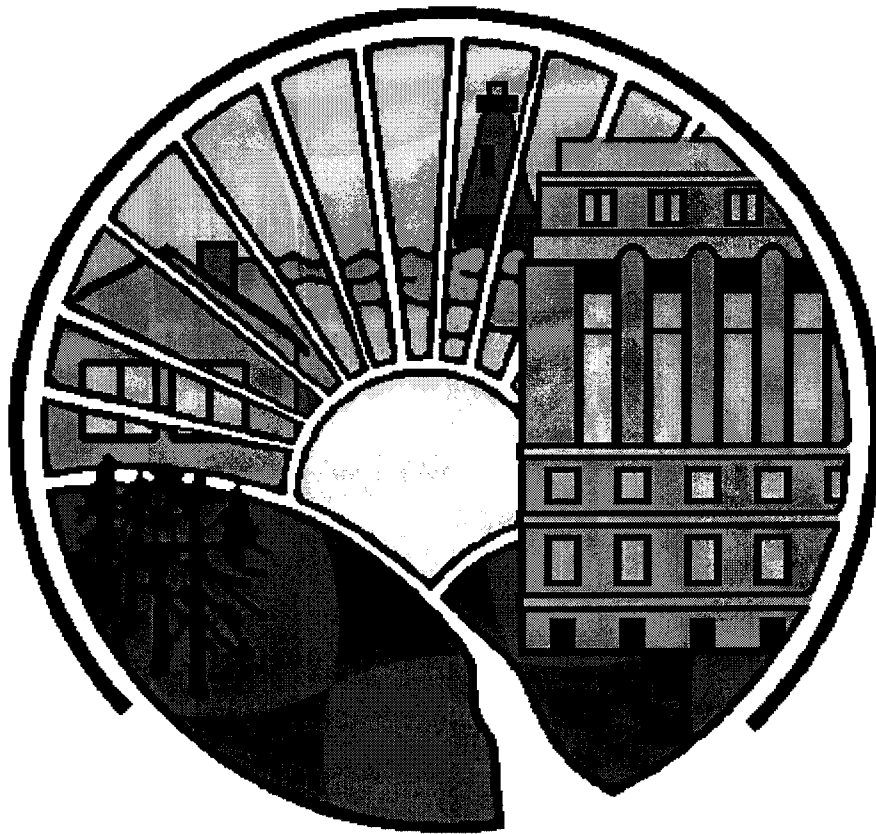


**ANNUAL FINANCIAL REPORT  
OF THE  
COUNTY OF SHEBOYGAN  
FOR THE YEAR ENDED  
DECEMBER 31, 2011**



**SHEBOYGAN, WISCONSIN**

ANNUAL FINANCIAL REPORT  
OF THE  
COUNTY OF SHEBOYGAN, WISCONSIN  
FOR THE YEAR ENDED  
DECEMBER 31, 2011

PREPARED BY:  
THE FINANCE DEPARTMENT

**COUNTY OF SHEBOYGAN, WISCONSIN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2011**

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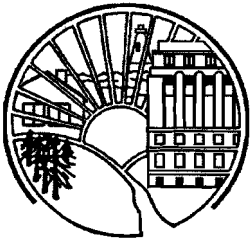
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## **INTRODUCTORY SECTION**



# SHEBOYGAN COUNTY

**Terry A. Hanson**  
*Finance & Information Technology Director*

**Mary Wegmann**  
*Deputy Finance Director*

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July 18, 2012

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, 2011 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, 2011. 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 supplemental information section** contains additional financial information for the Internal Service Funds and Fiduciary Funds.

### ***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 25 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 experienced very modest gains in equalized value over the past five years of .33%; equalized valuation (TID's out) of \$8,547,306,000 in 2007 to \$8,575,432,000 in 2011. The population, as estimated is 115,569 with a per capita household income of \$51,127 (as reported by the US Census Bureau – 2010 Census).



As with most areas of the country, Sheboygan County has been affected by the recent economic downturn. The December unemployment rate was 6.4% (as reported by the Wisconsin Department of Workforce Development). The County continues to have a diversified work force. Kohler Company and Bemis Manufacturing are international leaders in their respective industry sectors. Sargento Foods and Johnsonville Sausage are likewise nationally-respected firms as is Acuity Mutual Insurance. Kohler Company 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. Whistling Straits hosted the senior PGA golf tournament in August of 2010 and the LPGA tournament was hosted at Black Wolf Run in early July of 2012.

### ***Long-term Planning***

Sheboygan County maintains a fund balance policy which restricts the unassigned fund balance to between five and ten percent of the budgeted expenditures for the upcoming budget year.

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 2012 includes major development at the County airport and various infrastructure projects at Highway and Information Technology to name a few.

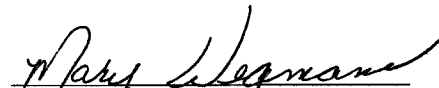
Discretionary program evaluations and prioritizations (PEPC) were completed in May of 2009 and will be a valuable tool during the challenging budgeting process ahead. Operational studies have been completed at the Health Care Centers, the Department of Health & Human Services, the Sheriff's Department, Highway Department, Child Support and Information Systems. Departments scheduled for review for 2012 include the Clerk of Courts and Human Resources. These studies have proved to be a valuable tool to maximize operational efficiencies.

### ***Acknowledgements***

We would like to express our sincere appreciation to all staff who assisted with the preparation for the 2011 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 & Information Technology Director

  
\_\_\_\_\_  
Mary A. Wegmann  
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

\*District Attorney ..... Joe R. DeCecco

Finance/Information Technology..... Terry A. Hanson

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

Health Care Centers..... Jennifer A. Rohrbeck

Highway ..... Greg Schnell

Human Resources ..... Michael J. Collard

Planning & Conservation..... Aaron Brault

\*Register of Deeds..... Ellen Schleicher

\*Sheriff..... Todd W. Priebe

\*Treasurer..... Laura M. Henning-Lorenz

University of Wisconsin-Extension ..... Tina Kohlman  
Sarah Tarjeson

\*\*\*University of Wisconsin-Sheboygan ..... Paul Chase

Veteran's Service..... Charlene Cobb

\* Elected Position

\*\* Contracted Employee

\*\*\*State Employee

**OFFICIALS OF THE COUNTY OF SHEBOYGAN, WISCONSIN**

**COUNTY BOARD OF SUPERVISORS**

**BOARD YEAR 2012 - 2014**

**(Term Expires April, 2014)**

Chairperson ..... Roger L. Te Stroete  
Vice-Chairperson..... Thomas G. Wegner

**ELECTED**

**EXECUTIVE COMMITTEE**

Roger L. Te Stroete, Chairperson  
Thomas G. Wegner, Vice-Chairperson  
William C. Goehring, Secretary

Peggy Feider  
George Marthenze

**APPOINTED**

**FINANCE COMMITTEE**

William C. Goehring, Chairperson  
Gregory S. Weggeman, Vice-Chairperson  
Thomas G. Wegner, Secretary

Devin LeMahieu  
Michael J. Vandersteen

**HEALTH & HUMAN SERVICES COMMITTEE**

Peggy Feider, Chairperson  
Kris Wheeler, Vice-Chairperson  
Vernon C. Koch, Secretary  
Brian C. Hoffmann  
Roger R. Otten

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

HEALTH CARE CENTERS COMMITTEE

Roger R. Otten, Chairperson  
Charles W. Conrardy, Vice-Chairperson  
Al Bosman, Secretary

Richard C. Bemis  
Brian C. Hoffmann

HUMAN RESOURCES COMMITTEE

Devin LeMahieu, Chairperson  
Fran Damp, Vice-Chairperson  
George Marthenze, Secretary

