,039,775)</u>    | <u>-</u>                                  | <u>(1,039,775)</u>    |
| Gain on assets for equipment traded in   | <u>\$ 1,072</u>       | <u>\$ -</u>                               | <u>\$ 1,072</u>       |

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

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**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, 2010**

**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, 2010**

**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.

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, 2010**

**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. During 2010, the County sold the facility and related equipment to a third party. Accordingly the County discontinued operations and all remaining net assets were transferred into the General Fund. See Note III K for more information.

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**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, technical college 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 2<sup>nd</sup> 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. 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, 2010**

**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 local taxation district treasurer, or paid in two or more installments with the first installment paid by January 31 and the balance (postponed taxes) 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, 2010**

**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 pay is accrued when incurred in the government-wide financial statements. Sick pay is accrued as a liability on the government-wide financial statements as the benefits are earned by the employees but only to the extent it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' termination or retirement. 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.

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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.

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.

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, 2010**

**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, 2010**

**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                                     | \$ 912,631                  |
| Petty Cash  | 3,700                       |
| Mutual funds  | 7,074,724                   |
| Certificate of deposit                              | 305,000                     |
| Local Government Investment Pool                    | 7,164,410                   |
| US Treasury Notes                                   | 3,327,347                   |
| Federal Home Loan Bank Notes                        | 703,998                     |
| Federal Home Loan Mortgage Notes                    | 1,425,660                   |
| Federal National Mortgage Notes                     | 2,970,282                   |
| Corporate bonds                                     | <u>4,103,695</u>            |
| <b>Total cash, cash equivalents and investments</b> | <b><u>\$ 27,991,447</u></b> |

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

|   |                             |
|---|-----------------------------|
| Cash and cash equivalents                           | \$ 13,972,555               |
| Investments   | 12,530,982                  |
| Restricted cash and cash equivalents                | <u>1,487,910</u>            |
| <b>Total cash, cash equivalents and investments</b> | <b><u>\$ 27,991,447</u></b> |

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**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 all of the following:

- Agreement is in writing,
- Agreement was approved by the board of directors of the depository or its loan committee.
- 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, 2010, 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. The County subsequently amended this policy after December 31, 2010. Under the revised policy no collateral is required for any deposits.

As of December 31, 2010, the County's carrying value of the deposits was \$1,217,631, as compared to a bank balance of \$1,316,513. Of the bank balance at December 31, 2010, \$55,000 was uninsured and uncollateralized.

The State Deposit Guarantee Fund provides additional coverage of up to \$400,000 in each financial institution and the Local Government Investment Pool 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, 2010**

**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, 2010, the County was not in compliance with this investment policy, as the county held investments greater than \$500,000 without obtaining collateral. The County subsequently amended this policy after December 31, 2010. Under the revised policy no collateral is required for any investments.

As of December 31, 2010 the County's carrying value of investments subject to custodial credit risk was \$19,605,707, of which \$19,105,707 is uninsured and uncollateralized at December 31, 2010.

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, 2010, 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, 2010**

**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 | \$ 3,990,662         | AAA           |
| Money Market Mutual Fund           | 3,084,062            | AAA           |
| Federal Home Loan Bank Notes       | 703,998              | AAA           |
| Federal National Mortgage Notes    | 2,970,282            | AAA           |
| Federal Home Loan Mortgage         | 1,425,660            | AAA           |
| Corporate Bonds                    | 1,003,206            | AAA           |
| Corporate Bonds                    | 1,468,415            | AA+           |
| Corporate Bonds                    | 1,021,420            | AA            |
| Corporate Bonds                    | 610,654              | AA-           |
| Local Government Investment Pool   | <u>7,164,410</u>     | Not rated     |
|                                    | <u>\$ 23,442,769</u> |               |

**JEFFERSON COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010**

**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, 2010, the issuers with significant concentrations are:

| <u>Issuer</u>                   | <u>Percent of Total<br/>Investments</u> |
|---------------------------------|---|
| Federal National Mortgage Notes | 11.1%                                   |
| Federal Home Loan Mortgage      | 5.33%                                   |

