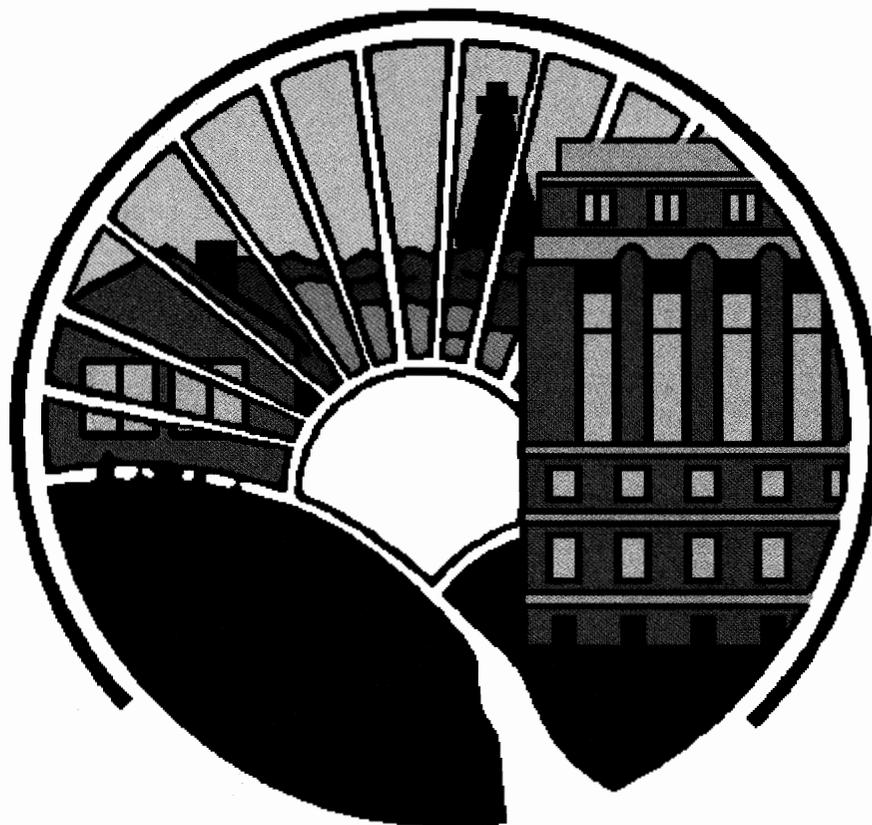


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**ANNUAL FINANCIAL REPORT
OF THE
COUNTY OF SHEBOYGAN
FOR THE YEAR ENDED
DECEMBER 31, 2009**



SHEBOYGAN, WISCONSIN

Sheboygan County
Board of Supervisors
Term Expires April, 2010

Michael J. Vandersteen Chairperson

Jerald Holub Vice-Chairperson

Don Schramm Secretary

Keith Abler

George Marthenze

Mick Anic

Eustacio P. Medina

James Baumgart

Michael S. Ogea

Richard C. Bemis

Roger R. Otten

Al Bosman

Edward J. Procek

Dale T. Cary

Harold H. Riemer

Charles W. Conrardy

Val Schultz

Fran Damp

Roger L. Te Stroete

Leo A. Dunton

John Van Der Male

Thomas V. Epping

Adrian Van Dixhorn

Peggy Feider

Jacob Van Dixhorn

Jim Glavan

Thomas Wegner

William C. Goehring

Kris Wheeler

Brian C. Hoffmann

Mark S. Winkel

Vernon Koch

Constance Ziegelbauer

Devin LeMahieu

ANNUAL FINANCIAL REPORT
OF THE
COUNTY OF SHEBOYGAN, WISCONSIN
FOR THE YEAR ENDED
DECEMBER 31, 2009

PREPARED BY:
THE FINANCE DEPARTMENT

**COUNTY OF SHEBOYGAN, WISCONSIN
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2009**

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INTRODUCTION



SHEBOYGAN COUNTY

Terry A. Hanson
Finance Director

Mary Wegmann
Deputy Finance Director

July 16, 2010

Honorable Members of the Board of Supervisors and Citizens
County of Sheboygan
508 New York Ave
Sheboygan, Wisconsin 53081

Ladies and Gentlemen:

We are pleased to submit the Annual Financial Report of the County of Sheboygan, Wisconsin for the fiscal year ended December 31, 2009 with the Independent Auditors' Report. Sheboygan County management is responsible for all information presented in the Annual Financial Report and, to the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The Annual Financial Report was prepared to satisfy the reporting requirements for state and local governments issued by the Governmental Accounting Standards Board (GASB), which require that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The Annual Financial Report has been audited by the independent certified public accounting firm of Schenck SC. The goal of the independent audit was to provide reasonable assurance that the financial statements of Sheboygan County are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based on the results of the audit, Schenck SC have issued an unqualified ("clean") opinion for the year ended December 31, 2009. The independent auditors' report is located at the front of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and the State Single Audit Guidelines issued by the Wisconsin Department of Administration. Information related to the single audit, including the schedule of federal and state financial assistance, finding and recommendations, the independent auditors' reports on internal control structure and compliance with applicable laws and regulations, is available as a separate document.

Copies of the Annual Financial Report and Single Audit Report may be accessed from our website at <http://www.co.sheboygan.wi.us/>.

The annual financial report is presented in three sections:

The introductory section includes this transmittal letter, a list of principal officials and the County's organizational chart.

The financial section is prepared in accordance with the GASB 34 requirements by including the MD&A, the Basic Financial Statements including notes and the required supplementary information. The Basic Financial Statements include the government-wide financial statements that present an overview of the County's entire financial operations and the fund financial statements that present the financial information of each of the County's major funds, as well as non-major governmental, fiduciary, and other funds. Also included in this section is the independent auditors report on the financial statements and schedules.

The statistical section contains selected financial and demographic information as well as revenue and expenses by function on both a governmental and government-wide basis. This information is often of special interest to potential investors, creditors and other interested readers.

Profile of the Government

The County of Sheboygan is located in the eastern part of the state adjacent to Lake Michigan. It currently occupies 513 square miles. The County is comprised of 15 towns, 10 villages and three cities and is 50 miles north of Milwaukee. Several major county highways as well as US highways 141 and 43 serve the County's transportation needs. Airline service to Chicago's O'Hare Airport, as well as other parts of Wisconsin, Illinois and Iowa are available at Sheboygan County Memorial Airport. The County continues to rank among the top ten quality of life metros in the state.

The governing body of Sheboygan County is comprised of 34 County Board Supervisors, each serving two-year terms and elected by a majority of voters from their respective district. At the first session of each two-year term, the County Board elects a Chairperson and Vice-Chairperson to preside over proceedings of the County Board for the next two years.

Sheboygan County provides a full range of services, including police protection (Sheriff's Department), a county jail, nursing home care, highway and other infrastructure construction and repair, ownership and maintenance of the buildings at the University of Wisconsin Sheboygan campus, recreational facilities, marriage licensing, maintenance of vital records for births, deaths, real estate transfers, administration of the court system, district attorney's office, child support enforcement, operation of the municipal airport and other activities. Sheboygan County also maintains a close working relationship with the Eastern Shores Library System.

Sheboygan County is required to adopt a budget in conformance with Chapter 65.90 of the Wisconsin State Statutes. Adoption of the budget for the ensuing year takes place at the November County Board meeting. Each annual budget is adopted by appropriation units within departments. Departments are also aggregated into fund groupings. Appropriation units have been designated as, "Wages & Benefits", "Operating Expenses", "Interdepartmental Charges", and "Capital Outlay". Departments may transfer funds within appropriation units as they see fit. Transfers between appropriation units of the same department or between departments, however, need Finance Committee approval.

Local Economy

The County has undergone considerable growth over the past five years with an increase in equalized valuation (TID's out) of 20% (\$7,462,679,600 in 2006 to \$8,924,002,800 in 2010). The population is

As with most areas of the country, Sheboygan County has been affected by the recent economic downturn. The December 2009 unemployment rate of 8.6% is higher than the 5.9% reported at the end of 2009. The County has a diversified work force which is led by the Kohler Company who remains our largest employer.

Sheboygan County remains a top tourism destination with attractions of world-class golf, Lake Michigan sport fishing, road racing and summer festivals. Planning is underway for the senior PGA golf tournament to be hosted by Whistling Straits in August of 2010.

Long-term Planning

Sheboygan County maintains a fund balance policy which restricts the unreserved, undesignated fund balance to between five and ten percent of the budgeted expenditures for the upcoming budget year. The 2010 budget incorporated the use of approximately \$2.9 million in retained earnings from the proprietary and internal service funds in order to reduce the tax levy and to maintain compliance with the established fund balance policy.

The County maintains a five-year capital improvement plan. The plan identifies major capital projects and the methods to finance them. The plan for the year 2010 includes major development at the County airport; recreational trail improvements; sewer and water lateral replacements at the Courthouse; hydraulic cylinder replacement on an elevator at Rocky Knoll; continuation of the upgrade of the patient medical records and various road construction projects.

Discretionary program evaluations and prioritizations (PEPC) were completed in May of 2009 and will be a valuable tool during the challenging budgeting process ahead. Operational studies have been completed at the Health Care Centers, the Department of Health & Human Services, the Sheriff's Department, Highway Department and Child Support. The Information Systems department will be reviewed in 2010 and more studies are expected to be completed in the future in an attempt to maximize operational efficiencies.

Acknowledgements

We would like to express our sincere appreciation to all staff who assisted with the preparation for the 2009 audit of Sheboygan County. Also, Schenck SC was invaluable in their role as independent auditor. The Board of Supervisors, Finance Committee and County Administrator are to be commended for using sound business practices while conducting the financial operations of the County.

Respectfully,


Terry A. Hanson
Finance Director


Mary A. Wegman
Deputy Finance Director

COUNTY OF SHEBOYGAN OFFICES AND DEPARTMENTS

Chief Administrative Officer

County Administrator Adam N. Payne

Department Heads

Airport Charles W. Mayer

Building Services..... James TeBeest

Child Support Enforcement James J. Graf

*Clerk of Courts..... Nan Todd

*Coroner David J. Leffin

*County Clerk..... Julie M. Glancey

Court Commissioner Rebecca Persick

**Corporation Counsel Atty. Carl Buesing

Information Systems Joyce A. Schneider

*District Attorney Joe R. DeCecco

Finance..... Terry A. Hanson

Health & Human Services..... Thomas D. Eggebrecht

Health Care Centers Michael Taubenheim

Highway..... Greg Schnell

Human Resources Michael J. Collard

Land Conservation..... Patrick E. Miles

Planning & Resources..... James Hulbert

*Register of Deeds Ellen Schleicher

*Sheriff Michael Helmke

*Treasurer Laura M. Henning-Lorenz

University of Wisconsin-Extension David C. Such

***University of Wisconsin-Sheboygan Alan Hardersen

Veteran's Service..... Charlene Cobb

* Elected Position

** Contracted Employee

***State Employee

OFFICIALS OF THE COUNTY OF SHEBOYGAN, WISCONSIN

COUNTY BOARD OF SUPERVISORS

BOARD YEAR 2010 – 2012

(Term Expires April, 2012)

Chairperson.....Michael J. Vandersteen
Vice-Chairperson.....Jerald A. Holub
Secretary.....William C. Goehring

ELECTED

EXECUTIVE COMMITTEE

Michael J. Vandersteen, Chairperson
Jerald A. Holub, Vice-Chairperson
William C. Goehring, Secretary

Devin LeMahieu
Michael S. Ogea

APPOINTED

FINANCE COMMITTEE

Roger L. Te Stroete, Chairperson
William C. Goehring, Vice-Chairperson
Keith Ablter, Secretary

Mick Anic
Constance Ziegelbauer

HEALTH & HUMAN SERVICES COMMITTEE

Peggy Feider, Chairperson
Kris Wheeler, Vice-Chairperson
Vernon C. Koch, Secretary
Roger R. Otten
John Van Der Male

Jacob Van Dixhorn
Curtiss Nyenhuis (*)
Eldon Burg (*)
Philip Walker, M.D. (*)

HEALTH CARE CENTERS COMMITTEE

Charles W. Conrardy, Chairperson
Roger R. Otten, Vice-Chairperson
Val Schultz, Secretary

Dale T. Cary
Eustacio Medina

HUMAN RESOURCES COMMITTEE

Devin LeMahieu, Chairperson
Roger TeStroete, Vice-Chairperson
Fran Damp, Secretary

Leo A Dunton
Val Schultz

LAW COMMITTEE

Brian C. Hoffmann, Chairperson
Thomas V. Epping, Vice-Chairperson
Thomas Wegner, Secretary