Keith Abler  
Edward J. Procek

LAW COMMITTEE

Thomas V. Epping, Chairperson  
Michael J. Vandersteen, Vice-Chairperson  
Mark S. Winkel, Secretary

Vernon Koch  
Michael S. Ogea

PLANNING, RESOURCES, AGRICULTURE & EXTENSION COMMITTEE

Michael S. Ogea, Chairperson  
Keith Abler, Vice-Chairperson  
Al Bosman, Secretary

James A. Baumgart  
Fran Damp  
Michael Rammer (\*)

PROPERTY COMMITTEE

Edward J. Procek, Chairperson  
James P. Glaven, Vice-Chairperson  
Thomas V. Epping, Secretary

Peter Salm  
Kris Wheeler

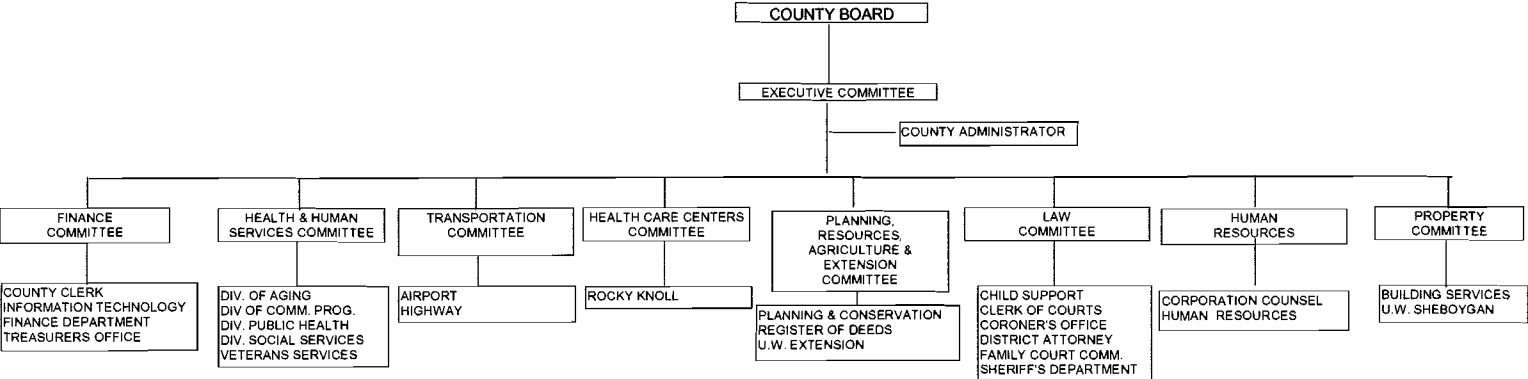
TRANSPORTATION COMMITTEE

Richard C. Bemis, Chairperson  
Mark S. Winkel, Vice-Chairperson  
Charles Conrardy, Secretary

James P. Glaven  
Jacob Van Dixhorn

(\*) Not a County Board Member

**COUNTY OF SHEBOYGAN, WISCONSIN  
ORGANIZATIONAL CHART**





**Schenck**  
SC

CPAs AND SO MUCH MORE.

**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

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 Sheboygan County, Wisconsin ("the County") as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sheboygan County, Wisconsin'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the 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.

As described in Note 1.C., the County has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and the schedule of employer contributions on pages 10 through 19 and 61 through 62 be presented to supplement the basic financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section and the financial information listed in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

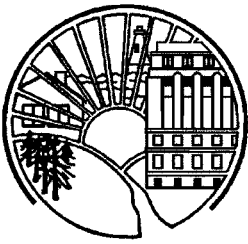


Certified Public Accountants  
Green Bay, Wisconsin  
July 16, 2012

## **FINANCIAL SECTION**



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# SHEBOYGAN COUNTY

**Terry Hanson**  
*Finance & Information Technology Director*

**Mary Wegmann**  
*Deputy Finance Director*

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## 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, 2011. 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 2011 by \$118 million (*net assets*). Of this amount, \$15 million (*unrestricted net assets*) may be used to meet ongoing obligations to citizens and creditors, \$2 million is restricted for specific purpose (*restricted net assets*), and \$102 million is invested in capital assets, net of related debt.
- The County's total net assets increased by \$4,774,522.

#### *Governmental Activities*

- In total, revenues exceeded expenses by \$8.1 million on a government-wide basis.
- General revenues and transfers for governmental activities were \$52.9 million. Of this amount, approximately 83% (\$44.1 million) was attributable to property taxes.
- Program revenues for governmental activities were \$42 million. Of this amount, \$28.4 million or 67.5% was attributable to operating grants and contributions. Charges for services accounted for \$11.5 million or 27.5%. Capital contributions were \$2 million or 5% of program revenues.
- Total expenses for governmental activities amounted to \$87 million. General Government accounted for \$17.7 million or 20.5% of the total; Public Safety \$17.2 million or 19.6%; Public Works \$16.8 million or 19.3%; Public Health & Human Services \$30.6 million or 35.2%; Resources & Development \$3 million or 3.4%; Education \$0.6 million or about 0.7% and interest on long-term debt \$1.1 million or 1.3%.

#### *Business-Type Activities (Health Care Centers)*

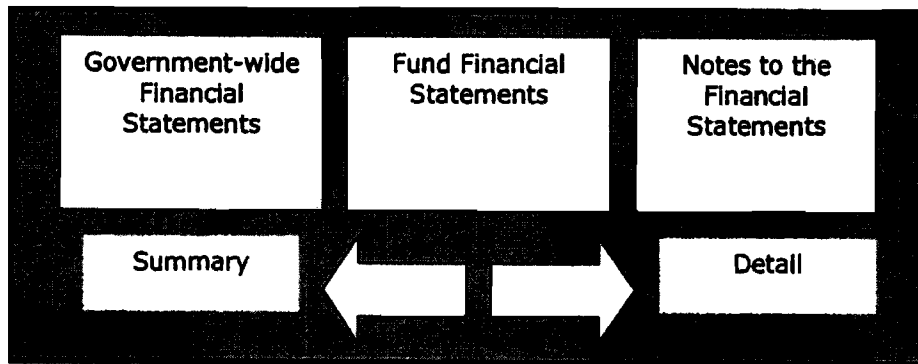
- In total, expenses exceeded revenues by \$3.3 million.
- General revenues for business-type activities were \$1.3 million. Of this amount, approximately 99% or \$1.3 million was attributable to property taxes.
- Program revenues for business-type activities were \$13 million. Of this amount, \$1.4 million or 11% was attributable to operating grants and contributions while charges for services accounted for \$11.6 million or 89%.
- Total expenses for business-type activities amounted to \$16.4 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*.

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

*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 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 6 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 and public safety special revenue funds are reported as a non-major funds.