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, 2010, the County had the following investments and maturities:

| <u>Type of Investment</u>          | <u>Fair Value</u> | <u>Average<br/>Maturity<br/>(Months)</u> |
|------------------------------------|-------------------|--|
| Federal Home Loan Bank Notes       | \$ 703,998        | 2.3                                      |
| Federal National Mortgage Notes    | 2,970,282         | 34.4                                     |
| Federal Home Loan Mortgage         | 1,425,660         | 33.1                                     |
| Corporate bonds                    | 4,103,695         | 17.0                                     |
| Local Government Investment Pool   | 7,164,410         | 2.4                                      |
| Government and Agency Mutual Funds | 3,990,662         | Not available                            |
| Money Market Mutual Fund           | 3,084,062         | Not available                            |
| US Treasury Notes                  | 3,327,347         | 47.2                                     |

**JEFFERSON COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**B. Restricted assets**

Restricted assets on December 31, 2010 consisted of cash, cash equivalents and investments held for the following purposes:

|                                       |           |                  |
|---------------------------------------|-----------|------------------|
| General Fund                          |           |                  |
| Park land purchase and development    | \$        | 204,273          |
| Park deposits                         |           | 5,000            |
| Restricted purposes checking accounts |           | 75,619           |
| Clerk of courts checking              |           | 196,257          |
| Clerk of courts - LGIP                |           | 160,707          |
|                                       |           | 641,856          |
| Health and Human Services Fund        |           |                  |
| Protective payee accounts             |           | 846,054          |
|                                       |           | 846,054          |
| <b>Total</b>                          | <b>\$</b> | <b>1,487,910</b> |
|                                       |           | 1,487,910        |

**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, 2010**

**III. DETAILED NOTES ON ALL FUNDS** (continued)

**C. Property tax apportionments** (continued)

Property taxes recorded on December 31, 2010 for collection in 2011 are for the following:

|                      |                             |
|----------------------|-----------------------------|
| State apportionment  | \$ 1,130,877                |
| County apportionment | <u>26,707,843</u>           |
| <b>Total</b>         | <b><u>\$ 27,838,720</u></b> |

**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, 2010, the County's General Fund reports \$6,110,128 in delinquent taxes as tax certificates as shown in the following aging.

| <u>Year Acquired</u> | <u>Total</u>                | <b>Johnson<br/>Creek Special<br/>Assessments</b> | <u>Net</u>                 |
|----------------------|-----------------------------|--|----------------------------|
| Prior to 2004        | \$ 127,819                  | \$ -   | \$ 127,819                 |
| 2004                 | 79,186                      | -  | 79,186                     |
| 2005                 | 158,356                     | -  | 158,356                    |
| 2006                 | 312,851                     | -  | 312,851                    |
| 2007                 | 1,400,001                   | 491,051  | 908,950                    |
| 2008                 | 6,815,752                   | 5,230,158  | 1,585,594                  |
| 2009                 | <u>2,937,372</u>            | <u>-</u>   | <u>2,937,372</u>           |
| <b>Total</b>         | <b><u>\$ 11,831,337</u></b> | <b><u>\$ 5,721,209</u></b>                       | <b><u>\$ 6,110,128</u></b> |

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**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 \$5,721,209 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 \$2,799,963. Included in the interest on delinquent taxes is \$1,374,803 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  |                  | \$ 27,838,720        |
| Delinquent property taxes                  | 11,831,337       |                      |
| Interest on delinquent property taxes      | <u>2,799,963</u> |                      |
|  |                  | <u>14,631,300</u>    |
|  |                  | <u>42,470,020</u>    |
| <br>                                       |                  |                      |
| Due from other governments                 |                  | 4,423,105            |
| Accounts receivable                        |                  | <u>2,439,650</u>     |
|  |                  | <u>6,862,755</u>     |
| <br>                                       |                  |                      |
| Gross receivables                          |                  | 49,332,775           |
| Less: allowance for uncollectible accounts |                  | <u>(30,994)</u>      |
| <br>                                       |                  |                      |
| Net total receivables                      |                  | <u>\$ 49,301,781</u> |