George Marthenze
Mark Winkel

PLANNING, RESOURCES, AGRICULTURE & EXTENSION COMMITTEE

Jacob Van Dixhorn, Chairperson
Michael S. Ogea, Vice-Chairperson
Al Bosman, Secretary

James A. Baumgart
Adrian Van Dixhorn
Michael Rammer (*)

PROPERTY COMMITTEE

Edward J. Procek, Chairperson
James P. Glaven, Vice-Chairperson
John Raml, Secretary

Thomas V. Epping
John Oppeneer

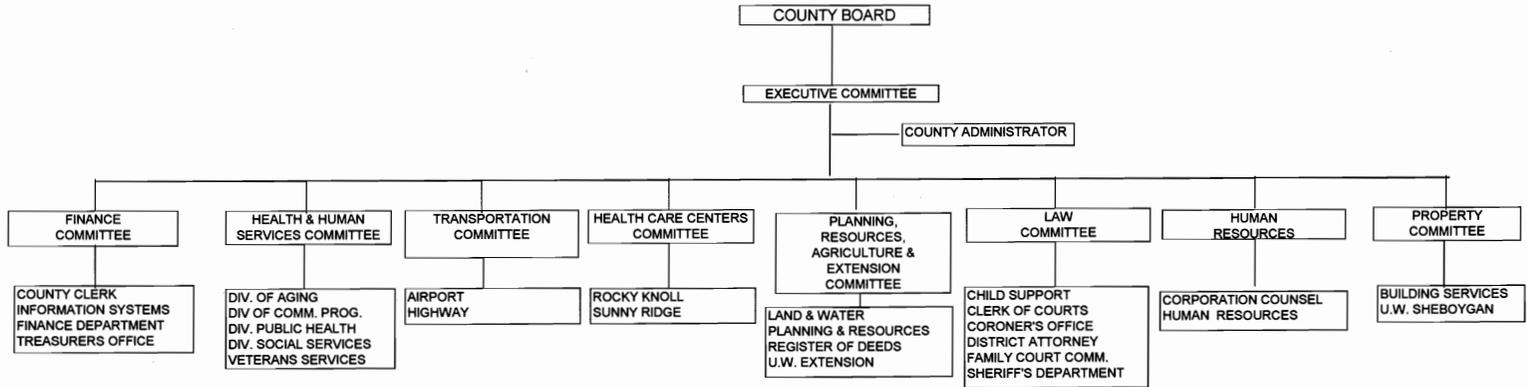
TRANSPORTATION COMMITTEE

Mark S. Winkel, Chairperson
Jerald A. Holub, Vice-Chairperson
Thomas Wegner, Secretary

Richard C. Bemis
Charles Conrardy

(*) Not a County Board Member

**COUNTY OF SHEBOYGAN, WISCONSIN
ORGANIZATIONAL CHART**



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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the County Board
Sheboygan County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sheboygan County, Wisconsin ("the County") as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sheboygan County's management. Our responsibility is to express opinions on these basic 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 basic 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, each major fund, and the aggregate remaining fund information of the County as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and public health and human services special revenue fund 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 12, 2010 on our consideration of the County's internal control over financial reporting and 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 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 is not a required part the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental 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 the County's basic financial statements. The financial information listed in the table of contents as supplemental information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
July 12, 2010



SHEBOYGAN COUNTY

Terry Hanson
Finance Director

Mary Wegmann
Deputy Finance Director

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Required Supplementary Information

This section of the County of Sheboygan's (County) annual financial report provides a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2009. We hope that the information presented here, in conjunction with the Letter of Transmittal, provides you with a clearer picture of the County's overall financial status.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the fiscal year 2009 by \$111.4 million (*net assets*). Of this amount, \$13.4 million (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, \$685 thousand is restricted for specific purpose (*restricted net assets*), and \$97.3 million is invested in capital assets, net of related debt.
- The County's total net assets increased by \$1,600,452.

Governmental Activities

- In total, revenues exceeded expenses by \$2.8 million on a government-wide basis.
- General revenues for governmental activities were \$45 million. Of this amount, approximately 91% (\$41.2 million) was attributable to property taxes.
- Program revenues for governmental activities were \$48 million. Of this amount, \$37 million or 77% was attributable to operating grants and contributions while charges for services accounted for \$11 million or 23%.
- Total expenses for governmental activities amounted to \$90.6 million. General Government accounted for \$13 million or 14% of the total; Public Safety \$19.6 million or 22%; Public Works \$17.3 million or 19%; Public Health & Human Services \$34.7 million or 38%; Resources & Development \$3.5 million or 4%; Education \$1.4 million or about 2% and interest on long-term debt \$1.2 million or 1%.

Business-Type Activities (Health Care Centers)

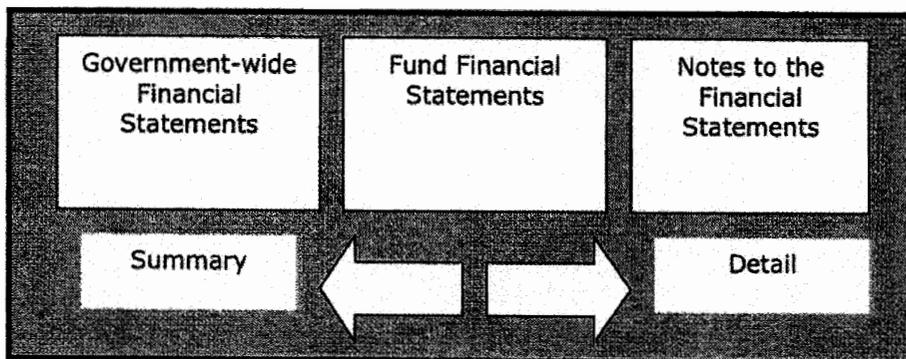
- In total, expenses exceeded revenues by \$1.2 million.
- General revenues for business-type activities were \$3.9 million. Of this amount, approximately 77% or \$3 million, was attributable to property taxes.
- Program revenues for business-type activities were \$13.2 million. Of this amount, \$1.1 million or 8% was attributable to operating grants and contributions while charges for services accounted for \$12.2 million or 92%.
- Total expenses for business-type activities amounted to \$18.4 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Required Supplementary Information**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements 2) **Fund** financial statements, and 3) **Notes** to the basic financial statements. Required Supplemental Information is included in addition to the basic financial statements.

The illustration below depicts the required components of the basic financial statements.



Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, public health and human services, education, and resources & development. The business-type activities of the County include the health care centers (nursing homes).

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Required Supplementary Information

statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 5 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Public Health & Human Services Special Revenue Fund, the Capital Projects Fund and the Debt Service Fund, all of which are considered to be major funds. Data from the community development special revenue fund is reported as a non-major fund.

Proprietary funds are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Health Care Centers (nursing homes). *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions.

Internal Service Funds are used to account for the financing of public works; for the County's uninsured risk management activities; for printing; for general insurance and phones; and for the financing of information technology services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Rocky Knoll and Sunny Ridge are considered to be major funds of the County. The County's three internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information is presented concerning the County General Fund budgetary comparison, and the Public Health & Human Services budgetary comparison. The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. In addition, a budgetary comparison statement has been provided for the Public Health & Human Services special revenue fund for it was determined to be a major governmental fund. Required supplemental information is included in the Basic Financial Statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Required Supplementary Information

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets
December 31, 2009 and 2008

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$98,611,411	\$102,635,833	\$9,459,744	\$10,595,230	\$108,071,155	\$113,231,063
Capital assets	107,870,848	104,259,383	11,038,731	11,434,932	118,909,579	115,694,315
Total Assets	206,482,259	206,895,216	20,498,475	22,030,162	226,980,734	228,925,378
Liabilities:						
Non-current liabilities	42,186,418	47,157,585	2,305,218	1,775,572	44,491,636	48,933,157
Other liabilities	68,244,686	66,541,221	2,804,939	3,611,979	71,049,625	70,153,200
Total Liabilities	110,431,104	113,698,806	5,110,157	5,387,551	115,541,261	119,086,357
Net Assets:						
Invested in capital assets net of related debt	86,255,845	78,592,778	11,038,731	11,434,932	97,294,576	90,027,710
Restricted	685,454	1,360,750			685,454	1,360,750
Unrestricted	9,109,856	13,242,882	4,349,587	5,207,679	13,459,443	18,450,561
Total Net Assets	\$96,051,155	\$93,196,410	\$15,388,318	\$16,642,611	\$111,439,473	\$109,839,021

Analysis of Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$111.4 million at the close of fiscal year 2009. At the end of fiscal year 2009 the County had positive balances in all three categories of net assets.

The largest portion of the County's net assets (87 percent) reflects its investment of \$97 million in capital assets (e.g. land, infrastructure, buildings, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion of the County's net assets represents unrestricted net assets of \$13.4 million (12 percent) that may be used to meet the government's ongoing obligations to citizens and creditors. The remaining portion of the County's net assets, \$685 thousand (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by grantors, contributors, laws/regulations of other governments, or restrictions imposed by law through constitutional provisions or legislation, including those passed by the County itself.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Required Supplementary Information**

**Changes in Net Assets
For the Years Ended December 31, 2009 and 2008**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$11,009,925	\$15,272,681	\$12,154,754	\$12,273,178	\$23,164,679	\$27,545,859
Operating grants and contributions	37,176,080	40,769,819	1,071,354	908,403	38,247,434	41,678,222
General revenues:						
Property taxes	41,241,315	40,120,517	3,032,825	4,638,467	44,274,140	44,758,984
Interest	2,004,648	2,568,720	52,889	50,424	2,057,537	2,619,144
Other taxes	5,139	36,698			5,139	36,698
Other	2,068,491	3,320,349	795,653	1,009,240	2,864,144	4,329,589
Total Revenues	93,505,598	102,088,784	17,107,475	18,879,712	110,613,073	120,968,496
Expenses:						
General government	12,959,397	12,857,376			12,959,397	12,857,376
Public safety	19,571,709	18,123,581			19,571,709	18,123,581
Public works	17,289,476	21,643,814			17,289,476	21,643,814
Public health and human services	34,716,396	41,349,345			34,716,396	41,349,345
Education	1,365,047	1,213,297			1,365,047	1,213,297
Resources and development	3,533,494	3,317,646			3,533,494	3,317,646
Interest on long-term debt	1,176,099	1,283,660			1,176,099	1,283,660
Health care centers			18,401,003	19,790,702	18,401,003	19,790,702
Total Expenses	90,611,618	99,788,719	18,401,003	19,790,702	109,012,621	119,579,421
Excess (deficiency) before transfers	2,893,890	2,300,065	(1,293,528)	(910,990)	1,600,362	1,389,075
Transfers	(39,235)	(9,712)	39,235	9,712		
Change in net assets	2,854,745	2,290,353	(1,254,293)	(901,278)	1,600,452	1,389,075
Net assets at beginning of year	93,196,410	90,906,057	16,642,611	17,543,889	109,839,021	108,449,946
Net assets at end of year	\$96,051,155	\$93,196,410	\$15,388,318	\$16,642,611	\$111,439,473	\$109,839,021

Analysis of Changes in Net Assets

The County's total net assets, on a government-wide basis, increased by \$1,600,452 during the current fiscal year.

Governmental activities

Governmental activities increased the County's net assets by \$2.8 million.

Revenue

The County's governmental activities rely on several sources of revenue to finance ongoing operations. Operating Grants and Contributions comprised the largest program revenue source for the County followed by Charges for Services. Operating Grants and Contributions are monies received from parties

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Required Supplementary Information

outside the County and are generally restricted to one or more specific programs. Examples of Operating Grants and Contributions include State and Federal revenue for highway maintenance programs and for Public Health & Human Services programs.

Charges for Services are revenues that arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Examples of the types of services that fall under this category include fines & forfeitures, planning services, Register of Deeds fees, and charges to clients of Health & Human services. At the end of FY 2009, total revenue for the governmental activities, not including transfers to/from the business-type activities, was approximately \$93.5 million.

Expenses

Total expenses for governmental activities (not including transfers) were \$90.6 million. The majority of these expenses were spent for Public Health & Human Services, Public Works and Public Safety. Of the total expenses, approximately \$41.2 million, or 45 percent, were ultimately financed by property taxes.

Transfers

Transfers from governmental activities to business-type activities totaled \$39,235. Transfers out reduce net assets.

Business-type Activities

Business-type activities decreased the County's net assets by approximately \$1.2 million.

Revenue

The County has two business-type entities during 2009: Rocky Knoll Health Care Center and Sunny Ridge. Although the Sunny Ridge nursing home operation was sold to a non-profit provider in 2007, the County continues to maintain the grounds and the north building. At December 31, 2009, the total revenues for the business-type activities were \$17.1 million, not including transfers from other funds. In keeping with the intent of recovering all or a significant portion of their costs through user fees and charges, business-type activities reported Charges for Services as their largest source of revenue. Operating Grants and Contributions was the other program revenue source for business-type activities.