*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 general insurance and phones; and for the financing of information technology and printing 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's 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. These schedules can be found in the Basic Financial Statements. The required supplemental information section presents schedules detailing the County's funding progress and employee contributions for other postemployment benefits and internal service funds included with the governmental activities on the Government-Wide statements.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

<b>Net Assets</b>						
December 31, 2011 and 2010						
(Amounts expressed in \$1,000)						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>						
Current and other assets	\$ 96,156	\$ 114,296	\$ 2,268	\$ 6,217	\$ 98,424	\$ 120,513
Capital assets	113,732	110,006	9,083	9,651	122,815	119,657
<b>Total Assets</b>	<b>209,888</b>	<b>224,302</b>	<b>11,351</b>	<b>15,868</b>	<b>221,239</b>	<b>240,170</b>
<b>Liabilities:</b>						
Non-current liabilities	46,897	51,405	1,979	2,271	48,876	53,676
Other liabilities	52,798	70,778	1,349	2,274	54,147	73,052
<b>Total Liabilities</b>	<b>99,695</b>	<b>122,183</b>	<b>3,328</b>	<b>4,545</b>	<b>103,023</b>	<b>126,728</b>
<b>Net Assets:</b>						
Invested in capital assets						
net of related debt	93,177	88,965	9,083	9,651	102,260	98,616
Restricted	1,994	757			1,994	757
Unrestricted (Deficit)	15,022	12,397	(1,060)	1,672	13,962	14,069
<b>Total Net Assets</b>	<b>\$ 110,193</b>	<b>\$ 102,119</b>	<b>\$ 8,023</b>	<b>\$ 11,323</b>	<b>\$ 118,216</b>	<b>\$ 113,442</b>

**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 \$118 million at the close of fiscal year 2011. At the end of fiscal year 2011 the County had positive balances in all three categories of net assets.

The largest portion of the County's net assets (86.5%) reflects its investment of \$102 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 \$15 million (13%) that may be used to meet the government's ongoing obligations to citizens and creditors. The remaining portion of the County's net assets, \$2 million (1.8) 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, 2011 and 2010  
(Amounts expressed in \$1,000)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 11,543	\$ 8,578	\$ 11,641	\$ 12,161	\$ 23,184	\$ 20,739
Operating grants & contributions	28,396	27,226	1,403	1,156	29,799	28,382
Capital contributions	2,042	3,308		44	2,042	3,351
Total program revenues	41,981	39,112	13,044	13,361	55,025	52,472
General revenues:						
Property tax	44,053	41,873	1,327	2,354	45,380	44,227
Interest	1,554	1,237		50	1,554	1,287
Other taxes	7	13			7	13
Other	6,076	6,428	10	76	6,086	6,504
Total general revenues	51,690	49,551	1,337	2,480	53,027	52,031
<b>Total Revenues</b>	<b>93,671</b>	<b>88,663</b>	<b>14,381</b>	<b>15,841</b>	<b>108,052</b>	<b>104,503</b>
<b>Expenses:</b>						
General government	17,749	11,980			17,749	11,980
Public safety	17,060	19,067			17,060	19,067
Public works	16,819	15,599			16,819	15,599
Public health and human services	30,562	32,133			30,562	32,133
Education	572	1,372			572	1,372
Resources & development	2,975	2,669			2,975	2,669
Interest on long-term debt	1,091	1,417			1,091	1,417
Health care centers			16,450	17,487	16,450	17,487
<b>Total Expenses</b>	<b>86,828</b>	<b>84,237</b>	<b>16,450</b>	<b>17,487</b>	<b>103,278</b>	<b>101,724</b>
Excess(deficiency) before transfers	6,843	4,426	(2,069)	(1,646)	4,774	2,779
Transfers	1,231	1,642	(1,231)	(1,642)		
Special Item - Loss on sale of capital				(777)		(777)
<b>Change in net assets</b>	<b>8,074</b>	<b>6,068</b>	<b>(3,300)</b>	<b>(4,065)</b>	<b>4,774</b>	<b>2,002</b>
Net assets at beginning of year	102,119	96,051	11,323	15,388	113,442	111,439
<b>Net assets at end of year</b>	<b>\$ 110,193</b>	<b>\$ 102,119</b>	<b>\$ 8,023</b>	<b>\$ 11,323</b>	<b>\$ 118,216</b>	<b>\$ 113,441</b>

**Analysis of Changes in Net Assets**

The County's total net assets, on a government-wide basis, increased by \$4.8 million during the current fiscal year.

**Governmental activities**

Governmental activities increased the County's net assets by \$8.1 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 outside the County and are generally

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

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 and 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 2011, total revenue for the governmental activities, not including transfers from the business-type activities, was approximately \$93.6 million.

Expenses

Total expenses for governmental activities (not including transfers) were \$87 million. The majority of these expenses were spent for Public Health & Human Services, Public Works and Public Safety. Of the total expenses, approximately \$44.1 million, or 51%, were ultimately financed by property taxes.

Transfers

Transfers from business-type activities to governmental activities totaled \$1.2. These transfers increased net assets.

**Business-type Activities**

Business-type activities decreased the County's net assets by approximately \$3.3 million.

Revenue

The County had only one business-type entity remaining at December 31, 2011: Rocky Knoll Health Care Center. Sunny Ridge Health Care Center was sold in June of 2010. The remaining assets were transferred to the General Fund in March of 2011. At December 31, 2011, the total revenues for the business-type activities were \$14.4 million. 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 2011, the business-type activities reported total operating expenses of \$16.5 million. The program revenues (charges for services and operating grants and contributions) and miscellaneous general revenue financed 79% of the expense with budgeted tax levy of \$1.3 million and the loss of \$3.3 million making up the difference.

Transfers

Transfers from business-type activities to governmental activities totaled \$1.2. These transfers out decreased 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**

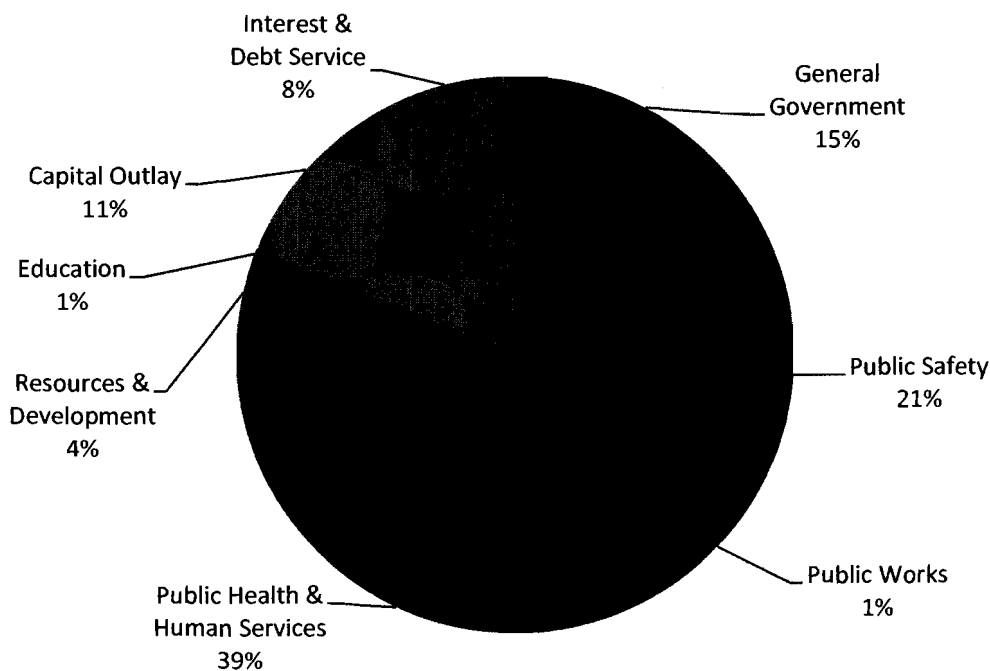
**Governmental Funds**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, assigned and unassigned fund balance may serve as a useful measure of a government's net resources available for disbursement 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 and Public Safety Special Revenue Funds.