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**F. Capital assets**

Capital asset activity for the year ended December 31, 2010 was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Deletions</u>    | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|---------------------|---------------------------|
| <b>Governmental activities</b>                                       |                              |                     |                     |                           |
| Capital assets not being depreciated                                 |                              |                     |                     |                           |
| Land   | \$ 4,263,836                 | \$ -                | \$ 3,313            | \$ 4,260,523              |
| Land - right of way  | 8,920,478                    | -                   | -                   | 8,920,478                 |
| Land - flood mitigation  | 3,023,990                    | 5,607,663           | -                   | 8,631,653                 |
| Construction in Progress   | 694,221                      | 1,071,138           | 665,786             | 1,099,573                 |
| Total capital assets,<br>not being depreciated                       | <u>16,902,525</u>            | <u>6,678,801</u>    | <u>669,099</u>      | <u>22,912,227</u>         |
| Capital assets being depreciated                                     |                              |                     |                     |                           |
| Buildings and improvements   | 26,802,102                   | 210,804             | -                   | 27,012,906                |
| Roads and bridges  | 59,062,257                   | 3,340,873           | 1,804,782           | 60,598,348                |
| Equipment  | 8,787,948                    | 883,463             | 1,070,485           | 8,600,926                 |
| Total capital assets being depreciated                               | <u>94,652,307</u>            | <u>4,435,140</u>    | <u>2,875,267</u>    | <u>96,212,180</u>         |
| Accumulated depreciation   |                              |                     |                     |                           |
| Buildings and improvements   | 17,550,333                   | 556,752             | -                   | 18,107,085                |
| Roads and bridges  | 20,442,066                   | 1,488,868           | 1,699,296           | 20,231,638                |
| Equipment  | 4,724,899                    | 787,239             | 638,539             | 4,873,599                 |
| Total accumulated depreciation                                       | <u>42,717,298</u>            | <u>2,832,859</u>    | <u>2,337,835</u>    | <u>43,212,322</u>         |
| Capital assets being depreciated,<br>net of accumulated depreciation | <u>51,935,009</u>            | <u>1,602,281</u>    | <u>537,432</u>      | <u>52,999,858</u>         |
| Total capital assets,<br>net of depreciation                         | <u>\$ 68,837,534</u>         | <u>\$ 8,281,082</u> | <u>\$ 1,206,531</u> | <u>\$ 75,912,085</u>      |

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS (continued)**

**F. Capital assets (continued)**

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Deductions</u>    | <u>Ending<br/>Balance</u> |
|--|------------------------------|-------------------|----------------------|---------------------------|
| <b>Business Activities</b>   |                              |                   |                      |                           |
| Capital assets not being depreciated                                 |                              |                   |                      |                           |
| Land   | \$ 151,287                   | \$ -              | \$ -                 | \$ 151,287                |
| Capital assets, being depreciated:                                   |                              |                   |                      |                           |
| Buildings and improvements   | 13,720,354                   | -                 | 10,996,750           | 2,723,604                 |
| Equipment  | 12,947,180                   | 1,573,019         | 2,955,545            | 11,564,654                |
| Total capital assets being depreciated                               | <u>26,667,534</u>            | <u>1,573,019</u>  | <u>13,952,295</u>    | <u>14,288,258</u>         |
| Accumulated depreciation   |                              |                   |                      |                           |
| Buildings and improvements   | 3,699,736                    | 248,182           | 2,149,888            | 1,798,030                 |
| Equipment  | 5,830,516                    | 805,215           | 1,555,484            | 5,080,247                 |
| Total accumulated depreciation                                       | <u>9,530,252</u>             | <u>1,053,397</u>  | <u>3,705,372</u>     | <u>6,878,277</u>          |
| Capital assets being depreciated,<br>net of accumulated depreciation | <u>17,137,282</u>            | <u>519,622</u>    | <u>10,246,923</u>    | <u>7,409,981</u>          |
| Total capital assets,<br>net of depreciation                         | <u>\$ 17,288,569</u>         | <u>\$ 519,622</u> | <u>\$ 10,246,923</u> | <u>\$ 7,561,268</u>       |