Expenses

At the end of fiscal year 2009, the business-type activities reported total expenses of \$18.4 million. The program revenues (Charges for services and Operating grants and contributions) and miscellaneous general revenue financed 77% of the expense with budgeted tax levy of \$3 million and the loss of \$1.2 million making up the difference.

Transfers

Transfers from governmental activities to business-type activities totaled \$39,235. Transfers in increase net assets.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

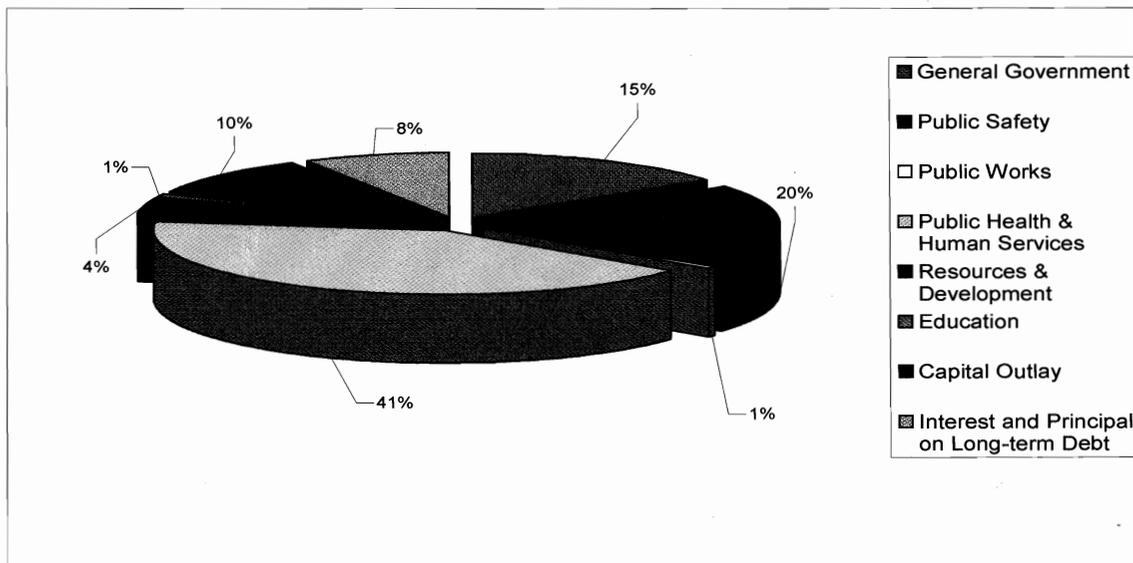
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Required Supplementary Information

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Major Governmental Funds reported by the County include the General Fund, Public Health & Human Services Special Revenue Fund, Capital Projects Funds (combined) and the Debt Service Funds (combined). Nonmajor Governmental Funds include the Revolving Loan Special Revenue Fund.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$11.7 million, a decrease of \$4.5 million in comparison with the prior year. Approximately \$8.2 million of this total amount constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, (1) to liquidate existing contracts and purchase orders (\$105,032), (2) for delinquent taxes (\$2,611,155), (3) to pay debt service (\$36,200), and (4) for a variety of other purposes (\$785,454).

The following graph shows the breakdown of expenditures by function for the governmental funds:



GENERAL FUND

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$8.5 million, while total fund balance was \$12 million, a decrease of \$2.4 million from fiscal year 2008. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24 percent of total General Fund expenditures of 35.3 million, while total fund balance represents 34 percent of that same amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Required Supplementary Information

HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND

The Health and Human Services Fund is devoted to providing assistance to the public in a wide array of services and is the largest operating department in the County. There are six divisions; Community Programs, Human Service Administration, Aging and Disability Resource Center, Public Health, Social Services and Economic Support. Each division has a number of programs designed to fill specific community needs.

The total 2009 expenditures for this fund were \$32.5 million or 39% of all governmental expenditures. The primary source of support is intergovernmental revenue, providing \$15.4 million or 47% of the revenue needed to support the programs. Charges for services and other revenue provided \$4.2 million in revenue or 12% of total expenditures. The remaining support needed was provided by tax levy of \$13.6 million (41%).

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The proprietary funds financial statements provide separate information for Rocky Knoll and Sunny Ridge, both of which are considered to be major funds of the County. The Internal Service Funds are also proprietary funds and the results for these funds are combined into a single-column, aggregated presentation in the proprietary fund financial statements.

Rocky Knoll

Total operating expenses in 2009 were \$17.2 million, compared with the same amount (\$17.2 million) for 2008 while operating revenue was \$12.9 million compared to \$13.3 million in 2008. Rocky Knoll Net Assets decreased by \$1,052,587 in 2009. Budgeted tax levy in 2009 was \$2.1 million.

The decrease in net assets for Rocky Knoll may be explained as follows:

- Health care services revenue decreased \$171,613 or 1% due to lower census than budgeted .
- Expenditure of \$277,000 to redesign vehicle traffic patterns to better accommodate rehab patients
- Tax levy support decreased \$686,800 or 25% from 2008.

Sunny Ridge

Total operating expenses in 2009 were \$1.2 million, compared with \$2.5 million for 2008. Sunny Ridge Net Assets decreased by \$155,182 in 2009.

The decrease in net assets for Sunny Ridge may be explained as follows:

- Both expense and revenue continue to decline as a result of the 2007 sale of the nursing home operation to a private operator.
- The County continues to maintain the grounds, a portion of the physical plant (North Building) and associated land.
- Budgeted tax levy in 2009 was \$953 thousand, a decrease of \$918 thousand from 2008 or a 49% decrease.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Required Supplementary Information

Fiduciary Funds

The County maintains fiduciary funds for the monetary assets of the residents of Rocky Knoll for burial trusts, inmate trusts, etc. Fiduciary fund balances are not included in the government-wide statement of net assets.

General Fund budgetary highlights

The County's final budget differs from the original budget in that it contains carry-forward appropriations and supplemental appropriations approved during the fiscal year. Specifically, in fiscal year 2009, carry-forward appropriations totaled \$383,731 of which \$105,032 was for General Fund activities, \$210,699 for Information Systems, and \$68,000 for Highway. In addition to the carryover amounts, supplemental appropriations totaling \$1.3 million were approved during the year.

Differences between the final budget and actual revenue/expenditures (on a budgetary basis) resulted in decreased revenue of \$3.9 million and decreased expenses of \$2.1 million for a combined negative variance of \$1.8 million. This is primarily due to less interest revenue than expected on investments.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2009, the County's capital assets for both the governmental and business-type activities amounted to \$118.9 million, net of accumulated depreciation of \$119 million. The investment in capital assets includes land, construction in progress, structures and improvements, equipment, and infrastructure (including roads and bridges). The following list details the budgeted expenditures for major capital projects in FY 2009, (not reduced for grants or other offsetting reimbursements):

Governmental Activities

- \$5 million for improvements at the Sheboygan County airport
- \$1.2 million for road improvements
- \$277,000 for redesign of driveways and vehicle traffic patterns at Rocky Knoll Health Care Center
- \$201,000 for costs related to conversion from centrex to voice over internet protocol
- \$554,570 for general building improvements (new roofs, boiler replacement, fire alarm updates, etc)
- \$250,000 for software upgrades

Additional Information about Capital Assets

For government-wide financial statement presentation, governmental fund depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures. Infrastructure assets are depreciated beginning in the year following construction.

Additional information about the County's capital assets can be found in the notes to basic financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Required Supplementary Information**

Debt Administration

At December 31, 2009, the County had total long-term obligations outstanding of \$44.4 million. Of this amount \$25.8 million pertains to general obligation bonds (\$5.3 million due within one year). The remainder related to insurance and other reserves.

The County's credit rating on its bonded program is as follows:

	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fitch IBCA, Duff & Phelps</u>
General Obligation Bonds	Aa2	Not Rated	Not Rated

This Aa2 rating with a negative outlook reflects the County's moderately sized tax base, manageable debt profile with rapid principal amortization and narrowed financial operations due to present economic conditions. Subsequently, the rating was upgraded to Aa1 as a result of Moody's recalibration of U.S. municipal ratings to the global rating scale in May of 2010. Additional information can be found in the notes to the basic financial statements.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Finance Director, County of Sheboygan, located at 508 New York Avenue, Sheboygan, Wisconsin, 53081.

County of Sheboygan, WI

Statement of Net Assets

<i>Government-Wide</i>	<i>Governmental</i>	<i>Business-Type</i>	<i>Total</i>
<i>December 31, 2009</i>	<i>Activities</i>	<i>Activities</i>	
Assets			
Current Assets			
Cash & Investments	\$43,994,606	\$5,183,395	\$49,178,001
Receivables (net)	47,517,920	3,258,637	50,776,557
Due From External Parties	3,018,730	603,902	3,622,632
Internal Balances	379,369	(379,369)	
Prepays & Inventory	2,412,694	62,261	2,474,955
	<u>97,323,319</u>	<u>8,728,826</u>	<u>106,052,145</u>
Noncurrent Assets			
Long Term Receivables	1,018,983	730,918	1,749,901
Debt Discount/Premiums	269,109		269,109
	<u>1,288,092</u>	<u>730,918</u>	<u>2,019,010</u>
Capital Assets			
Land	8,436,159	56,890	8,493,049
Property, Plant and Equipment	119,726,035	24,986,596	144,712,631
Infrastructure	75,937,100		75,937,100
Construction in Progress	9,196,262		9,196,262
Accumulated Depreciation	(105,424,708)	(14,004,755)	(119,429,463)
	<u>107,870,848</u>	<u>11,038,731</u>	<u>118,909,579</u>
Total Assets	<u>206,482,259</u>	<u>20,498,475</u>	<u>226,980,734</u>
Liabilities			
Current Liabilities			
Accounts/ Interest Payable	3,266,530	96,372	3,362,902
Accrued Liabilities	20,381,334		20,381,334
Accrued Compensation	2,236,365	339,390	2,575,755
Deposits	175,762	15,000	190,762
Unearned Revenue	42,184,695	2,354,177	44,538,872
	<u>68,244,686</u>	<u>2,804,939</u>	<u>71,049,625</u>
Noncurrent Liabilities			
Due Within One Year	5,454,404	39,304	5,493,708
Due In More Than One Year	28,043,328	2,265,914	30,309,242
Insurance and Other Reserves	8,599,845		8,599,845
Unamortized Bond Prem/Disc	88,841		88,841
	<u>42,186,418</u>	<u>2,305,218</u>	<u>44,491,636</u>
Total Liabilities	<u>110,431,104</u>	<u>5,110,157</u>	<u>115,541,261</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	86,255,845	11,038,731	97,294,576
Restricted For:			
Debt Service	36,200		36,200
Land Records, etc.	340,457		340,457
Jail Assessment, etc	308,797		308,797
Unrestricted	9,109,856	4,349,587	13,459,443
Total Net Assets	<u>\$96,051,155</u>	<u>\$15,388,318</u>	<u>\$111,439,473</u>

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI

Government-Wide Statement of Activities

For the Year Ended December 31, 2009

	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government						
<i>Governmental Activities:</i>						
General Government	\$12,959,397	\$2,854,474	\$10,427,437	\$322,514		\$322,514
Public Safety	19,571,709	1,544,591	461,830	(\$17,565,288)		(17,565,288)
Public Works	17,289,476	2,008,062	8,010,429	(\$7,270,985)		(7,270,985)
Public Health and Human Services	34,716,396	3,579,223	16,731,287	(\$14,405,886)		(14,405,886)
Resources and Development	3,533,494	456,787	1,533,894	(\$1,542,813)		(1,542,813)
Education	1,365,047	18,757	11,203	(\$1,335,087)		(1,335,087)
Interest on Long-term Debt	1,176,099	548,031		(\$628,068)		(628,068)
	<u>90,611,618</u>	<u>11,009,925</u>	<u>37,176,080</u>	<u>(42,425,613)</u>		<u>(42,425,613)</u>
<i>Business-Type Activities:</i>						
Health Care Centers	18,401,003	12,154,754	1,071,354		(5,174,895)	(5,174,895)
	<u>18,401,003</u>	<u>12,154,754</u>	<u>1,071,354</u>		<u>(5,174,895)</u>	<u>(5,174,895)</u>
Total Primary Government	<u>\$109,012,621</u>	<u>\$23,164,679</u>	<u>\$38,247,434</u>	<u>(42,425,613)</u>	<u>(5,174,895)</u>	<u>(47,600,508)</u>
General Revenues						
<i>Taxes:</i>						
Property taxes, levied for general purposes				35,435,959	3,032,825	38,468,784
Property Taxes, levied for debt service				5,805,356		5,805,356
Other Taxes				5,139		5,139
Grants and Contributions Not Restricted to Specific Programs				403,907		403,907
Investment Earnings Not Related to Specific Programs				2,004,648	52,889	2,057,537
Gain on disposal of capital assets				69		69
Miscellaneous				1,664,515	795,653	2,460,168
Transfers (net)				(39,235)	39,235	
Total general revenues and transfers				<u>45,280,358</u>	<u>3,920,602</u>	<u>49,200,960</u>
Changes in Net Assets				<u>2,854,745</u>	<u>(1,254,293)</u>	<u>1,600,452</u>
Net Assets - Beginning				<u>93,196,410</u>	<u>16,642,611</u>	<u>109,839,021</u>
Net Assets - Ending				<u>\$96,051,155</u>	<u>\$15,388,318</u>	<u>\$111,439,473</u>