As of the end of the current fiscal year, the County's governmental funds reported the combined ending fund balance of \$24.5 million, a decrease of \$916 thousand in comparison with the prior year. Approximately \$13.6 million of this total amount constitutes assigned and unassigned fund balance that is available for spending and the County's discretion. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending because it has already been committed for the following

- 1) for various individual fund commitments approved by the County Board of \$197,284,
- 2) for prepayments that benefit periods beyond the end of the current year of \$191,610,
- 3) for non-liquid delinquent taxes of \$3,697,709,
- 4) for various individual funds restricted for jail and land records improvements of \$9,884 and \$440,014 respectively
- 5) for payment of principal and interest of \$46,471,
- 6) for economic development of \$837,260 and
- 7) for capital project expenditure of \$5,570,535.

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





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

GENERAL FUND

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, assigned fund balance was \$491,373 and unassigned fund balance was \$12,053,878 while total fund balance was \$16,986,203. As a measure of the General Fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to total fund expenditures. Assigned and unassigned fund balance of \$12,545,251 represents 36% of total general fund expenditures, while total fund balance of \$16,986,203 represents 49% of that same amount.

During the current year, the County's General fund balance increased by \$5,790,388. Performance was better than expected because of the following:

- delay of non-motorized transportation projects
- gain on mark to market of investments
- interest and penalty on taxes
- employee contribution to retirement
- decreased software maintenance costs
- decreased food preparation costs
- utility cost savings
- unspent contingency funds
- transfer from other funds, mainly due to the closure of Sunny Ridge Nursing Home and transfer of equity to the general fund and a one-time transfer from Public Health & Human Services.

PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND

The Public 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 2011 expenditures for this fund were \$29.8 million or 39% of all governmental expenditures. The primary source of support is intergovernmental revenue, providing \$15 million or 50% of the revenue needed to support the programs. Charges for services and other revenue provided \$2.8 million in revenue or 9% of total expenditures. The remaining support needed was provided by tax levy of \$13.5 million or 45% of total expenditures.

Resolution 17 (adopted 1/24/2012) authorized and directed the Finance Committee and Finance Director to make a one-time transfer of sums from the Health & Human Services fund balance to the County's general fund balance. The fund balance remaining after the transfer of \$3,780,902 is \$1,095,549. \$4,514 of this fund balance is non-spendable and \$1,091,035 is assigned.

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 fund financial statements provide information for both Rocky Knoll Health Care Center and Sunny Ridge. Sunny Ridge financial information for 2011 provides results on the transfer of the remaining financial assets to the General Fund. 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.

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

*Rocky Knoll*

Total operating expenses in 2011 were \$16.5 million, compared to \$16.7 million for 2010. Operating revenues were \$11.6 million compared to \$12.1 million in 2010. Rocky Knoll's net assets decreased by \$2.1 in 2011. Budgeted tax levy in 2011 was \$1.3 million.

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

- Health care services revenue continues to decline due to low census.
- Unexpected repairs of elevator and chiller
- Tax levy support decreased \$530,189 or 29% from 2010.

**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.

**Capital Assets and Debt Administration**

**Capital Assets**

At December 31, 2011, the County's capital assets for both the governmental and business-type activities amounted to \$122.8 million, net of accumulated depreciation of \$132 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 2011, (not reduced for grants or other offsetting reimbursements):

**Governmental Activities**

- \$1.8 million for improvements at the Sheboygan County airport
- \$4.4 million for road improvements
- \$1. Million for Computer Aided Dispatch and Record Management Software (CAD/RMS), mobile squad system replacement and intercom system replacement at the detention
- \$100 thousand for Sheboygan River clean-up
- \$160 thousand for voice/data conversion at Rocky Knoll Health Care Center
- \$338 thousand for general building improvements (A/C unit replacements, roof replacements, courthouse generator and upgrade of fuel tanks)

**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 completion of 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, 2011, the County had total long-term obligations outstanding of \$40.5 million. Of this amount \$29.8 million pertains to general obligation bonds (\$5.4 million due within one year). The remainder relates to insurance and other reserves, compensated absences and other postemployment plans.

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

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch IBCA, Duff &amp; Phelps</u>
General Obligation Bonds	Aa1	Not Rated	Not Rated

This Aa1 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. 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, 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

Government-Wide

Governmental  
Activities

Business-Type  
Activities

Total

December 31, 2011

### Assets

#### Current Assets

Cash & Investments	\$36,809,912	\$19,265	\$36,829,177
Receivables (net)	52,054,346	1,953,112	54,007,458
Due From External Parties	2,802,814	626,775	3,429,589
Internal Balances	383,172	(383,172)	
Prepays & Inventory	2,387,245	52,292	2,439,537
	<u>94,437,489</u>	<u>2,268,272</u>	<u>96,705,761</u>

#### Noncurrent Assets

Long Term Receivables	1,428,576		1,428,576
Debt Discount/Premiums	290,344		290,344
	<u>1,718,920</u>		<u>1,718,920</u>

#### Capital Assets

Land	8,648,490	31,750	8,680,240
Property, Plant and Equipment	125,932,207	20,899,057	146,831,264
Infrastructure	93,105,485		93,105,485
Construction in Progress	5,978,912		5,978,912
Accumulated Depreciation	(119,933,105)	(11,847,391)	(131,780,496)
	<u>113,731,989</u>	<u>9,083,416</u>	<u>122,815,405</u>
<b>Total Assets</b>	<u>209,888,398</u>	<u>11,351,688</u>	<u>221,240,086</u>

### Liabilities

#### Current Liabilities

Accounts/ Interest Payable	3,689,320	252,238	3,941,558
Accrued Liabilities	2,967,262		2,967,262
Accrued Compensation	1,121,358	410,610	1,531,968
Deposits	192,484		192,484
Unearned Revenue	44,827,288	686,512	45,513,800
	<u>52,797,712</u>	<u>1,349,360</u>	<u>54,147,072</u>

#### Noncurrent Liabilities

Due Within One Year	5,764,713	3,461	5,768,174
Due In More Than One Year	32,741,041	1,975,993	34,717,034
Insurance and Other Reserves	8,118,864		8,118,864
Unamortized Bond Prem/Disc	272,430		272,430
	<u>46,897,048</u>	<u>1,979,454</u>	<u>48,876,502</u>
<b>Total Liabilities</b>	<u>99,694,760</u>	<u>3,328,814</u>	<u>103,023,574</u>

### Net Assets

Invested in Capital Assets, Net of Related Debt	93,176,697	9,083,416	102,260,113
Restricted For:			
Debt Service	46,471		46,471
Land Records	440,014		440,014
Jail Assessment	9,884		9,884
Community Development	1,498,927		1,498,927
Unrestricted (Deficit)	15,021,645	(1,060,542)	13,961,103
<b>Total Net Assets</b>	<u>\$110,193,638</u>	<u>\$8,022,874</u>	<u>\$118,216,512</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, 2011