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

|   |                     |
|---|---------------------|
| <b>Governmental Activities</b>                        |                     |
| General government                                    | \$ 323,698          |
| Public safety   | 458,833             |
| Public works  | 1,496,797           |
| Health and human services                             | 193,820             |
| Education and recreation                              | 352,013             |
| Conservation and development                          | <u>7,698</u>        |
| Total depreciation expense - governmental activities  | <u>\$ 2,832,859</u> |
| <b>Business-Type Activities</b>                       |                     |
| Highway   | \$ 855,744          |
| Elderly Care - Countryside                            | <u>197,653</u>      |
| Total depreciation expense - business-type activities | <u>\$ 1,053,397</u> |

**JEFFERSON COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Interfund activity**

The details of interfund transfers for the year ended December 31, 2010 are shown below:

|   | <u>Transfer In</u>  | <u>Transfer Out</u> |
|---|---------------------|---------------------|
| General Fund                                  |                     |                     |
| Health and Human Services Fund                | \$ 100,378          | \$ -                |
| Elderly Care - Countryside Fund               | 7,543,704           | -                   |
| Highway Fund                                  | -                   | 586                 |
| Total General Fund                            | 7,644,082           | 586                 |
| <br>  |                     |                     |
| Health and Human Services Fund - General Fund | -                   | 100,378             |
| Elderly Care - Countryside Fund               |                     | 7,543,704           |
| Highway Fund - General Fund                   | 586                 | -                   |
|   | <u>\$ 7,644,668</u> | <u>\$ 7,644,668</u> |

During the year, infrastructure assets related to governmental activities with a book value of \$3,746,525 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, 2010**

**III. DETAILED NOTES ON ALL FUNDS** (continued)

**G. Interfund activity** (continued)

The details of interfund receivables and payables for the year ended December 31, 2010 are shown below. Interfund payables were incurred to replenish deficit fund cash balances.

| <u>Due To</u> | <u>Due From</u>                | <u>Amount</u>     |
|---------------|--------------------------------|-------------------|
| General Fund  | Health and Human Services Fund | <u>\$ 201,308</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>      | <u>Total</u>         |
|---|---------------------|----------------------|----------------------|
| Current year property tax levy              | \$ -                | \$ 21,357,645        | \$ 21,357,645        |
| Delinquent property taxes interest          | 1,425,159           | -                    | 1,425,159            |
| County portion of delinquent property taxes | 1,185,870           | -                    | 1,185,870            |
| Court fees receivable                       | 274,649             | -                    | 274,649              |
| Grant revenue                               | 157,651             | 67,827               | 225,478              |
| Other deferred revenue                      | -                   | 139,992              | 139,992              |
|   | <u>3,043,329</u>    | <u>207,819</u>       | <u>3,251,148</u>     |
| <b>Total</b>                                | <u>\$ 3,043,329</u> | <u>\$ 21,565,464</u> | <u>\$ 24,608,793</u> |

**JEFFERSON COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010**

**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, 2010 follows:

|  |                       |
|--|-----------------------|
| Equalized valuation of the County (TID In)   | \$ 6,663,739,200      |
| Statutory limitation percentage  | <u>5%</u>             |
| General obligation debt limitation, per Section 67.03<br>of the Wisconsin Statutes | 333,186,960           |
| Less: Outstanding general obligation debt  | <u>530,213</u>        |
|  | <u>\$ 332,656,747</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 quarterly installments \$20,576 through 2014; interest at 5% | \$ 345,213        |
| \$840,000 promissory notes issued 4/04/01; due in 2011; interest at 4.5%                                       | <u>185,000</u>    |
| <b>Total General Obligation Debt</b>   | <u>\$ 530,213</u> |

**JEFFERSON COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS** (continued)

**I. Long-term obligations** (continued)

Annual debt service requirements to maturity are as follows:

| <b>Year Ending<br/>December 31,</b> | <b>Governmental Activities</b> |                         |                          |
|-------------------------------------|--------------------------------|-------------------------|--------------------------|
|                                     | <b>Principal</b>               | <b>Interest</b>         | <b>Total</b>             |
| 2011                                | 329,638                        | 16,831                  | 346,469                  |
| 2012                                | 73,620                         | 8,687                   | 82,307                   |
| 2013                                | 77,400                         | 4,908                   | 82,308                   |
| 2014                                | 49,555                         | 1,103                   | 50,658                   |
| <b>Total</b>                        | <b><u>\$ 530,213</u></b>       | <b><u>\$ 31,529</u></b> | <b><u>\$ 561,742</u></b> |