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI

Balance Sheet
Governmental Funds
 December 31, 2009

Major Funds

	<i>Public Health and Human Services</i>				<i>Debt Service</i>	<i>Capital Projects</i>	<i>Other Governmental Fund</i>	<i>Total Governmental Funds</i>
	<i>General</i>							
Assets								
Cash & Investments	\$32,273,915	\$2,284,191	\$36,200	\$			\$439,841	\$35,034,147
Receivables (net)	21,882,467	14,238,908	5,853,921					41,975,296
Due From Other Funds	1,831,905							1,831,905
Due From Other Govt	1,149,039	960,936						2,109,975
Prepays & Inventory	130,575	7,628						138,203
Long Term Receivables	1,000,000						1,018,983	2,018,983
Total Assets	\$58,267,901	\$17,491,663	\$5,890,121	\$			\$1,458,824	\$83,108,509
Liabilities & Fund Balances								
Accounts Payable	\$ 2,109,022	\$ 388,771	\$	\$			\$	\$ 2,497,793
Accrued Liabilities	19,285,328	1,869,468						21,154,796
Due to Other Funds					1,831,905			1,831,905
Accrued Compensation	5,017,378							5,017,378
Deposits	94,552	57,569						152,121
Deferred Revenue	19,705,628	14,017,738	5,853,921				1,018,983	40,596,270
Insurance and Other Reserves	21,977							21,977
Total Liabilities	46,233,885	16,333,546	5,853,921		1,831,905		1,018,983	71,272,240
Fund Balances Reserved For:								
Delinquent Taxes	2,611,155							2,611,155
Inventories & Prepays	130,575	7,628						138,203
Debt Service			36,200					36,200
Subsequent Year's Expenditures	105,032							105,032
Jail Assessment, etc	647,251							647,251
Unreserved, Reported In:								
General Fund	8,540,003							8,540,003
Special Revenue Funds		1,150,489					439,841	1,590,330
Capital Projects					(1,831,905)			(1,831,905)
Total Fund Balances	12,034,016	1,158,117	36,200		(1,831,905)		439,841	11,836,269
Total Liabilities and Fund Balances	\$58,267,901	\$17,491,663	\$5,890,121	\$			\$1,458,824	\$83,108,509

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI
Reconciliation of Governmental Balance Sheet
to the Government-Wide Statement of Net Assets
December 31, 2009

Governmental Fund Balances \$11,836,269

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

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds \$97,485,573

Other assets are not available to pay for current-period expenditures and
therefore are deferred in the funds \$2,967,975

Government Funds report the effect of issuance costs, premiums, discounts
and similar items when debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities \$78,230

Receivable or (payable) to a business-type activity due to the lookback
adjustment and consolidation of internal service funds \$379,369

Some liabilities, including bonds and notes payable, are not due and payable
in the current period and therefore are not reported in the funds (\$29,295,511)

Internal service fund activities included in governmental activities \$12,599,250

Net assets of governmental activities \$96,051,155

The notes to the basic financial statements are an integral part of the statement.

County of Sheboygan, WI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2009

Major Funds

	Major Funds				Other	Total
	General	Public Health and Human Services	Debt Service	Capital Projects	Governmental Fund	Governmental Funds
Revenues						
Property Taxes	\$17,294,041	\$13,556,893	\$5,805,356	\$	\$	\$36,656,290
Other Taxes	5,139					5,139
Intergovernmental Revenue	8,028,274	15,474,951		5,468,451		28,971,676
Licenses and Permits	259,055	196,385				455,440
Fines, Forfeits and Penalties	439,987					439,987
Public Charges for Services	3,251,824	3,344,326				6,596,150
Interest and Other Revenue	3,837,654	611,291	548,031	17,290	203,160	5,217,426
Total Revenues	33,115,974	33,183,846	6,353,387	5,485,741	203,160	78,342,108
Expenditures						
Current:						
General Government	12,404,604					12,404,604
Public Safety	16,828,653					16,828,653
Public Works	406,082					406,082
Public Health and Human Services	1,554,188	32,520,972				34,075,160
Resources and Development	2,904,698				385,219	3,289,917
Education	659,461					659,461
Debt Service:						
Principal			5,460,000			5,460,000
Interest and Other Charges			1,161,564			1,161,564
Capital Outlay	579,369	17,925		7,689,600		8,286,894
Total Expenditures	35,337,055	32,538,897	6,621,564	7,689,600	385,219	82,572,335
Excess (deficiency) of revenues over expenditures	(2,221,081)	644,949	(268,177)	(2,203,859)	(182,059)	(4,230,227)
Other Financing Sources (Uses)						
Transfers In	106,860	7,206				114,066
Transfers Out	(252,544)					(252,544)
Total Other Financing Sources (Uses)	(145,684)	7,206				(138,478)
Net Change in Fund Balances	(2,366,765)	652,155	(268,177)	(2,203,859)	(182,059)	(4,368,705)
Fund Balances - Beginning	14,400,781	505,962	304,377	371,954	621,900	16,204,974
Fund Balances - Ending (Deficit)	\$12,034,016	\$1,158,117	\$36,200	(\$1,831,905)	\$439,841	\$11,836,269

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Government-Wide Statement of Activities
For the Year Ended December 31, 2009

Governmental change in fund Balances (\$4,368,705)

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

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense. This is the amount by which capital outlays exceeded (fell sh \$3,860,225

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds \$437,400

Bond proceeds provide current financial resources to the funds, but are recognized as a liability in the statement of net assets. Also, repayment of bond principal is an expenditure in the governmental funds, but reduces liabilities in the statement of n \$4,667,546

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (\$1,770,861)

Debt issuance cost is a current expense in governmental funds, but is amortized over multiple years in the government-wide statements; this entry reflects the difference. (\$17,384)

Additional revenue or expense due to internal service fund look-back adjustments must be recognized in the government-wide statements. \$46,524

Change in net assets of governmental activities \$2,854,745

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI

Budgetary Comparison Statement

General Fund

For the Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 3A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, January 1	\$ 17,438,212	\$ 14,762,883	\$ 14,400,781	
Resources (Inflows):				
Property, Other Taxes	17,362,655	17,370,729	17,299,180	(71,549)
Intergovernmental Revenue	7,265,556	10,137,993	8,028,274	(2,109,719)
Licenses and Permits	303,850	303,850	259,055	(44,795)
Fines, Forfeits & Penalties	553,500	553,500	439,987	(113,513)
Public Charges for Services	3,603,344	3,568,844	3,251,823	(317,021)
Interest & Other Revenue	4,724,120	5,078,091	3,837,655	(1,240,436)
Transfers from Other Funds	111,955	126,955	106,860	(20,095)
Amounts Available for Appropriation	<u>33,924,980</u>	<u>37,139,962</u>	<u>33,222,834</u>	<u>(3,917,128)</u>
Charges to Appropriations (Outflows):				
Education				
UW Extension	526,972	526,972	532,125	(5,153)
UW Sheboygan	143,207	150,352	152,632	(2,280)
General Government				
Building Services	3,162,716	3,281,258	3,047,280	233,978
Clerk of Courts	2,459,236	2,459,236	2,590,495	(131,259)
Coroner	106,718	106,718	100,899	5,819
County Board, Adm Coordinator	467,154	467,154	465,470	1,684
County Clerk & Elections	404,314	404,314	396,877	7,437
District Attorney	979,697	979,697	989,335	(9,638)
Family Court Commissioner	345,506	345,506	345,997	(491)
Finance	914,135	914,135	872,429	41,706
Human Resources	462,648	462,648	440,177	22,471
Legal, Corporation Counsel	304,306	306,306	305,714	592
Register of Deeds	648,826	648,826	600,583	48,243
Treasurer	471,664	615,643	607,016	8,627
Public Health & Human Services				
Child Support	1,244,172	1,244,172	1,353,182	(109,010)
Veteran's Commission	56,688	66,688	61,737	4,951
Veteran's Service	158,715	158,715	139,269	19,446
Public Safety				
Sheriff	16,376,640	16,880,663	17,095,356	(214,693)
Public Works				
Airport	633,970	658,970	579,658	79,312
Resources & Development				
Land & Water Conservation	740,110	740,110	594,119	145,991
Planning & Resources	1,823,726	4,429,623	2,423,874	2,005,749
Nondepartmental				
Contingency	50,000	157,370		157,370
Funding for Eastern Shores	1,085,726	1,094,027	1,094,027	
Funding for Chamber of Commerce Econ Dev	38,438	38,438	38,438	
Funding for Chamber of Commerce Tourism	15,000	15,000	15,000	
Funding for Museum Grant	91,917	91,917	91,917	
Funding for Villages and Towns		5,850	(24,700)	30,550
Miscellaneous	82,731	206,833	428,149	(221,316)
Transfers to Other Funds	222,015	235,250	252,544	(17,294)
Total Charges to Appropriations	<u>34,016,947</u>	<u>37,692,391</u>	<u>35,589,599</u>	<u>2,102,792</u>
Budgetary Fund Balance, December 31	<u>\$ 17,346,245</u>	<u>\$ 14,210,454</u>	<u>\$ 12,034,016</u>	<u>\$ (1,814,336)</u>

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI
Budgetary Comparison Statement
Public Health and Human Services Special Revenue Fund

For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis (See Note 3A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, January 1	\$ 982,496	\$ 479,907	\$ 505,962	
Resources (Inflows):				
Property, Other Taxes	13,556,893	13,556,893	13,556,893	
Intergovernmental Revenue	12,452,322	14,502,180	15,474,951	972,771
Licenses and Permits	245,000	245,000	196,385	(48,615)
Public Charges for Services	4,202,782	4,202,782	3,344,326	(858,456)
Interest & Other Revenue	503,606	503,606	611,291	107,685
Transfers from Other Funds			7,206	7,206
Amounts Available for Appropriation	<u>30,960,603</u>	<u>33,010,461</u>	<u>33,191,052</u>	<u>180,591</u>
Charges to Appropriations (Outflows):				
Public Health & Human Services				
Community Programs	13,490,922	15,540,780	15,592,412	(51,632)
Economic Support	2,861,074	2,861,074	2,781,838	79,236
H&HS Administration	39,718	39,718	44,761	(5,043)
Office on Aging	1,283,806	1,283,806	1,192,329	91,477
Public Health	3,409,884	3,417,090	3,369,050	48,040
Social Services	9,875,199	9,875,190	9,558,507	316,683
Transfers to Other Funds				
Total Charges to Appropriations	<u>30,960,603</u>	<u>33,017,658</u>	<u>32,538,897</u>	<u>478,761</u>
Budgetary Fund Balance, December 31	<u>\$ 982,496</u>	<u>\$ 472,710</u>	<u>\$ 1,158,117</u>	<u>\$ 659,352</u>

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI

Statement of Net Assets

Proprietary Funds

December 31, 2009

Business-Type Activities - Enterprise Funds

Rocky
Knoll

Sunny
Ridge

Total

Governmental Activities - Internal Service Funds

Assets

Current Assets

Cash & Investments	\$3,342,196	\$1,841,199	\$5,183,395	\$9,089,233
Receivables (net)	2,761,453	497,184	3,258,637	4,542,624
Due From Other Governments	603,904		603,904	908,759
Prepays & Inventory	62,260		62,260	2,274,490
Total current assets	6,769,813	2,338,383	9,108,196	16,815,106

Noncurrent Assets

Long Term Receivables		730,918	730,918	
		730,918	730,918	

Capital assets:

Land	31,750	25,140	56,890	1,029,529
Property, Plant and Equipment	20,215,853	4,770,743	24,986,596	34,915,006
Accumulated Depreciation	(10,442,417)	(3,562,338)	(14,004,755)	(25,559,260)
Total noncurrent assets	9,805,186	1,964,463	11,769,649	10,385,275
Total Assets	16,574,999	4,302,846	20,877,845	27,200,381