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Change in Net Assets</u>		
	<u>Expenses</u>	<u>Charges</u>	<u>Operating</u>	<u>Capital</u>	<u>Primary Government</u>		
		<u>for</u>	<u>Grants and</u>		<u>Contributions</u>	<u>Governmental</u>	<u>Business-Type</u>
	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>	<u>Activities</u>		
<b>Primary Government</b>							
<i>Governmental Activities:</i>							
General Government	\$17,748,837	\$2,095,213	\$2,260,004	\$1,842,554	(\$11,551,066)		(\$11,551,066)
Public Safety	17,060,095	1,610,892	323,495		(\$15,125,708)		(15,125,708)
Public Works	16,819,085	4,383,605	8,087,747	199,072	(\$4,148,661)		(4,148,661)
Public Health and Human Services	30,561,605	2,557,616	16,055,085		(\$11,948,904)		(11,948,904)
Resources and Development	2,975,680	330,756	1,661,303		(\$983,621)		(983,621)
Education	571,804	23,551	8,716		(\$539,537)		(539,537)
Interest on Long-term Debt	1,090,996	541,919			(\$549,077)		(549,077)
	<u>86,828,102</u>	<u>11,543,552</u>	<u>28,396,350</u>	<u>2,041,626</u>	<u>(44,846,574)</u>		<u>(44,846,574)</u>
<i>Business-Type Activities:</i>							
Health Care Centers	16,449,965	11,641,418	1,403,058			(3,405,489)	(3,405,489)
	<u>16,449,965</u>	<u>11,641,418</u>	<u>1,403,058</u>			<u>(3,405,489)</u>	<u>(3,405,489)</u>
<b>Total Primary Government</b>	<b><u>\$103,278,067</u></b>	<b><u>\$23,184,970</u></b>	<b><u>\$29,799,408</u></b>	<b><u>\$2,041,626</u></b>	<b><u>(44,846,574)</u></b>	<b><u>(3,405,489)</u></b>	<b><u>(48,252,063)</u></b>
<b>General Revenues</b>							
<i>Taxes:</i>							
Property taxes, levied for general purposes					38,328,771	1,326,804	39,655,575
Property Taxes, levied for debt service					5,724,477		5,724,477
Other Taxes					7,076		7,076
Grants and Contributions Not Restricted to Specific Programs					4,214,032		4,214,032
Investment Earnings Not Related to Specific Programs					1,554,790	206	1,554,996
Gain on disposal of capital assets					194,597		194,597
Miscellaneous					1,666,239	9,593	1,675,832
Transfers (net)					1,231,015	(1,231,015)	
Total general revenues and transfers					<u>52,920,997</u>	<u>105,588</u>	<u>53,026,585</u>
<b>Changes in Net Assets</b>							
					<u>8,074,423</u>	<u>(3,299,901)</u>	<u>4,774,522</u>
<b>Net Assets - Beginning</b>					<u>102,119,215</u>	<u>11,322,775</u>	<u>113,441,990</u>
<b>Net Assets - Ending</b>					<u>\$110,193,638</u>	<u>\$8,022,874</u>	<u>\$118,216,512</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, 2011

*Major Funds*

	<i>Major Funds</i>				<i>Other</i>	<i>Total</i>
	<i>Public Health</i>	<i>Debt</i>	<i>Capital</i>	<i>Governmental</i>	<i>Total</i>	
	<i>and Human</i>	<i>Service</i>	<i>Projects</i>	<i>Fund</i>	<i>Governmental</i>	
	<i>Services</i>				<i>Funds</i>	
	<i>General</i>					
<b>Assets</b>						
Cash & Investments	\$19,829,407	\$1,741,881		\$5,529,708	\$854,393	\$27,955,389
Receivables, net	28,812,681	13,703,472	5,681,302			48,197,455
Due From Other Funds	86,639					86,639
Due From Other Govt	1,283,226	879,095	69,783	40,827		2,272,931
Prepays & Inventory	187,096	4,514				191,610
Long Term Receivables, net					661,667	661,667
<b>Total Assets</b>	<b>\$50,199,049</b>	<b>\$16,328,962</b>	<b>\$5,751,085</b>	<b>\$5,570,535</b>	<b>\$1,516,060</b>	<b>\$79,365,691</b>
<b>Liabilities &amp; Fund Balances</b>						
Accounts Payable	\$ 2,516,054	\$ 195,073			\$ 1,600	\$ 2,712,727
Accrued Liabilities	2,328,152	1,308,293				3,636,445
Due to Other Funds			23,312			23,312
Accrued Compensation	4,376,958					4,376,958
Deposits	86,192	88,378				174,570
Deferred Revenue	23,860,715	13,641,669	5,681,302		661,667	43,845,353
Insurance and Other Reserves	44,775					44,775
<b>Total Liabilities</b>	<b>33,212,846</b>	<b>15,233,413</b>	<b>5,704,614</b>		<b>663,267</b>	<b>54,814,140</b>
<b>Fund Balances:</b>						
Nonspendable	3,884,805	4,514				3,889,319
Restricted	449,898		46,471	5,570,535	837,260	6,904,164
Committed	106,249	91,035				197,284
Assigned	491,373	1,000,000			15,533	1,506,906
Unassigned	12,053,878					12,053,878
<b>Total Fund Balances</b>	<b>16,986,203</b>	<b>1,095,549</b>	<b>46,471</b>	<b>5,570,535</b>	<b>852,793</b>	<b>24,551,551</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$50,199,049</b>	<b>\$16,328,962</b>	<b>\$5,751,085</b>	<b>\$5,570,535</b>	<b>\$1,516,060</b>	<b>\$79,365,691</b>

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, 2011

<b>Governmental Fund Balances</b>	<b>\$24,551,551</b>
 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	<b>\$103,971,657</b>
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds	<b>\$3,466,944</b>
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	<b>\$13,470</b>
Receivable or (payable) to a business-type activity due to the lookback adjustment and consolidation of internal service funds	<b>\$383,172</b>
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds	<b>(\$34,289,697)</b>
Internal service fund activities included in governmental activities	<u><b>\$12,096,541</b></u>
 <b>Net assets of governmental activities</b>	 <u><u><b>\$110,193,638</b></u></u>

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, 2011

### Major Funds

#### Public Health and Human Services

#### Debt Service

#### Capital Projects

#### Other Governmental Funds

#### Total Governmental Funds

#### General

### Revenues

Property Taxes	\$20,445,132	\$13,539,682	\$5,724,477			\$39,709,291
Other Taxes	11,321					11,321
Intergovernmental Revenue	7,443,492	14,919,836		3,291,801		25,655,129
Licenses and Permits	375,732	267,078				642,810
Fines, Forfeits and Penalties	347,215					347,215
Public Charges for Services	3,220,786	2,261,654			500	5,482,940
Interest and Other Revenue	3,564,413	251,085	683,504	12,216	454,167	4,965,385
<b>Total Revenues</b>	<b>35,408,091</b>	<b>31,239,335</b>	<b>6,407,981</b>	<b>3,304,017</b>	<b>454,667</b>	<b>76,814,091</b>

### Expenditures

Current:						
General Government	12,249,378					12,249,378
Public Safety	16,897,512					16,897,512
Public Works	425,726					425,726
Public Health and Human Services	1,373,223	29,715,908				31,089,131
Resources and Development	2,693,240				356,063	3,049,303
Education	569,657					569,657
Debt Service:						
Principal			5,390,000			5,390,000
Interest and Other Charges			1,057,895			1,057,895
Capital Outlay	635,820	100,532		8,181,404		8,917,756
<b>Total Expenditures</b>	<b>34,844,556</b>	<b>29,816,440</b>	<b>6,447,895</b>	<b>8,181,404</b>	<b>356,063</b>	<b>79,646,358</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>563,535</b>	<b>1,422,895</b>	<b>(39,914)</b>	<b>(4,877,387)</b>	<b>98,604</b>	<b>(2,832,267)</b>

### Other Financing Sources (Uses)

Capital Leases			84,000	446,904		530,904
Transfers In	5,286,222			7,427	15,533	5,309,182
Transfers Out	(59,369)	(3,780,902)	(84,000)			(3,924,271)
<b>Total Other Financing Sources (Uses)</b>	<b>5,226,853</b>	<b>(3,780,902)</b>		<b>454,331</b>	<b>15,533</b>	<b>1,915,815</b>
<b>Net Change in Fund Balances</b>	<b>5,790,388</b>	<b>(2,358,007)</b>	<b>(39,914)</b>	<b>(4,423,056)</b>	<b>114,137</b>	<b>(916,452)</b>
<b>Fund Balances (Deficit) - Beginning</b>	<b>11,195,815</b>	<b>3,453,556</b>	<b>86,385</b>	<b>9,993,591</b>	<b>738,656</b>	<b>25,468,003</b>
<b>Fund Balances - Ending</b>	<b>\$16,986,203</b>	<b>\$1,095,549</b>	<b>\$46,471</b>	<b>\$5,570,535</b>	<b>\$852,793</b>	<b>\$24,551,551</b>