Long-term liability activity for the year ended December 31, 2010, was as follows:

|  | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|--|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| <b>Governmental Activities</b>                       |                              |                     |                     |                           |                                |
| General obligation notes                             | \$ 769,215                   | \$ -                | \$ 239,002          | \$ 530,213                | \$ 329,638                     |
| Compensated absences                                 | 3,613,419                    | 3,029,555           | 2,868,386           | 3,774,588                 | 2,924,497                      |
| Total governmental activities long-term liabilities  | <u>\$ 3,028,862</u>          | <u>\$ 3,029,555</u> | <u>\$ 3,107,388</u> | <u>\$ 4,304,801</u>       | <u>\$ 3,254,135</u>            |
| <b>Business-Type Activities</b>                      |                              |                     |                     |                           |                                |
| General obligation notes                             | \$ 3,175,000                 | \$ -                | \$ 3,175,000        | \$ -                      | \$ -                           |
| Compensated absences                                 | 1,381,133                    | 1,075,069           | 1,901,630           | 554,572                   | 491,281                        |
| Total business-type activities long-term liabilities | <u>\$ 2,111,635</u>          | <u>\$ 1,075,069</u> | <u>\$ 5,076,630</u> | <u>\$ 554,572</u>         | <u>\$ 491,281</u>              |

**JEFFERSON COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010**

**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, 2010 includes the following:

|  |                       |
|--|-----------------------|
| Invested in capital assets, net of accumulated depreciation and related debt |                       |
| Land   | \$ 4,260,523          |
| Land - flood mitigation  | 8,631,653             |
| Land - right of way  | 8,920,478             |
| Construction in Progress   | 1,099,573             |
| Buildings and improvements   | 27,012,906            |
| Machinery and equipment  | 8,600,926             |
| Roads and bridges  | <u>60,598,348</u>     |
| Total capital assets   | 119,124,407           |
| Less: Accumulated depreciation   | <u>(43,212,322)</u>   |
|  | 75,912,085            |
| Less: related long-term debt outstanding                                     | <u>(530,213)</u>      |
| Total Invested in Capital Assets, Net of Related Debt                        | <u>75,381,872</u>     |
| Restricted for CDBG Program  | 206,692               |
| Restricted for Central services  | 111,472               |
| Restricted for Clerk of courts   | 4,218                 |
| Restricted for Economic development  | 36,000                |
| Restricted for Environmental protection                                      | 159,901               |
| Restricted for Historical preservation                                       | 1,162                 |
| Restricted for Land Conservation   | 7,508                 |
| Restricted for Land information - statute                                    | 84,242                |
| Restricted for Park improvements   | 235,662               |
| Restricted for Public safety programs  | 576,049               |
| Restricted for Register of deeds - statute                                   | 39,642                |
| Restricted for UW educational activities                                     | 4,800                 |
| Restricted for Union accumulated sick pay                                    | 512,659               |
| Restricted for Union accumulated vacation pay                                | 1,134,272             |
| Restricted for Health Services   | <u>171,965</u>        |
| Total restricted net assets  | <u>3,286,244</u>      |
| Unrestricted   | <u>26,816,103</u>     |
| Total Governmental Activities Net Assets                                     | <u>\$ 105,484,219</u> |

**JEFFERSON COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010**

**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, 2010 includes the following:

|  |    |                          |
|--|----|--------------------------|
| Invested in capital assets, net of accumulated depreciation and related debt |    |                          |
| Land   | \$ | 151,287                  |
| Buildings and improvements   |    | 2,723,604                |
| Machinery and equipment  |    | <u>11,564,654</u>        |
| Total capital assets   |    | 14,439,545               |
| Less: Accumulated depreciation   |    | <u>(6,878,277)</u>       |
| Total Invested in Capital Assets, Net of Related Debt                        |    | 7,561,268                |
| Restricted for local road improvements                                       |    | 91,674                   |
| Unrestricted   |    | <u>3,994,197</u>         |
| Total Business-type Activities Net Assets                                    | \$ | <u><u>11,647,139</u></u> |