Liabilities

Current Liabilities

Accounts Payable	96,371		96,371	151,159
Accrued Liabilities		15,000	15,000	
Due to Other Funds				128,778
Accrued Compensation	339,392		339,392	441,896
Deferred Revenue	1,856,993	497,184	2,354,177	4,556,400
	2,292,756	512,184	2,804,940	5,278,233

Noncurrent Liabilities

Due Within One Year	39,304		39,304	10,300
Due In More Than One Year	2,265,914		2,265,914	675,414
Insurance and Other Reserves				8,637,184
	2,305,218		2,305,218	9,322,898
Total Liabilities	4,597,974	512,184	5,110,158	14,601,131

Net Assets

Invested in Capital Assets	9,805,186	1,233,545	11,038,731	10,385,275
Unrestricted	2,171,839	2,557,117	4,728,956	2,213,975
Total Net Assets	\$11,977,025	\$3,790,662	\$15,767,687	\$12,599,250

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI
Reconciliation of Proprietary Balance Sheet
to the Government-Wide Statement of Net Assets
December 31, 2009

Proprietary fund balances \$15,767,687

Amounts reported for business-type activities in the government-wide statement of net assets are different because:

Receivable (payable) due to the look-back adjustment resulting from consolidation of the internal service funds (\$379,369)

Net assets of business-type activities \$15,388,318

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds			Governmental
	Rocky Knoll	Sunny Ridge	Total	Activities - Internal Service Funds
Operating Revenues				
Charges for services	\$12,101,565	\$	\$12,101,565	\$25,777
Intergovernmental charges for services				4,917,069
Licenses and permits				5,400
Interdepartmental revenue				17,893,904
Miscellaneous operating revenue	793,565	2,087	795,652	875,039
Total Operating Revenues	12,895,130	2,087	12,897,217	23,717,189
Operating Expenses				
Personnel related	9,597,400		9,597,400	21,021,762
Purchased services	1,446,150	108,122	1,554,272	1,969,791
Repairs & maintenance	470,365	38,857	509,222	1,069,311
General operating	1,522,458	734,622	2,257,080	4,944,962
Interdepartmental expenses	3,522,624	111,058	3,633,682	2,763,997
Depreciation	632,739	170,084	802,823	1,449,900
Total Operating Expenses	17,191,736	1,162,743	18,354,479	33,219,723
Operating (loss)	(4,296,606)	(1,160,656)	(5,457,262)	(9,502,534)
Nonoperating revenues (expenses)				
Intergovernmental transfer program	1,071,354		1,071,354	
Intergovernmental contracts/grants				3,121,271
Property tax appropriation	2,079,794	953,031	3,032,825	4,585,025
Investment Income	447	52,442	52,889	
Rental Income		1	1	1,837
Gain (loss) on disposal of capital assets				(75,703)
Total nonoperating revenues (expenses)	3,151,595	1,005,474	4,157,069	7,632,430
Income (loss) before contributions, transfers and special item	(1,145,011)	(155,182)	(1,300,193)	(1,870,104)
Capital contributions - County	53,189		53,189	
Transfers in	39,235		39,235	99,243
Change in net assets	(1,052,587)	(155,182)	(1,207,769)	(1,770,861)
Total Net Assets - Beginning	13,029,612	3,945,844	16,975,456	14,370,111
Total Net Assets - Ending	\$11,977,025	\$3,790,662	\$15,767,687	\$12,599,250

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances of Proprietary Funds
to the Government-Wide Statement of Activities
For the Year Ended December 31, 2009

Proprietary change in net assets \$ (1,207,769)

Amounts reported for business-type activities in the government-wide statement of activities are different because:

Change in revenue or expense due to the look-back adjustment resulting from consolidation of the internal service funds \$ (46,524)

Change in net assets of business-type activities \$ (1,254,293)

The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds			Governmental
	Rocky Knoll	Sunny Ridge	Total	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 13,796,592	\$	\$ 13,796,592	\$ 5,421,991
Receipts from interfund services provided				17,893,904
Other operating cash receipts	793,565	2,087	795,652	358,771
Payments to suppliers	(3,388,949)	(881,600)	(4,270,549)	(8,006,785)
Other sources (uses) of cash	(110,023)	116,098	6,075	(517,233)
Payments to employees	(9,261,171)		(9,261,171)	(20,931,686)
Payments for interfund services used	(3,522,624)	(111,058)	(3,633,682)	(2,763,997)
Net cash provided (used) by operating activities	(1,692,610)	(874,473)	(2,567,083)	(8,545,035)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental contracts/grants	1,071,354		1,071,354	3,121,271
Property tax appropriation received	2,079,794	953,031	3,032,825	4,585,025
Transfer in	39,235		39,235	99,243
Net cash provided (used) by noncapital financing activities	3,190,383	953,031	4,143,414	7,805,539
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of equipment			-	69
Purchases of capital assets	(353,432)		(353,432)	(1,276,913)
Net cash provided (used) by capital and related financing activities	(353,432)	-	(353,432)	(1,276,844)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	447	52,442	52,889	
Rental income		1	1	1,837
Net cash provided by investing activities	447	52,443	52,890	1,837
Net increase (decrease) in cash and cash equivalents	1,144,788	131,001	1,275,789	(2,014,503)
Cash and cash equivalents - January 1	2,197,408	1,710,198	3,907,606	11,103,736
Cash and cash equivalents - December 31	\$ 3,342,196	\$ 1,841,199	\$ 5,183,395	\$ 9,089,233

**Reconciliation of operating income
(loss) to net cash provided (used)
by operating activities:**

Operating income (loss)	\$ (4,296,606)	\$ (1,160,655)	\$ (5,457,261)	\$ (9,502,534)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation (net of amortization)	632,739	170,084	802,823	1,449,900
Changes in assets and liabilities:				
Accounts receivable	1,695,027	33,345	1,728,372	(42,529)
Due from other governments	(87,108)		(87,108)	592,501
Inventories and prepayments	(22,915)	67,753	44,838	(708,702)
Accounts payable and accrued expenses	50,024	15,000	65,024	(435,276)
Due to other governments				(117,248)
Due to other funds			128,778	128,778
Compensated absences payable	336,229		336,229	90,075
Net cash provided (used) by operating activities	<u>\$ (1,692,610)</u>	<u>\$ (874,473)</u>	<u>\$ (2,567,083)</u>	<u>\$ (8,545,035)</u>

**Noncash investing, capital and
financing activities**

Contribution of capital asset by other funds	\$ 53,189	\$ 53,189
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The notes to the basic financial statements are an integral part of this statement.

County of Sheboygan, WI

Statement of Net Assets

Fiduciary Funds

December 31, 2009

Agency Funds

Assets

Current Assets

Cash & Investments	\$641,161
Receivables (net)	1,611,825

Total Assets	\$2,252,986
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Liabilities

Current Liabilities

Accounts Payable	\$ 617,519
Deposits	23,642
Due to Other Governments	1,611,825

Total Liabilities	\$2,252,986
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The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SHEBOYGAN, WISCONSIN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sheboygan County (the County) was incorporated in December 1838 and operates under the provisions of the Wisconsin State Statutes, Chapter 59. The County is governed by a 34-member County Board. The powers and duties of the County Board are to coordinate and direct all administrative and management functions of the county government not otherwise vested by law in boards or commissions or in other elected officials. The various standing committees appoint all department heads and members of all boards and commissions, which are then subject to County Board confirmation.

The County provides many functions and services to citizens, including law enforcement, administration of justice, health care, social services, recreation and cultural activities, planning and zoning, education and general administrative services. In addition, the County operates a transportation system (maintaining 452 miles of County owned road and 170 miles of State highways under a maintenance contract with the State) and a corporate/transport airport.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the County are described below.

A. Reporting Entity

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. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's government 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. The County does not include any component units in these financial statements.

B. Related Organization

Sheboygan County is a member of the multicounty federated library system named Eastern Shores Library System. The Eastern Shores Library System is a related party organization of both Sheboygan and Ozaukee County. Funding for this organization comes primarily from the State of Wisconsin, Sheboygan County and Ozaukee County. Since the Eastern Shores Library System is a related party organization of multiple counties and exercises substantial control of its own operations, it is not considered to be a component unit of Sheboygan County.

As a member of Eastern Shores Library System, Sheboygan County has the authority to appoint members to the Library System Board. The membership of the Library System Board is allocated among the member counties in the same proportion as the county's population is to the total population of all the member counties. Each County appoints a county board member to the Library System board. In addition, one of the members is a member of the Mead Public Library Board, the library system's resource library. The remaining Library System Board members are representatives of the member library boards and public members at large.

Payments to the Eastern Shores Library System represent related party transactions, which are not considered to be "arms length transactions". In 2009, payments from Sheboygan County to the Library System totaled \$1,106,490. Financial statements of the Eastern Shores Library System can be obtained by contacting the Library System at: (920) 208-4900.

C. Government-Wide and Fund Financial Statements

The *government-wide* financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information on all of the nonfiduciary activities of the County. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements provide detailed information on all governmental, proprietary, and fiduciary funds. Governmental funds include general, special revenue, debt service and capital project funds. Proprietary funds include enterprise and internal service funds. Internal service funds are exempt from the major fund reporting requirements and are aggregated and reported as a single column on the proprietary statement and are included under "Governmental Activities" on the Government-wide Statement of Net Assets. Fiduciary funds are also exempt from major fund reporting and are reported as a single column on the fiduciary statements. Fiduciary funds are not included in the Government-wide Statements of Net Assets.

The County reports the following major governmental funds:

General Fund – The General Fund is the County’s primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Public Health and Human Services Fund – The Public Health and Human Services Fund is used to account for the proceeds of specific revenue sources (other than capital grants) that are legally restricted for the nutritional, physical, social, mental and economic needs of individual and families.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs, but excludes debt serviced by proprietary funds.

Capital Projects Fund – The Capital Project Fund is used to account for financial resources, which are used for all acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The County reports the following nonmajor governmental fund:

Community Development Fund – The Community Development Fund is used to account for grant proceeds and related activity used to create, retain and expand business and investment in Sheboygan County.

The County reports the following major proprietary funds:

Rocky Knoll – Rocky Knoll Health Care Facility is financed and operated in a manner similar to private enterprises where the intent is that the costs of providing skilled nursing care be recovered primarily through user charges and that a periodic determination of revenues earned, expenses incurred and/or net income is appropriate.

Sunny Ridge – Sunny Ridge Nursing Home has been financed and operated in a manner similar to private enterprises where the intent is that the costs of providing skilled nursing care be recovered primarily through user charges and that a periodic determination of revenues earned, expenses incurred and/or net income is appropriate. On May 1, 2007, Sunny Ridge was sold to a private operator.

Additionally, the government reports the following fund types:

Internal service funds account for data processing, highway maintenance, insurance and printing services provided to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, and other governments.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and agency funds. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

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 with 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 60 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.

Property taxes, licenses, and interest 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.

The proprietary funds have elected to follow Financial Accounting Standards Board pronouncements issued before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 various functions of the government, whose eliminations would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The revenues and expenses shown on the proprietary fund statements are identified as either operating or nonoperating. 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 County's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

E. Assets, Liabilities, and Net Assets/Equity

1. Cash and Investments

The County's deposits consist of cash on hand as well as demand deposits with financial institutions.

State statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities, obligations of Wisconsin governmental units, time deposits with maturities of less than three years in any financial institution in Wisconsin, the State of Wisconsin Local Government Investment Pool, any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency, securities of an open-end management investment company or investment trust subject to various conditions and investment options and repurchase agreements with public depositories, with certain conditions. The County's adopted investment policy is more restrictive than the state statutes in that it limits money market funds to maturities of less than one year and corporate debt obligations to 20% of total investible assets and/or 5% of total investible assets with any one corporate issuer.

Investments are reported at fair market value. Fair market value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For purposes of the statement of cash flows, all cash deposits and highly liquid investments with a maturity of three months or less (except for restricted assets) are considered to be cash equivalents.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The fund financial statements classify these receivables and payables as "Due from other Funds" or "Due to Other Funds". Amounts reported in the funds as interfund assets/liabilities are eliminated in the governmental and business-type columns of the Government-wide Statement of Net Assets, except for the net residual amount due between governmental and business-type activities which is shown as internal balances.

All trade receivables are shown net of an allowance for uncollectible accounts.

The County's property taxes are levied on or before December 31 on the equalized valuation as of the prior January 1 for all general property located in the County. The taxes are due and payable in the following year. If not collected by July 31st the delinquent property taxes are recorded as a receivable and deferred revenue in the General Fund. Delinquent property taxes are recognized as revenue when collected. Simple interest and penalty of 1½ percent per month on delinquent property taxes are assessed by the County and recognized as revenue when received.