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, 2011**

**Governmental change in fund Balances** **(\$916,452)**

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  
short of) depreciation in the current period. **\$1,742,769**

Governmental funds (Highway) may report capital costs for infrastructure  
improvements as current operating expenses. The Statement of Activities will report  
these costs as assets. This is the amount of those adjustments. **\$2,150,571**

Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds **\$345,109**

Repayment of bond principal is an expenditure in the  
governmental funds but reduces liabilities in the statement of  
net assets. This is the amount of repayments and accrued  
interest expense. **\$5,386,125**

Capital loan proceeds are reported as an other financing source  
in the governmental funds but increases liabilities in the  
statement of net assets. This is the amount of capital lease  
proceeds. **(\$530,904)**

Some expenses reported in the statement of activities do not  
require the use of current financial resources and therefore are  
not reported as expenditures in the governmental funds. **(\$253,031)**

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. **\$204,486**

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. **\$3,973**

Additional revenue or expense due to internal service fund look-back adjustments  
must be recognized in the government-wide statements. **(\$58,223)**

**Change in net assets of governmental activities** **\$8,074,423**

*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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis (See Note 3A)	Variance With Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, January 1	\$ 17,282,700	\$ 14,106,104	\$ 11,195,815	
Resources (Inflows):				
Property, Other Taxes	20,452,793	20,462,239	20,456,453	(5,786)
Intergovernmental Revenue	8,648,220	15,837,747	7,443,492	(8,394,255)
Licenses and Permits	350,880	391,380	375,732	(15,648)
Fines, Forfeits & Penalties	474,000	474,000	347,215	(126,785)
Public Charges for Services	3,589,891	3,652,578	3,220,786	(431,792)
Interest & Other Revenue	3,336,259	3,373,844	3,564,413	190,569
Transfers from Other Funds	227,775	227,775	5,286,222	5,058,447
Amounts Available for Appropriation	<u>37,079,818</u>	<u>44,419,563</u>	<u>40,694,313</u>	<u>(3,725,250)</u>
Charges to Appropriations (Outflows):				
Education				
UW Extension	480,574	476,201	446,690	29,511
UW Sheboygan	111,219	125,711	122,967	2,744
General Government				
Building Services	3,302,296	3,281,531	2,973,408	308,123
Clerk of Courts	2,321,388	2,273,959	2,324,475	(50,516)
Coroner	112,013	111,772	107,872	3,900
County Board, Adm Coordinator	459,968	455,881	454,092	1,789
County Clerk & Elections	413,250	418,606	409,571	9,035
District Attorney	973,518	951,360	925,680	25,680
Family Court Commissioner	351,718	343,521	333,421	10,100
Finance	891,074	868,447	835,693	32,754
Human Resources	459,651	460,715	416,741	43,974
Legal, Corporation Counsel	319,123	315,849	311,812	4,037
Register of Deeds	742,299	730,299	757,435	(27,136)
Treasurer	736,601	727,750	616,192	111,558
Public Health & Human Services				
Child Support	1,261,957	1,236,396	1,170,809	65,587
Veteran's Commission	60,840	60,840	58,586	2,254
Veteran's Service	156,011	152,235	143,827	8,408
Public Safety				
Sheriff	17,402,146	17,286,005	17,087,220	198,785
Public Works				
Airport	735,559	727,655	674,566	53,089
Resources & Development				
Land & Water Conservation	602,102	657,449	612,983	44,466
Planning & Resources	3,139,994	10,322,097	2,089,557	8,232,540
Nondepartmental				
Contingency	55,504	130,551		130,551
Funding for Eastern Shores	1,160,986	1,160,986	1,160,986	
Funding for Economic Development	105,000	105,000	105,000	
Funding for Tourism	20,000	20,000	19,000	1,000
Funding for Museum Grant	91,697	91,697	91,697	
Funding for Villages and Towns			6,000	(6,000)
Miscellaneous	584,164	584,164	588,276	(4,112)
Transfers to Other Funds	235,525	235,525	59,369	176,156
Total Charges to Appropriations	<u>37,286,177</u>	<u>44,312,202</u>	<u>34,903,925</u>	<u>9,408,277</u>
Budgetary Fund Balance, December 31	<u>\$ 17,076,341</u>	<u>\$ 14,213,465</u>	<u>\$ 16,986,203</u>	<u>\$ 5,683,027</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, 2011

	<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	\$ 465,810	\$ 3,453,556	
<b>Resources (Inflows):</b>				
Property, Other Taxes	13,539,682	13,539,682	13,539,682	
Intergovernmental Revenue	15,239,531	15,239,531	14,919,834	(319,697)
Licenses and Permits	247,780	247,780	267,079	19,299
Public Charges for Services	2,568,905	2,568,905	2,261,655	(307,250)
Interest & Other Revenue	207,432	207,432	251,085	43,653
Amounts Available for Appropriation	<u>31,803,330</u>	<u>31,803,330</u>	<u>31,239,335</u>	<u>(563,995)</u>
<b>Charges to Appropriations (Outflows):</b>				
Public Health & Human Services				
Community Programs	14,316,474	14,212,231	13,496,803	715,428
Economic Support	3,262,256	3,234,385	2,871,567	362,818
H&HS Administration	1,541	112,734	24,011	88,723
Office on Aging	1,321,483	1,313,888	1,289,931	23,957
Public Health	3,372,101	3,357,726	3,236,746	120,980
Social Services	9,529,475	9,467,713	8,897,382	570,331
Transfers to Other Funds			3,780,902	(3,780,902)
Total Charges to Appropriations	<u>31,803,330</u>	<u>31,698,677</u>	<u>33,597,342</u>	<u>(1,898,665)</u>
Budgetary Fund Balance, December 31	<u>\$ 982,496</u>	<u>\$ 570,463</u>	<u>\$ 1,095,549</u>	<u>\$ (2,462,660)</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, 2011

Business-type Activity  
Enterprise Fund  
Rocky Knoll

Governmental  
Activities -  
Internal Service Funds

## Assets

### Current Assets

Cash & Investments	\$19,265	\$8,854,524
Receivables (net)	1,953,112	4,623,800
Due From Other Governments	626,775	529,883
Prepays & Inventory	52,292	2,200,073
<b>Total current assets</b>	<b>2,651,444</b>	<b>16,208,280</b>

### Capital assets:

Land	31,750	1,359,285
Property, Plant and Equipment	20,899,057	35,408,806
Accumulated Depreciation	(11,847,391)	(27,007,759)
<b>Total noncurrent assets</b>	<b>9,083,416</b>	<b>9,760,332</b>
<b>Total Assets</b>	<b>11,734,860</b>	<b>25,968,612</b>

## Liabilities

### Current Liabilities

Accounts Payable	252,238	221,172
Due to Other Funds		63,327
Accrued Compensation	410,610	242,379
Deferred Revenue	686,512	4,448,880
<b>Total current liabilities</b>	<b>1,349,360</b>	<b>4,975,758</b>

### Noncurrent Liabilities

Due Within One Year	3,461	11,671
Due In More Than One Year	1,975,993	765,778
Insurance and Other Reserves		8,118,864
<b>Total noncurrent liabilities</b>	<b>1,979,454</b>	<b>8,896,313</b>
<b>Total Liabilities</b>	<b>3,328,814</b>	<b>13,872,071</b>