**2. Fund Statements**

Governmental Fund Balances reported on the fund financial statements at December 31, 2010 include the following:

|                                |    |                         |
|--------------------------------|----|-------------------------|
| Nonspendable                   |    |                         |
| General Fund                   |    |                         |
| Inventory                      | \$ | 2,730                   |
| Delinquent property taxes      |    | 4,924,259               |
| Prepaid expenditures           |    | <u>719,354</u>          |
| Total General Fund             |    | 5,646,343               |
| Health and Human Services Fund |    |                         |
| Prepaid expenditures           |    | <u>178,800</u>          |
| Total nonspendable             | \$ | <u><u>5,825,143</u></u> |

**JEFFERSON COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS** (continued)

**J. Fund equity** (continued)

2. Fund Statements (continued)

Restricted

General Fund

|  |                            |
|--|----------------------------|
| CDBG Program                                     | \$ 206,692                 |
| Central services                                 | 111,472                    |
| Clerk of courts                                  | 4,218                      |
| Economic development                             | 36,000                     |
| Environmental protection                         | 159,901                    |
| Historical preservation                          | 1,162                      |
| Land Conservation                                | 7,508                      |
| Land information - statute                       | 84,242                     |
| Park improvements                                | 235,662                    |
| Public safety programs                           | 576,049                    |
| Register of deeds - statute                      | 39,642                     |
| UW educational activities                        | 4,800                      |
| Union accumulated sick pay                       | 512,659                    |
| Union accumulated vacation pay                   | <u>1,134,272</u>           |
| Total General Fund                               | 3,114,279                  |
| Health and Human Services Fund - health services | <u>171,965</u>             |
| Total restricted                                 | <u><u>\$ 3,286,244</u></u> |

Committed

General Fund

|  |                            |
|--|----------------------------|
| Subsequent year budget                               | \$ 736,421                 |
| Continuing accounts                                  | 1,434,065                  |
| General liability insurance reserve                  | <u>262,500</u>             |
| Total General Fund                                   | 2,432,986                  |
| Health and Human Services Fund - continuing accounts | <u>74,026</u>              |
| Total committed                                      | <u><u>\$ 2,507,012</u></u> |

Assigned

General Fund

|                                   |                             |
|-----------------------------------|-----------------------------|
| Nonunion accumulated sick pay     | 421,971                     |
| Nonunion accumulated vacation pay | 670,664                     |
| Working capital                   | <u>17,637,021</u>           |
| Total assigned                    | <u><u>\$ 18,729,656</u></u> |

|                           |                          |
|---------------------------|--------------------------|
| Unassigned - General Fund | <u><u>\$ 489,194</u></u> |
|---------------------------|--------------------------|

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**III. DETAILED NOTES ON ALL FUNDS** (continued)

**K. Extraordinary Item**

On June 30, 2010, the County sold the facility and related equipment of the Elderly Care – Countryside Fund to a third party. Accordingly, the County discontinued operations and all remaining net assets were transferred into the General Fund. The County received proceeds of \$8,001,001 in exchange for assets sold to the third party. The assets had a net book value of \$9,270,885 as of the date of the sale, resulting in a net loss on sale of \$1,269,884.

**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 on the next page.

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**IV. OTHER INFORMATION** (continued)

**C. Risk management** (continued)

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 insurance 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.

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, 2010, the County's percentage participation was 2.39% and the current value of its equity was \$822,008. A list of other members and their share of participation is available in the WMMIC financial statements, which can be obtained from WMMIC at 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.

**JEFFERSON COUNTY, WISCONSIN  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2010**

**IV. OTHER INFORMATION** (continued)

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 two years. 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. Expenses consist of payments to a third-party administrator for dental claims, stop loss insurance premiums and administrative fees. The claims liability of \$26,619 reported in the General Fund at December 31, 2010, is based on the requirements 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 claim liability amount for 2009 and 2010 is as follows:

|             | <u>Liability<br/>January 1</u> | <u>Claims and<br/>Changes in<br/>Estimates</u> | <u>Claim<br/>Payments</u> | <u>Liability<br/>December 31</u> |
|-------------|--------------------------------|--|---------------------------|----------------------------------|
| <b>2009</b> | \$ 1,395,000                   | \$ 873,811                                     | \$ 2,237,126              | \$ 31,685                        |
| <b>2010</b> | 31,685                         | 457,261  | 462,327                   | 26,619                           |