The County purchases uncollected property taxes, typically through the last day of January of each year. At this time a settlement process between the county treasurer and local treasurers determines the amount due the various taxing districts. Tax collection

becomes the responsibility of the County and taxes receivable represent unpaid taxes levied for all taxing entities within the County.

On August 31, the tax lien date, all unpaid taxes are reflected as tax certificates.

Delinquent property taxes purchased from other taxing authorities are shown as reservations of fund balance at year-end. Delinquent property taxes levied by the County are shown as deferred revenue and are excluded from the fund balance until collected.

3. Inventories and Prepayments

Inventories of governmental and proprietary funds are valued a cost, which approximates market, using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Therefore, the inventory asset amount is not available for appropriation and is offset by a fund balance reserve account.

Payments made to vendors for services that will benefit periods beyond the end of the current year are recorded as prepayments in both government-wide and fund financial statements. Prepayments in the governmental funds are not available for appropriation and the balance is offset by a fund balance reserve account.

4. Capital Assets

Capital assets, which include property, plant, equipment, land and infrastructure assets (e.g., roads, bridges and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets are capitalized when they have an estimated useful life of more than one year and a unit cost of \$5,000 or more except for the Health Care Centers, which must have a unit cost of \$1,000 or more. 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.

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.

Exhaustible capital assets of the primary government are depreciated on the straight-line method over the asset's useful life. Depreciation expense is recorded in the government-wide financial statements as well as the proprietary funds. There is no depreciation recorded for land and construction in progress.

Estimated useful lives are as follows:

Buildings	25 – 40 years
Building and other improvements	15 years
Infrastructure	15 – 50 years
Infrastructure improvements	5 – 15 years
Machinery and equipment	5 – 20 years
Vehicles	3 – 4 years

5. Compensated Absences

The County compensates all employees upon termination for unused vacation time. Generally, vacation pay is earned during one calendar year, used in the following calendar year and is forfeited if not used during that period.

All County union employees except Local 1749 (Highway Department) are entitled to sick leave at a rate of one day per month of full-time service up to a maximum of 960 hours. Union employees are compensated for the unused sick leave upon termination. Local 1749 (Highway Department) and all non-union employees do not accumulate sick leave (short and long-term disability plans are provided). Thus, they receive no sick leave compensation upon retirement.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2009, are determined on the basis of current salary in the government-wide and proprietary funds. A liability for these amounts is reported in the governmental funds in the fund financial statements to the extent that the County has provided funding for leave to be taken in future years.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Deferred Revenue

In the government-wide statements and proprietary fund financial statements deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenues arise when resources are received by the County before it has a legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed and the revenue is recognized.

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.

8. **Fund Equity**

GOVERNMENTAL FUND FINANCIAL STATEMENTS

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The nature and purpose of each of the County's reserves and designations are explained as follows:

1. Reserved for debt service – This reserve represents amounts provided for future payment of principal and interest on obligations of the County.
2. Reserved for inventories and prepaid items – This reserve is discussed in Note 1.E.3.
3. Reserved for delinquent property taxes – This reserve is discussed in Note 1.E.2.
4. Reserved for subsequent year's expenses/expenditures – These amounts represent the amount of fund balances to be utilized in the 2010 budget as authorized by County Board ordinance.
5. Reserved for jail assessments, etc. – This reservation represents amounts for jail improvements, DARE/Counteract expenditures, crime prevention expenditures, land records improvements, sewer, water and fence expenditures at the county airport, preservation and enhancement of the County's natural resources and UW Extension expenditures.

GOVERNMENT-WIDE STATEMENT AND PROPRIETARY FUND STATEMENTS

Equity is classified as net assets and displayed in three components:

- 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.
- 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.
- Unrestricted net assets – Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

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.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$29,508,686 difference are as follows:

Bonds and notes payable	(\$25,820,000)
Accrued interest payable	(198,462)
Unfunded compensated absences	(2,309,386)
Other postemployment benefits	(967,663)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>(\$29,295,511)</u>

B. Explanation of Certain Differences Between Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$1,899,457 difference are as follows:

Capital outlay	\$8,286,894
Depreciation expense	<u>(6,387,437)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$1,899,457</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The County prepares an annual operating and capital budget for the General Fund, certain Special Revenue, and the Enterprise and Internal Service funds. The capital projects and operating budget follow separate processes as indicated below:

1. Department heads submit all capital outlay project requests and capital plan modifications to the Finance Committee by June 1.
2. Prior to July 31, the Finance Committee presents the proposed five (5) – year capital plan to the County Board.
3. The County Board reviews the five (5) – year capital plan and adopts the plan on or before September 30.
4. Prior to August 31, all department heads, with liaison committee approval, submit to the Finance Committee a proposed operating budget for the fiscal year which commences the following January 1. The operating budget includes proposed expenditures and the means of financing them.
5. The Finance Committee makes capital and operating budget decisions, including proposed budget amendments, setting funding priorities during the month of September.
6. On or before October 19, the Finance Committee submits the annual budget to the County Board, which commences the annual operating and capital budget review process.
7. A public hearing is held during October concerning the proposed budget in conjunction with County Board deliberations on the annual budget, including capital budget appropriations.
8. The County Board reviews and takes action on proposed budget amendments and adopts the budget by the second Tuesday in November.

When developing budgetary data for presentation in the financial statements, County policy is followed which requires that budgeted appropriations by department within fund are approved by the County Board. Budget is defined as the originally approved budget, plus or minus approved modifications. Expenditures cannot legally exceed appropriations at the department level, pursuant to s.67.90, Wisconsin State Statutes. However, the County uses a more restrictive control in the form of appropriation units, defined as groups of account classes within department, including wages and benefits, operating expenses, interdepartmental charges and capital outlay.

The adopted budgets for the general, certain special revenue, debt service and capital projects funds are prepared on a basis consistent with accounting principles generally accepted in the United States of America. Adopted budgets for proprietary funds are consistent with GAAP

except that depreciation expense is not budgeted. A comparison of budget to actual is included in the accompanying financial statements for the general fund and any major special revenue funds. In order to keep this report from becoming unduly complex, the County has chosen not to present budget to actual data demonstrating compliance at the legal level of control for the enterprise and internal service funds in the document.

Budgetary amounts lapse at year-end, except for unexpended appropriations for capital projects, which carry forward automatically to the ensuing year. The County Board, by resolution, can authorize the carry forward of prior year's unexpended operating and capital outlay appropriations to the following year.

Level of Budgetary Control Reconciliation

Special Revenue Funds – The County controls the expenditures in the Special Revenue Funds at two levels. The Public Health and Human Services Special Revenue fund consists of the Community Programs, Administration, Aging, Public Health and Social Services Funds which are budgeted annually. The second level of control is exercised over the Economic Development Special Revenue Fund, which is not budgeted. Individual expenditures are generally approved only if financial resources or grants funds are available.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The County maintains cash and investment accounts, including pooled funds, that are available for use by all funds. Each fund's portion of these accounts is displayed as "Cash and investments" on the statement of net assets (government-wide and proprietary funds) or balance sheet (governmental funds). Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the County's cash and investments at December 31, 2009 is summarized below:

Petty cash funds	\$16,540
Deposits with financial institutions	15,285,174
Investments	
Repurchase agreements	13,470,940
U.S. government securities	21,046,499
Wisconsin local government investment pool	<u>9</u>
Total	<u>\$49,819,162</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$49,178,001
Fiduciary funds	
Agency fund	<u>641,161</u>
Total	<u>\$49,819,162</u>

Deposits and investments of the County are subject to various risks. Presented below is a discussion of the specific risks and the County's policy related to the risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The County does not have an additional custodial credit risk policy.

Deposits: Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian through December 31, 2013. In addition, the County's non-interest bearing transaction accounts are fully insured under the Temporary Liquidity Guarantee Program through December 31, 2010. On January 1, 2014, the coverage limit for all accounts will return to \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2009, \$160,836 of the County's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized (or collateralized with securities held by the pledging financial institution or its trust department or agent but not in the County's name).

On December 31, 2009 the County held repurchase agreement investments in the amount of \$13,470,940. These investments are collateralized by Federal government agency securities with a market value of at least 100% of the repurchase investment amount. The collateral securities are held by Associated Bank in the County's name.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities

to the top two ratings assigned by nationally recognized statistical rating organizations. The County does not have an additional credit risk policy. Presented below is the actual rating as of year end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Repurchase Agreement	\$13,470,940	\$13,470,940			
U.S. Government Securities	21,046,499		21,046,499		
Wisconsin Local Government Investment Pool	9				9
Totals	\$34,517,448	\$13,470,940	\$21,046,499		\$9

Concentration of Credit Risk

The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total County investments are as follows:

Issuer	Investment Type	Reported Amount	Percent of Total Investments
Federal Home Loan Bank	Federal agency securities	\$21,046,499	61.0%
Associated Bank	Repurchase agreement	13,470,940	39.0%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County's investment portfolio is structured to provide a high total return giving consideration to risk and necessary availability of funds.

Information about the sensitivity of the fair values of the County's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the County's investments by maturity:

Investment Type	Amount	Remaining Maturity (In Months)	
		12 Months or Less	13 to 24 Months
Federal agency securities	\$21,046,499	\$4,036,169	\$17,010,330
Wisconsin local government investment pool	9	9	
Repurchase agreements	13,470,940	13,470,940	
Totals	\$34,517,448	\$17,507,118	\$17,010,330

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The County's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Fair Value at Year End
Mortgage backed securities. These securities are subject to early payment in a period of stable interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates	\$21,046,499

Investment in Wisconsin Local Government Investment Pool

The County has investments in the Wisconsin local government investment pool of \$9 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), at is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2009, the fair value of the County's share of the LGIP's assets was substantially equal to the carrying value.

B. Receivables

Receivables (net of allowance for uncollectibles) for the year ended December 31, 2009 for the County's governmental activities (all major and nonmajor governmental funds) and business-type activities (all enterprise and internal services funds) are as follows:

Governmental Activities						
	Major Funds					
	General	Public Health & Human Services	Debt Service	Governmental Activities Internal Service Funds	Other Nonmajor Funds	Subtotal
Receivables (net):						
Current year						
tax levy	\$17,631,337	\$13,917,673	\$5,853,921	\$4,464,976		\$41,867,907
Tax certificates	3,468,747					3,468,747
Tax deeds	130,580					130,580
Loans					1,018,983	1,018,983
Interest	1,178,567					1,178,567
Accounts	473,236	452,106		77,648		1,002,990
Allowance for Un-Collectible Accounts		(130,871)				(130,871)
Total	\$22,882,467	\$14,238,908	\$5,853,921	\$4,542,624	\$1,018,983	\$48,536,903

Proprietary Funds				
	Major Funds			
	Rocky Knoll	Sunny Ridge	Subtotal	Total
Receivables (net):				
Current year				
tax levy	\$1,856,993	\$497,184	\$2,354,177	\$44,222,084
Tax certificates				3,468,747
Tax deeds				130,580
Loans		730,918	730,918	1,749,901
Interest				1,178,567
Accounts	1,233,754		1,233,754	2,236,744
Allowance for Un-Collectible Accounts	(329,294)		(329,294)	(460,165)
Total	\$2,761,453	\$1,228,102	\$3,989,555	\$52,526,458

Receivable balance of \$1,611,825 is reported in Agency Fund.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$8,271,779	\$164,380	\$	\$8,436,159
Construction in Progress	4,745,908	8,001,599	(3,551,245)	9,196,262
Total capital assets, not being depreciated	13,017,687	8,165,979	(3,551,245)	17,632,421
Capital assets, being depreciated:				
Buildings	61,651,877	360,150		62,012,027
Improvements other than buildings	8,568,962	277,251		8,846,213
Infrastructure	71,551,799	4,385,301		75,937,100
Office Furniture and Equipment	23,318,980	610,350	(23,825)	23,905,505
Machinery and Equipment	15,270,484	556,800	(373,247)	15,454,037
Vehicles	9,496,975	817,470	(806,192)	9,508,253
Total capital assets, being depreciated	189,859,077	7,007,322	(1,203,264)	195,663,135
Less accumulated depreciation for:				
Buildings	(31,319,656)	(1,943,114)		(33,262,770)
Improvements other than buildings	(5,236,391)	(471,407)		(5,707,798)
Infrastructure	(28,842,389)	(2,530,726)		(31,373,115)
Office Furniture and Equipment	(16,357,991)	(1,672,136)	18,744	(18,011,383)
Machinery and Equipment	(10,628,350)	(562,801)	324,569	(10,866,582)
Vehicles	(6,232,604)	(657,154)	686,698	(6,203,060)
Total accumulated depreciation	(98,617,381)	(7,837,338)	1,030,011	(105,424,708)
Total capital assets, being depreciated, net	91,241,696	(830,016)	(173,253)	90,238,427
Governmental activities capital assets, net	\$104,259,383	\$7,335,963	(\$3,724,498)	\$107,870,848
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$56,890	\$	\$	\$56,890
Total capital assets, not being depreciated	56,890			56,890
Capital assets, being depreciated:				
Buildings	18,246,468	143,513		18,389,981
Improvements other than buildings	676,012	133,488		809,500
Office Furniture & Equipment	615,899			615,899
Machinery and Equipment	4,924,865	129,621		5,054,486
Vehicles	116,730			116,730
Total capital assets, being depreciated	24,579,974	406,622		24,986,596