## Net Assets

Invested in Capital Assets	9,083,416	9,760,332
Unrestricted (Deficit)	(677,370)	2,336,209
<b>Total Net Assets</b>	<b>\$8,406,046</b>	<b>\$12,096,541</b>

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, 2011

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*Proprietary fund balances* \$8,406,046

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 (\$383,172)

*Net assets of business-type activities* \$8,022,874

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, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Rocky Knoll</u>	<u>Sunny Ridge</u>	<u>Total</u>	<u>Activities - Internal Service Funds</u>
<b>Operating Revenues</b>				
Charges for services	\$11,641,418	\$	\$11,641,418	\$40,891
Intergovernmental charges for services				4,707,496
Licenses and permits				149
Interdepartmental revenue				18,760,792
Miscellaneous operating revenue	9,593		9,593	727,097
<b>Total Operating Revenues</b>	<u>11,651,011</u>		<u>11,651,011</u>	<u>24,236,425</u>
<b>Operating Expenses</b>				
Personnel related	8,800,565		8,800,565	18,484,983
Purchased services	1,534,565		1,534,565	2,762,618
Repairs & maintenance	422,183		422,183	979,972
General operating	1,792,646		1,792,646	5,888,163
Interdepartmental expenses	3,229,231		3,229,231	2,368,182
Depreciation	728,998		728,998	1,325,208
<b>Total Operating Expenses</b>	<u>16,508,188</u>		<u>16,508,188</u>	<u>31,809,126</u>
<b>Operating (loss)</b>	<u>(4,857,177)</u>		<u>(4,857,177)</u>	<u>(7,572,701)</u>
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental transfer program	1,243,058		1,243,058	
Intergovernmental contracts/grants				3,062,665
Property tax appropriation	1,326,804		1,326,804	4,339,712
Investment income	206		206	
Rental income				2,116
Gain (loss) on disposal of capital assets				194,597
<b>Total nonoperating revenues (expenses)</b>	<u>2,570,068</u>		<u>2,570,068</u>	<u>7,599,090</u>
<b>Income (loss) before contributions and transfers</b>	<u>(2,287,109)</u>		<u>(2,287,109)</u>	<u>26,389</u>
Capital contributions - County	160,000		160,000	331,993
Transfers in	1,305		1,305	35,104
Transfers out		(1,232,320)	(1,232,320)	(189,000)
<b>Change in net assets</b>	<u>(2,125,804)</u>	<u>(1,232,320)</u>	<u>(3,358,124)</u>	<u>204,486</u>
<b>Total Net Assets - Beginning</b>	<u>10,531,850</u>	<u>1,232,320</u>	<u>11,764,170</u>	<u>11,892,055</u>
<b>Total Net Assets - Ending</b>	<u>\$8,406,046</u>	<u>\$</u>	<u>\$8,406,046</u>	<u>\$12,096,541</u>

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

**County of Sheboygan, WI**  
**Reconciliation of Statement of Proprietary Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**to the Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2011**

*Proprietary change in net assets* \$ (3,358,124)

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 \$ 58,223

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*Change in net assets of business-type activities* \$ (3,299,901)

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, 2011

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Rocky Knoll</b>	<b>Sunny Ridge</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 11,614,653	\$	\$ 11,614,653	\$ 5,482,370
Receipts from interfund services provided				18,760,793
Other operating cash receipts	9,593		9,593	54,282
Payments to suppliers	(3,516,267)		(3,516,267)	(9,446,249)
Other sources (uses) of cash	(1,176,309)	830,163	(346,146)	92,343
Payments to employees	(9,041,321)		(9,041,321)	(18,563,971)
Payments for interfund services used	(3,229,231)		(3,229,231)	(2,368,182)
Net cash provided (used) by operating activities	<u>(5,338,882)</u>	<u>830,163</u>	<u>(4,508,719)</u>	<u>(5,988,614)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental contracts/grants	1,243,058		1,243,058	3,062,665
Property tax appropriation received	1,326,804		1,326,804	4,339,712
Transfer in	1,305		1,305	35,104
Transfer out		(1,232,320)	(1,232,320)	(189,000)
Net cash provided (used) by noncapital financing activities	<u>2,571,167</u>	<u>(1,232,320)</u>	<u>1,338,847</u>	<u>7,248,481</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of equipment				179,252
Purchases of capital assets	(1,496)		(1,496)	(942,297)
Net cash provided (used) by capital and related financing activities	<u>(1,496)</u>		<u>(1,496)</u>	<u>(763,045)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	206		206	
Rental income				2,116
Net cash provided by investing activities	<u>206</u>		<u>206</u>	<u>2,116</u>
Net increase (decrease) in cash and cash equivalents	(2,769,005)	(402,157)	(3,171,162)	498,938
Cash and cash equivalents - January 1	2,788,270	402,157	3,190,427	8,355,586
Cash and cash equivalents - December 31	<u>\$ 19,265</u>		<u>\$ 19,265</u>	<u>\$ 8,854,524</u>



# County of Sheboygan, WI

## Statement of Cash Flows

### Proprietary Funds

For the Year Ended December 31, 2011

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Rocky Knoll</u>	<u>Sunny Ridge</u>	<u>Total</u>	<u>Activites - Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 11,614,653	\$	\$ 11,614,653	\$ 5,482,370
Receipts from interfund services provided				18,760,793
Other operating cash receipts	9,593		9,593	54,282
Payments to suppliers	(3,516,267)		(3,516,267)	(9,446,249)
Other sources (uses) of cash	(1,176,309)	830,163	(346,146)	92,343
Payments to employees	(9,041,321)		(9,041,321)	(18,563,971)
Payments for interfund services used	(3,229,231)		(3,229,231)	(2,368,182)
Net cash provided (used) by operating activities	<u>(5,338,882)</u>	<u>830,163</u>	<u>(4,508,719)</u>	<u>(5,988,614)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental contracts/grants	1,243,058		1,243,058	3,062,665
Property tax appropriation received	1,326,804		1,326,804	4,339,712
Transfer in	1,305		1,305	35,104
Transfer out		(1,232,320)	(1,232,320)	(189,000)
Net cash provided (used) by noncapital financing activities	<u>2,571,167</u>	<u>(1,232,320)</u>	<u>1,338,847</u>	<u>7,248,481</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of equipment				179,252
Purchases of capital assets	(1,496)		(1,496)	(942,297)
Net cash provided (used) by capital and related financing activities	<u>(1,496)</u>		<u>(1,496)</u>	<u>(763,045)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	206		206	
Rental income				2,116
Net cash provided by investing activities	<u>206</u>		<u>206</u>	<u>2,116</u>
Net increase (decrease) in cash and cash equivalents	(2,769,005)	(402,157)	(3,171,162)	498,938
Cash and cash equivalents - January 1	2,788,270	402,157	3,190,427	8,355,586
Cash and cash equivalents - December 31	<u>\$ 19,265</u>		<u>\$ 19,265</u>	<u>\$ 8,854,524</u>

# County of Sheboygan, WI

## Statement of Net Assets

### Fiduciary Funds

December 31, 2011

### Agency

### Funds

#### **Assets**

##### **Current Assets**

Cash & Investments	\$617,007
Receivables (net)	<u>1,506,727</u>
<b>Total Assets</b>	<b><u><u>\$2,123,734</u></u></b>

#### **Liabilities**

##### **Current Liabilities**

Accounts Payable	\$ 599,093
Deposits	17,914
Due to Other Governments	<u>1,506,727</u>
<b>Total Liabilities</b>	<b><u><u>\$2,123,734</u></u></b>

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

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# COUNTY OF SHEBOYGAN, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

### 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 2011, payments from Sheboygan County to the Library System totaled \$1,160,986. 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 funds:

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.