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. Expenses and accrual of claim liabilities are accounted for based on the requirements 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 liability for 2009 and 2010 are as follows:

|             | <u>Liability<br/>January 1</u> | <u>Claims and<br/>Changes in<br/>Estimates</u> | <u>Claim<br/>Payments</u> | <u>Liability<br/>December 31</u> |
|-------------|--------------------------------|--|---------------------------|----------------------------------|
| <b>2009</b> | \$ 443,459                     | 590,769  | 585,149                   | \$ 449,079                       |
| <b>2010</b> | 449,079                        | (628)  | 324,069                   | 124,382                          |

**JEFFERSON COUNTY, WISCONSIN**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2010**

**IV. OTHER INFORMATION** (continued)

**D. Defined benefit pension plans**

All eligible County employees participate in the Wisconsin Retirement System (System); a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% 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, 2010 was \$25,950,098; the employer's total payroll was \$27,540,753. The total required contribution for the year ended December 31, 2010 was \$3,254,774, which consisted of \$1,695,103 from the employer and \$1,559,751 from employees. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2009 and 2008 were \$3,497,627 and \$3,666,507, 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, 2010**

**IV. OTHER INFORMATION** (continued)

**D. 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.

**E. Subsequent events**

Management evaluated subsequent events through July 11, 2011, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2010, but prior to July 11, 2011 that provide additional evidence about conditions that existed at December 31, 2010, have been recognized in the financial statements for the year ended December 31, 2010. Events or transactions that provided evidence about conditions that did not exist at December 31, 2010 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, 2010.

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, 2010**

|   | <u>Budgeted Amounts</u> |                     | <u>Actual</u><br><u>Amounts</u> | <u>Variance with</u><br><u>Final Budget -</u><br><u>Positive</u><br><u>(Negative)</u> |
|---|-------------------------|---------------------|---------------------------------|---|
|   | <u>Original</u>         | <u>Final</u>        |                                 |   |
| <b>Revenues</b>                           |                         |                     |                                 |   |
| Property Taxes                            | \$ 9,677,502            | \$ 9,677,502        | \$ 9,914,544                    | \$ 237,042  |
| Sales Taxes                               | 4,724,586               | 4,724,586           | 4,911,356                       | 186,770   |
| Intergovernmental Revenues                | 9,476,937               | 9,505,937           | 10,425,825                      | 919,888   |
| Licenses and Permits                      | 217,495                 | 217,495             | 185,968                         | (31,527)  |
| Fines and Forfeitures                     | 624,750                 | 625,750             | 438,182                         | (187,568)   |
| Public Charges for Services               | 2,454,785               | 2,498,785           | 2,351,620                       | (147,165)   |
| Intergovernmental Charges for Services    | 592,439                 | 612,439             | 600,269                         | (12,170)  |
| Miscellaneous Revenues                    | 1,113,291               | 1,148,633           | 1,074,813                       | (73,820)  |
| <b>Total Revenues</b>                     | <u>28,881,785</u>       | <u>29,011,127</u>   | <u>29,902,577</u>               | <u>891,450</u>  |
| <b>Expenditures</b>                       |                         |                     |                                 |   |
| General Government                        | 7,538,839               | 7,831,373           | 6,660,932                       | 1,170,441   |
| Public Safety                             | 14,222,642              | 14,637,324          | 12,818,836                      | 1,818,488   |
| Health and Human Services                 | 1,399,950               | 1,402,175           | 1,501,599                       | (99,424)  |
| Public Works                              | 199,452                 | 223,199             | 76,564                          | 146,635   |
| Culture, Recreation, and Education        | 3,433,169               | 3,689,284           | 3,247,602                       | 441,682   |
| Conservation and Development              | 3,447,824               | 3,575,075           | 1,808,807                       | 1,766,268   |
| Capital Outlay                            | 3,513,725               | 3,513,725           | 6,592,164                       | (3,078,439)   |
| <b>Total Expenditures</b>                 | <u>33,755,601</u>       | <u>34,872,155</u>   | <u>32,706,504</u>               | <u>2,165,651</u>  |
| <b>Revenues Over (Under) Expenditures</b> | (4,873,816)             | (5,861,028)         | (2,803,927)                     | 3,057,101   |
| <b>Other Financing Sources (Uses)</b>     |                         |                     |                                 |   |
| Highway 26 proceeds                       | -                       | 316,638             | 316,638                         | -   |
| Transfer In                               | 950,000                 | 7,644,082           | 7,644,082                       | -   |
| Transfer Out                              | -                       | (586)               | (586)                           | -   |
| <b>Change in Fund Balance</b>             | <u>\$ (3,923,816)</u>   | <u>\$ 2,099,106</u> | 5,156,207                       | <u>\$ 3,057,101</u>   |
| <b>Fund Balance, Beginning of Year</b>    |                         |                     | <u>25,256,251</u>               |   |
| <b>Fund Balance, End of Year</b>          |                         |                     | <u>\$ 30,412,458</u>            |   |