Less accumulated depreciation for:			
Buildings	(8,391,436)	(534,504)	(8,925,940)
Improvements other than buildings	(497,715)	(22,767)	(520,482)
Office Furniture and Equipment	(541,085)	(22,830)	(563,915)
Machinery and Equipment	(3,687,843)	(213,322)	(3,901,165)
Vehicles	(83,853)	(9,400)	(93,253)
Total accumulated depreciation	(13,201,932)	(802,823)	(14,004,755)
Total capital assets, being depreciated, net	11,378,042	(396,201)	10,981,841
Business-type activities capital assets, net	\$11,434,932	(\$396,201)	\$ 11,038,731

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

Governmental activities:

Public health and human services	\$ 275,691
Public works	3,671,628
Resources and development	225,774
Education	723,674
General government	964,916
Public safety	<u>1,975,655</u>
Total depreciation expense – governmental activities	\$7,837,338

Business-type activities:

Rocky Knoll Health Care	\$632,739
Sunny Ridge	<u>170,084</u>
Total depreciation expense – business-type activities	\$802,823

Construction Commitment

The County has several construction projects as of December 31, 2009. Major projects include airport improvements, construction of an information technology center at the University of Wisconsin Sheboygan campus, heating and cooling improvements to the County Courthouse and Law Enforcement Center, and replacement of enterprise service in our Information Systems department. At year-end the County had no contracts outstanding for work to be done. General obligation bonds are financing these projects.

D. Interfund Receivables, Payables and Transfers

Interfund receivables and payables between individual funds of the County, as reported in the fund financial statements, as of December 31, 2009 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash		
Other Funds		
General Fund	\$1,831,905	
Capital Project Fund		\$1,831,905

Transfers are used to: 1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; 2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and 3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

	Transfers In				
Interfund Transfers:	General Fund	Public Health & Human Services Fund	Rocky Knoll Health Care	Governmental Activities – Internal Service Funds	Total
General Fund	\$106,860	\$7,206	\$39,235	\$99,243	\$252,544
Total Transfers Out/In	\$106,860	\$7,206	\$39,235	\$99,243	\$252,544

E. Leases

The County oversees the overall operation of the airport, and is lessor of the facility under various operating leases for periods ranging from 2010 through 2056. Although some operating leases extend as far as 2056, rates are re-negotiated either every three (3) or five (5) years. The table below represents current negotiated rates, none of which extend beyond the year 2011.

2010	111,881
2011	53,716
Total	\$165,597

F. 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, proprietary and internal service funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of *deferred revenue* in all funds were as follows:

	Unavailable	Unearned	Total
Current year tax levy receivable:			
General fund		\$17,631,337	\$17,631,337
Public health and human services		13,917,672	13,917,672
Debt service fund		5,853,921	5,853,921
Delinquent property taxes – County portion	857,592		857,592
Interest receivable on delinquent property taxes	1,081,680		1,081,680
Development loans receivable	1,018,983		1,018,983
Revenue collected in advance		225,365	225,365
Revenue earned but unavailable	9,720		9,720
Subtotal	2,967,975	37,628,295	40,596,270
Governmental activities – internal service fund			
Subsequent year tax levy receivable		4,464,976	4,464,976
Revenue collected in advance		91,424	91,424
Subtotal		4,556,400	4,556,400
Subtotal – governmental activities	2,967,975	42,184,695	45,152,670
Business-type Activities			
Subsequent year tax levy receivable			
Rocky Knoll Health Care Center		1,856,993	1,856,993
Sunny Ridge Health Care & Rehabilitation Center		497,184	497,184
Subtotal – business-type activities		2,354,177	2,354,177
Total	\$2,967,975	\$44,538,872	\$47,506,847

G. Long-Term Obligations

Changes in Long-Term Obligations

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation debt:					
Bonds	\$9,000,000	\$	(\$645,000)	\$8,355,000	\$680,000
Notes	22,280,000		(4,815,000)	17,465,000	4,615,000
Total general obligation debt	31,280,000		(5,460,000)	25,820,000	5,295,000
Compensated absences	6,112,092	937,056	(564,795)	6,484,353	159,404
Other postemployment benefits	593,063	600,316		1,193,379	
Governmental activity					
Long-term liabilities	\$37,985,155	\$1,537,372	(\$6,024,795)	\$33,497,732	\$5,454,404

Business-type activities:

Compensated absences	\$1,775,572	\$358,382	(\$276,443)	\$1,857,511	\$39,304
Other postemployment benefits	216,326	231,381		447,707	
Business-type activity					
Long-term liabilities	\$1,991,898	\$589,763	(\$276,443)	\$2,305,218	\$39,304

Governmental activities

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

Notes:	Interest Rates	Balances
\$8,300,000 – Series 2001 issued June 1, 2001	4.30%	\$1,810,000
\$5,000,000 – Series 2002 issued November 1, 2002	4.125% - 4.25%	1,505,000
\$8,820,000 – Series 2004 issued May 1, 2004	3.00% - 3.875%	3,745,000
\$7,255,000 – Series 2006 issued February 1, 2006	3.625% - 4.00%	3,700,000
\$8,000,000 – Series 2008 issued July 8, 2008	3.00% - 4.00%	<u>6,705,000</u>
		\$17,465,000
Refunding Bonds:		
\$6,000,000 – Series 2003 issued January 1, 2003	5.00% - 5.75%	\$4,150,000
\$5,685,000 – Series 2004 issued September 1, 2004	3.5% - 4.20%	<u>4,205,000</u>
		\$8,355,000
Total general obligation debt outstanding		\$25,820,000

The annual principal and interest payments on all debt, except compensated absences as of December 31, 2009, are as follows:

Year	Governmental Activities General Obligation Debt		Totals
	Principal	Interest	
2010	5,295,000	962,417	6,257,417
2011	3,635,000	794,361	4,429,361
2012	3,100,000	664,223	3,764,223
2013	2,640,000	548,855	3,188,855
2014	2,745,000	438,698	3,183,698
2015	2,020,000	339,464	2,359,464
2016	2,110,000	252,825	2,362,825
2017	1,590,000	171,796	1,761,796
2018	1,660,000	98,565	1,758,565
2019	1,025,000	36,028	1,061,028
Total	\$25,820,000	\$4,307,232	\$30,127,232

By statute, the County's outstanding general obligation debt is restricted to 5% of the equalized value of all property in the County. Based upon an equalized value of \$9,335,540,000 the County is restricted to \$466,777,000 of general obligation debt. At December 31, 2009, \$25,820,000 of general obligation debt was outstanding. There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The County is in compliance with all significant limitations and restrictions.

Advance Refunding

In prior years, the County advance refunded \$1,990,000 of various general obligation note issues. As a result, the refunded notes are also considered to be defeased and the liability has been removed from the County's Statement of Net Assets.

At December 31, 2009, \$760,000 of outstanding general obligation notes are considered defeased.

	Balance	2009	2010	2011	2012	2013	2014
General Obligation Debt							
Notes							
Series 1999 Aa2	\$ 50,000	\$	\$	\$	\$	\$	\$
Series 2000 Aa2	660,000						
Series 2001 Aa2	155,000	110,000					
Series 2002 Aa2	270,000	50,000	50,000	55,000	65,000		
Series 2004 Aa2	350,000	45,000	50,000	50,000	50,000	55,000	55,000
Series 2006 Aa2	505,000	40,000	40,000	45,000	45,000	200,000	
	<u>1,990,000</u>	<u>245,000</u>	<u>140,000</u>	<u>150,000</u>	<u>160,000</u>	<u>255,000</u>	<u>55,000</u>
Balance Outstanding		\$ 760,000	\$ 620,000	\$ 470,000	\$ 310,000	\$ 55,000	\$

NOTE 5 – OTHER INFORMATION

A. RISK MANAGEMENT

The County maintains an insurance program to safeguard its financial security by protecting its human, financial and property assets from the adverse impact of loss. Various techniques and programs are utilized to reduce the possibility of a loss from occurring and manage the adverse consequences should an event occur resulting in a loss, including safety and loss control practices, contractual risk transfer, self insurance funding and the purchase of insurance.

Public Entity Risk Pool

During 1987, the County together with other counties in the State of Wisconsin, created the Wisconsin County Municipal Mutual Insurance Company (WCMIC), to provide liability insurance to its members. WCMIC also provides bodily and personal injury, and errors and omissions coverage for the County. WCMIC is governed by one entity-one vote and includes counties of varying size. Only member entities participate in governing WCMIC. The actuary for WCMIC determines the charge per \$1,000 of ratable governmental expenditures required to pay the expected losses and loss adjustment expenses on which premiums are based. The County's self-insured retention limit is \$250,000 aggregate. Claims payable at year-end are \$109,778 and IBNR's are estimated to be immaterial.

Claims Liability WCMIC	<u>2008</u>	<u>2009</u>
Unpaid claims, including IBNR's – beginning of year	\$106,037	\$109,778
Current year claims and changes in estimates	96,392	184,510
Claim payments	<u>(92,651)</u>	<u>(136,810)</u>
Unpaid claims – end of year	<u>\$109,778</u>	<u>\$157,478</u>

Self-Insurance – Worker's Compensation

The County has also established a program for worker's compensation. All funds of the County participate in this program. Worker's Compensation is part of the Insurance Internal Service Fund and is maintained to provide for self-insured worker's compensation insurance coverage and employee safety and loss control programs. The County contracts with a third party claims administrator for the purpose of adjudicating worker's compensation claims. An excess insurance policy covers individual claims in excess of the County's \$300,000 self-insured retention up to \$10,000,000 per claim. Settled claims have not exceeded the commercial coverage in any of the past three years. Costs associated with the worker's compensation program are billed to other County departments based on actual wages and include amounts necessary to fund current and prior year claims to be paid in the current year and in the future. At December 31, 2009, the County has established a future claims insurance reserve in the amount of \$581,083 to fund the estimated liability for the County's self insured retention limits.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss are reasonably estimable. Liabilities include an amount for claims that have been incurred, but not reported.

Claims Liability	<u>2008</u>	<u>2009</u>
Unpaid claims – Beginning of year	\$438,958	\$113,767
Current year claims and changes in estimates	238,560	204,167
Claims payments	<u>(563,751)</u>	<u>(170,370)</u>
Unpaid claims – End of year	<u>\$113,767</u>	<u>\$147,564</u>

Self-Insurance – Health and Dental Coverage

The County has also established a self-insurance program for health and dental claims. Claims are accounted for in the Insurance Internal Service Fund, and are processed by a third party claims administrator.

The uninsured risk of loss is \$200,000 per individual claim and 125 percent of expected claims aggregate (\$14,841,602) for the group per policy year for health insurance. The County has purchased stop-loss insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial aggregate coverage in any of the past three years. In addition, the health insurance claim payments shown below include self-funded dental payments of \$1,091,705.

All funds of the County participate in the health care coverage program. Amounts payable to the Insurance Internal Service Fund are based on estimates of the amounts necessary to pay prior and current year claims.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss are reasonable estimable. Liabilities include an amount for claims that have been incurred, but not reported.

Claims Liability	<u>2008*</u>	<u>2009*</u>
Unpaid claims – Beginning of year	\$5,826,681	\$3,752,109
Current year claims and changes in estimates	13,745,718	14,688,131
Claims payments	<u>(15,820,290)</u>	<u>(15,358,597)</u>
Unpaid claims – End of year	<u>\$3,752,109</u>	<u>\$3,081,643</u>

* Includes administrative costs

B. EMPLOYEES' RETIREMENT PLAN

All eligible Sheboygan County employees participate in the Wisconsin Retirement System (“WRS”), a cost-sharing, multiple-employer, defined benefit, public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupation with Social Security, and 3.2% for Protective without Social

Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Sheboygan County employees covered by the system for the year ended December 31, 2009, was \$41,556,307; the employer's total payroll was \$43,028,299. The total required contribution for the year ended December 31, 2009 was \$4,452,738 or 10.7 percent of covered payroll. Of this amount, 100 percent was contributed by the County for the current year. Total contributions for the years ending December 31, 2008 and 2007 were \$4,330,666 and \$4,446,656 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials, 54 for protective occupation employees with less than 25 years of service and 53 for protective occupation employees with more than 25 years of service) 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 years earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

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

C. PROPERTY TAX LEVY LIMIT

Wisconsin Act 25 imposed a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period effective July 27, 2005. Subsequent legislation extended the levy limit through 2010. The current law limits the increase in the maximum allowable tax levy to the greater of the percentage change in the County's January 1 equalized value as a result of net new construction or 3% per year in both 2009 and 2010 budget years. The actual limit for the County for the 2009 budget was 3.0%. Debt service for debt authorized after July 1, 2005 is exempt from the levy limit. In addition, the Act allows the limit to be adjusted for the increase in debt service authorized prior to July 1, 2005 and in certain other situations.