See accompanying note to required supplementary information.

**JEFFERSON COUNTY, WISCONSIN**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**Health and Human Services Fund**  
**For the Year Ended December 31, 2010**

|   | Budgeted Amounts |              | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|------------------|--------------|-------------------|---|
|   | Original         | Final        |                   |   |
| <b>Revenues</b>                           |                  |              |                   |   |
| Property Taxes                            | \$ 8,493,478     | \$ 8,493,478 | \$ 8,493,478      | \$ -  |
| Intergovernmental Revenues                | 6,592,552        | 8,147,600    | 8,769,684         | 622,084   |
| Public Charges for Services               | 4,486,802        | 4,666,219    | 3,942,911         | (723,308)   |
| Intergovernmental Charges for Services    | 33,720           | 33,720       | 42,682            | 8,962   |
| Miscellaneous Revenues                    | 131,750          | 131,750      | 212,153           | 80,403  |
| <b>Total Revenues</b>                     | 19,738,302       | 21,472,767   | 21,460,908        | (11,859)  |
| <b>Expenditures</b>                       |                  |              |                   |   |
| Health and Human Services                 | 19,757,349       | 21,493,996   | 21,186,788        | 307,208   |
| Capital Outlay                            | 45,400           | 45,400       | 109,766           | (64,366)  |
| <b>Total Expenditures</b>                 | 19,802,749       | 21,539,396   | 21,296,554        | 242,842   |
| <b>Revenues Over (Under) Expenditures</b> | (64,447)         | (66,629)     | 164,354           | 230,983   |
| <b>Other Financing Uses</b>               |                  |              |                   |   |
| Transfer Out                              | -                | (100,378)    | (100,378)         | -   |
| <b>Change in Fund Balance</b>             | \$ (64,447)      | \$ (167,007) | 63,976            | \$ 230,983  |
| <b>Fund Balance, Beginning of Year</b>    |                  |              | 360,815           |   |
| <b>Fund Balance, End of Year</b>          |                  |              | \$ 424,791        |   |

See accompanying note to required supplementary information.

**JEFFERSON COUNTY, WISCONSIN**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2010**

**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 Finance 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, 2010**

|  | <u>Original and<br/>Final<br/>Budget</u> | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</u> |
|--|--|---------------------------|---|
| <b>Revenues</b>                        |  |                           |   |
| Property Taxes                         | \$ 269,481                               | \$ 269,481                | \$ -  |
| <b>Expenditures</b>                    |  |                           |   |
| Debt Service                           |  |                           |   |
| Principal                              | 238,015                                  | 239,002                   | (987)   |
| Interest                               | <u>31,466</u>                            | <u>30,479</u>             | <u>987</u>  |
| <b>Total Expenditures</b>              | <u>269,481</u>                           | <u>269,481</u>            | <u>-</u>  |
| <b>Change in Fund Balance</b>          | <u>\$ -</u>                              | -                         | <u>\$ -</u>   |
| <b>Fund Balance, Beginning of Year</b> |  | <u>-</u>                  |   |
| <b>Fund Balance, End of Year</b>       |  | <u>\$ -</u>               |   |