D. LITIGATION

From time to time, the County is party to various pending 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 or results of operation.

E. CONTINGENCIES AND COMMITMENTS

The County has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. County management believes such disallowances, if any, would be immaterial.

G. COMMITMENTS RELATED TO SALE OF NURSING HOME

The County sold the assets of Sunny Ridge Health Care and Rehabilitation Center, an enterprise fund of the County, on April 30, 2007 for \$1,100,000, which included notes payable due the County for \$800,000 payable over the next 8 years. The note balance at December 31, 2009 is \$730,918. The net effect of the sale transaction was a book loss on disposal of \$2,580,988. The Asset Purchase and Sale Agreement with the buyer included provisions for Sheboygan County to provide ongoing operating subsidies of \$666,667 for 2009, \$466,667 for 2010, \$233,333 for 2011 and \$100,000 for 2012.

H. OTHER POSTEMPLOYMENT BENEFITS

The County's group health insurance plan provides coverage to active employees and retirees at blended premium rates. This results in an other postemployment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year:

Annual required contribution	\$1,116,328
Interest on OPEB Obligation	32,376
Adjustment to annual required contribution	<u>(45,007)</u>
Annual OPEB cost	\$1,103,697
Contributions made	<u>(272,000)</u>
Increase in net OPEB obligation	\$831,697
Net OPEB Obligation – Beginning of Year	<u>809,389</u>
Net OPEB Obligation – End of Year	<u>\$ 1,641,086</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

<u>Fiscal Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$1,059,389	23.60%	\$809,389
2009	1,103,697	24.64%	1,641,086

As of December 31, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$10,188,796, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,188,796.

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events for into the future. Examples include assumptions about future employment mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the Unit Credit Method was used. The actuarial assumptions included a 4 percent investment rate of return. For purposes of this valuation, costs through full eligibility age for the benefits provided have been accrued. The plan's unfunded actuarial accrued liability is being amortized over 30 years.

I. SUBSEQUENT EVENT

On March 16, 2010 the County Board authorized the issuance of Taxable General Obligation Promissory Notes (Build American Bonds) and (Recovery Zone Economic Development Bonds), dated April 6, 2010 in the amount of \$3,815,000 and \$4,185,000 respectively to finance part of the cost of capital improvements within the County.

On April 30, 2010 the County sold 228.96 acres of land commonly referred to as the Bock Farm to a private individual for \$909,947. Additionally, the County completed the sale of the Sunny Ridge North Building and the remaining land to a private party for \$220,095.

REQUIRED SUPPLEMENTAL INFORMATION

County of Sheboygan, WI

Other Postemployment Benefits Plan

Schedule of Funding Progress

For the Year Ended December 31, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Asset</u>	<u>Actuarial Accrued Liability (AAL) Unit Credit Method</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>
12/31/2008	\$ -	\$ 10,188,796	\$ 10,188,796	0%

SUPPLEMENTAL INFORMATION

County of Sheboygan, WI

Statement of Net Assets Internal Service Funds December 31, 2009

Governmental Activities - Internal Service Funds

	Employee Benefits & Insurance	Information Systems & Printing	Highway	Total
Assets				
Current Assets				
Cash & Investments	\$8,300,111	\$789,122		\$9,089,233
Receivables (net)	3,209	342	4,539,073	4,542,624
Due From External Parties		551	908,208	908,759
Prepays & Inventory	418,893	500,841	1,354,756	2,274,490
Total current assets	8,722,213	1,290,856	6,802,037	16,815,106
Noncurrent Assets				
Capital assets:				
Land			1,029,529	1,029,529
Property, Plant and Equipment	45,477	9,981,653	24,887,876	34,915,006
Accumulated Depreciation	(45,477)	(8,500,014)	(17,013,769)	(25,559,260)
Total noncurrent assets		1,481,639	8,903,636	10,385,275
Total Assets	8,722,213	2,772,495	15,705,673	27,200,381
Liabilities				
Current Liabilities				
Accounts Payable	2,522	27,360	121,277	151,159
Due to Other Funds			128,778	128,778
Accrued Compensation		45,594	396,302	441,896
Deferred Revenue			4,556,400	4,556,400
	2,522	72,954	5,202,757	5,278,233
Noncurrent Liabilities				
Due Within One Year		10,300		10,300
Due In More Than One Year		276,513	287,765	564,278
Insurance and Other Reserves	8,637,184			8,637,184
	8,637,184	286,813	287,765	9,211,762
Total Liabilities	8,639,706	359,767	5,490,522	14,489,995
Net Assets				
Invested in Capital Assets		1,481,639	8,903,636	\$10,385,275
Unrestricted	82,507	931,089	1,311,515	\$2,325,111
Total Net Assets	\$82,507	\$2,412,728	\$10,215,151	\$12,710,386

Sheboygan County, WI

Statement of Revenues, Expenses, and

Changes in Fund Net Assets

Internal Service Funds

For the Year Ended December 31, 2009

Governmental Activities - Internal Service Funds

	<i>Employee Benefits & Insurance</i>	<i>Information Systems & Printing</i>	<i>Highway</i>	<i>Total</i>
Operating Revenues				
Charges for services	\$	\$7,701	\$18,076	\$25,777
Intergovernmental charges for services		27,911	4,889,158	4,917,069
Licenses and permits		5,400		5,400
Interdepartmental revenue	13,675,419	2,291,575	1,926,910	17,893,904
Miscellaneous operating revenue	528,175	45,552	301,312	875,039
Total Operating Revenues	14,203,594	2,378,139	7,135,456	23,717,189
Operating Expenses				
Personnel Related	13,200,880	1,008,641	6,812,241	21,021,762
Purchased Services	525,156	477,474	967,161	1,969,791
Repairs & Maintenance	6,877	249,805	812,629	1,069,311
General Operating	576,889	132,977	4,235,096	4,944,962
Interdepartmental Expenses	796	247,091	2,516,110	2,763,997
Depreciation		440,647	1,009,253	1,449,900
Total Operating Expenses	14,310,598	2,556,635	16,352,490	33,219,723
Operating income (loss)	(107,004)	(178,496)	(9,217,034)	(9,502,534)
Nonoperating revenues (expenses)				
Intergovernmental contracts/grants			3,121,271	3,121,271
Property tax appropriation			4,585,025	4,585,025
Rental Income			1,837	1,837
Gain (loss) on disposal of capital assets		69	(75,772)	(75,703)
Total nonoperating revenues (expenses)		69	7,632,361	7,632,430
Income (loss) before contributions and transfers	(107,004)	(178,427)	(1,584,673)	(1,870,104)
Transfers In		5,532	93,711	99,243
Change in net assets	(107,004)	(172,895)	(1,490,962)	(1,770,861)
Total Net Assets - Beginning	189,511	2,571,959	11,608,641	14,370,111
Total Net Assets - Ending	\$82,507	\$2,399,064	\$10,117,679	\$12,599,250

County of Sheboygan, WI

Statement of Cash Flows

Internal Service Funds

For the Year Ended December 31, 2009

Governmental Activities - Internal Service Funds

	<i>Employee Benefits & Insurance</i>	<i>Information Systems & Printing</i>	<i>Highway</i>	<i>Total</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 520,696	\$ 35,656	\$ 4,865,639	\$ 5,421,991
Receipts from interfund services provided	13,675,419	2,291,575	1,926,910	17,893,904
Other operating cash receipts	6,507	50,952	301,312	358,771
Payments to suppliers	(1,107,272)	(856,765)	(6,042,748)	(8,006,785)
Other sources (uses) of cash	(537,938)	(209,973)	230,678	(517,233)
Payments to employees	(13,200,880)	(973,299)	(6,757,507)	(20,931,686)
Payments for interfund services used	(796)	(247,091)	(2,516,110)	(2,763,997)
Net cash provided (used) by operating activities	<u>(644,264)</u>	<u>91,055</u>	<u>(7,991,826)</u>	<u>(8,545,035)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental contracts/grants			3,121,271	3,121,271
Property tax appropriation received			4,585,025	4,585,025
Transfer in		5,532	93,711	99,243
Net cash provided by noncapital financing activities		<u>5,532</u>	<u>7,800,007</u>	<u>7,805,539</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of equipment		69		69
Purchases of capital assets		(178,858)	(1,098,055)	(1,276,913)
Net cash provided (used) by capital and related financing activities		<u>(178,789)</u>	<u>(1,098,055)</u>	<u>(1,276,844)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Rental income			1,837	1,837
Net cash provided by investing activities			<u>1,837</u>	<u>1,837</u>
Net increase (decrease) in cash and cash equivalents	<u>(644,264)</u>	<u>(82,202)</u>	<u>(1,288,037)</u>	<u>(2,014,503)</u>
Cash and cash equivalents - January 1	8,944,375	871,324	1,288,037	11,103,736
Cash and cash equivalents - December 31	<u>\$ 8,300,111</u>	<u>\$ 789,122</u>	<u>\$ -</u>	<u>\$ 9,089,233</u>

**Reconciliation of operating income
(loss) to net cash provided (used)
by operating activities:**

Operating income (loss)	\$ (107,004)	\$ (178,496)	\$ (9,217,034)	\$ (9,502,534)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation (net of amortization)		440,647	1,009,253	1,449,900
Changes in assets and liabilities:				
Accounts receivable	(972)	38	(41,595)	(42,529)
Due from other governments		292	592,209	592,501
Inventories and prepayments	(125,383)	(210,259)	(373,060)	(708,702)
Accounts payable and accrued expenses	(410,905)	3,491	(27,862)	(435,276)
Due to other funds			128,778	128,778
Due to other governments			(117,248)	(117,248)
Compensated absences payable		35,342	54,733	90,075
Net cash provided (used) by operating activities	<u>\$ (644,264)</u>	<u>\$ 91,055</u>	<u>\$ (7,991,826)</u>	<u>\$ (8,545,035)</u>

**Noncash investing, capital and
financing activities**

County of Sheboygan, WI

Schedule of Changes in Assets and Liabilities

Fiduciary Funds

For the Year Ended December 31, 2009

	Clerk of Courts Trust	Jail Inmates Trust	Sheriff General Trust	Treasurer Trust Account	UW Extension Trust Account	Land & Water Trust Account	Patient Trust - Rocky Knoll	Total
ADDITIONS								
Cash and investments	\$ 4,693,775	\$ 899,438	\$ 242,610	\$ 1,611,825	\$ 45,527	\$ 2,856	\$ 98,228	\$ 7,594,259
Receivables								\$ -
Total additions	<u>\$ 4,693,775</u>	<u>\$ 899,438</u>	<u>\$ 242,610</u>	<u>\$ 1,611,825</u>	<u>\$ 45,527</u>	<u>\$ 2,856</u>	<u>\$ 98,228</u>	<u>\$ 7,594,259</u>
DEDUCTIONS								
Deposits	\$ 4,790,552	\$ 906,176	\$ 240,291	1,587,591	\$ 45,005	\$ 3,312	\$ 126,086	\$ 7,699,013
Due to other governments								\$ -
Total deductions	<u>4,790,552</u>	<u>906,176</u>	<u>240,291</u>	<u>1,587,591</u>	<u>45,005</u>	<u>3,312</u>	<u>126,086</u>	<u>7,699,013</u>
Net increase (decrease)	(96,777)	(6,738)	2,319	24,234	522	(456)	(27,858)	(104,754)
Total Net Assets - Beginning	<u>714,132</u>	<u>36,984</u>	<u>446</u>	<u>1,513,238</u>	<u>25,908</u>	<u>3,181</u>	<u>63,851</u>	<u>2,357,740</u>
Total Net Assets - Ending	<u>\$ 617,355</u>	<u>\$ 30,246</u>	<u>\$ 2,765</u>	<u>\$ 1,537,472</u>	<u>\$ 26,430</u>	<u>\$ 2,725</u>	<u>\$ 35,993</u>	<u>\$ 2,252,986</u>