Public Safety Fund – The Public Safety Fund provides for additional improvements to the Law Enforcement Unit through donations and miscellaneous equipment sales.

The County reports the following major proprietary fund:

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.

Additionally, the government reports the following fund types:

Internal service funds account for information systems, 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.

The County implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. The County reports the following special revenue funds, including the purpose and significant revenue source:

Fund	Purpose	Significant Revenues
Public Health & Human Services	Provide essential human services to County residents.	Property taxes Intergovernmental grants
Public Safety Fund	Provide additional improvements to the County's Law Enforcement Unit	Donations Sale of equipment
Community Development Fund	Provide low interest loans to County businesses	Intergovernmental Grants

**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.

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 31<sup>st</sup> 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 from other taxing authorities 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 nonspendable 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 nonspendable fund balance.

### **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, 2011, 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, governmental funds 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 also 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

For the year ended December 31, 2011, the County implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement provides more clearly defined fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which fund balance amounts can be spent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance – Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance – Amounts that are constrained for specific purposes by action of the County Board. These constraints can only be removed or changed by the County Board using the same action that was used to create them.
- Assigned fund balance – Amounts that are constrained for specific purposes by action of County management. The County Board has authorized the County Administrator and the Finance Director to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned, unless committed by County Board action.
- Unassigned fund balance – Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

### F. 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 \$34,289,697 difference are as follows:

Bonds and notes payable	(\$29,810,000)
Capital leases	(530,904)
Accrued interest payable	(156,329)
Unfunded compensated absences	(2,453,843)
Other postemployment benefits	(1,338,621)
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>(\$34,289,697)</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 \$1,742,769 difference are as follows:

Capital outlay	\$8,427,321
Depreciation expense	<u>(6,684,552)</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>\$1,742,769</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:

- Department heads submit all capital outlay project requests and capital plan modifications to the Finance Committee by June 1.
- Prior to July 31, the Finance Committee presents the proposed five (5) – year capital plan to the County Board.
- The County Board reviews the five (5) – year capital plan and adopts the plan on or before September 30.
- 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.

- The Finance Committee makes capital and operating budget decisions, including proposed budget amendments, setting funding priorities during the month of September.
- 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.
- 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.
- 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 in the financial statements as "Cash and investments".

Invested cash consists of deposits and investments that are restricted by the 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 totaled \$37,446,184 at December 31, 2011 as summarized below:

Petty cash funds	\$12,715
Deposits with financial institutions	1,913,152
Investments	
Repurchase agreements	6,321,277
Corporate issues	150,634
U.S. government securities	23,388,675
Wisconsin local government investment pool	<u>5,659,731</u>
Total	<u>\$37,446,184</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$36,829,177
Fiduciary funds	
Agency fund	<u>617,007</u>
Total	<u>\$37,446,184</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 within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 per official custodian per depository institution. In addition, the County's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also 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, 2011, \$539,303 of the County's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized.

On December 31, 2011 the County held repurchase agreement investments in the amount of \$6,321,277 of which the underlying securities are held by the investment's counter party, not in the name of the County.

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. Presented below is the actual rating as of year end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	Aa	Not Rated
Corporate Issues	\$150,634				\$ 150,634
U.S. Government Securities	23,388,675		23,388,675		
Wisconsin Local Government Investment Pool	5,659,731				5,659,731
Totals	\$29,199,040		\$23,388,675		\$5,810,365

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	\$11,014,130	31.7%
Federal Home Loan Mortgage	Federal agency securities	8,003,810	23.1%
Associated Bank	Repurchase agreement	6,321,277	17.8%
Federal Farm Credit	Federal agency securities	2,360,934	6.9%
Federal National Mortgage Association	Federal agency securities	2,009,800	5.8%

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	(In Months)		
		12 Months or Less	25 to 60 Months	Over 60 Months
Corporate Issues	\$ 150,634		\$150,634	
U.S. Government Securities	23,388,675		4,012,582	19,376,093
Wisconsin Local Government Investment Pool	5,659,731	5,659,731		
Repurchase Agreements	6,321,277	6,321,277		
Totals	\$35,520,317	\$11,981,008	\$4,163,216	\$19,376,093

**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 declining 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	\$23,388,675

**Investment in Wisconsin Local Government Investment Pool**

The County has investments in the Wisconsin local government investment pool of \$5,659,731 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, 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, 2011 for the County's governmental activities (all major and nonmajor governmental funds and internal service funds) and business-type activities (all enterprise funds) are as follows:

Governmental Activities					
	Major Funds			Other Nonmajor Funds	Subtotal
	Public				
	General	Health & Human Services	Debt Service		
<b>Receivables (net):</b>					
Current year tax levy	\$ 20,936,663	\$ 13,503,712	\$ 5,681,302	\$	\$ 40,121,677
Tax certificates	4,830,322				4,830,322
Tax deeds	230,951				230,951
Loans	766,910			661,667	1,428,577
Interest	1,770,833				1,770,833
Accounts	277,002	357,044			634,046
Allowance for un-collectible accounts		(157,284)			(157,284)
<b>Total</b>	<b>\$ 28,812,681</b>	<b>\$ 13,703,472</b>	<b>\$ 5,681,302</b>	<b>\$ 661,667</b>	<b>\$ 48,859,122</b>

	Governmental Activities, Continued		Business-type Activity	Total
	Internal Service Funds	Major Fund	Rocky Knoll	
<b>Receivables, net</b>				
Current year tax levy	\$ 4,447,725	\$ 686,512		\$ 45,255,914
Tax certificates				4,830,322
Tax deeds				230,951
Loans				1,428,577
Interest				1,770,833
Accounts	176,075	1,495,546		2,305,667
Allowance for un-collectible accounts		(228,946)		(386,230)
<b>Total</b>	<b>\$ 4,623,800</b>	<b>1,953,112</b>		<b>\$ 55,436,034</b>

Receivable balance of \$1,506,727 is reported in Agency Fund.



### C. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,510,732	\$ 142,635	\$ (4,877)	\$ 8,648,490
Construction in progress	11,999,467	7,734,502	(13,755,057)	5,978,912
Total capital assets, not being depreciated	<u>20,510,199</u>	<u>7,877,137</u>	<u>(13,759,934)</u>	<u>14,627,402</u>
Capital assets, being depreciated:				
Buildings	62,697,298	309,797	(97,304)	62,909,791
Improvements other than buildings	9,710,355	746,685	(6,909)	10,450,131
Infrastructure	80,170,295	12,935,190		93,105,485
Office Furniture and equipment	24,431,530	2,107,930	(6,000)	26,533,460
Machinery and equipment	15,484,408	812,528	(328,374)	15,968,562
Vehicles	9,620,418	817,969	(368,124)	10,070,263
Total capital assets, being depreciated	<u>202,114,304</u>	<u>17,730,099</u>	<u>(806,711)</u>	<u>219,037,692</u>
Less accumulated depreciation for:				
Buildings	(35,263,425)	(1,986,512)	90,357	(37,159,580)
Improvements other than buildings	(6,229,381)	(457,561)	6,909	(6,680,033)
Infrastructure	(33,991,919)	(2,727,659)		(36,719,578)
Office Furniture and equipment	(19,695,032)	(1,699,468)	6,000	(21,388,500)
Machinery and equipment	(11,073,850)	(496,702)	252,134	(11,318,418)
Vehicles	(6,364,504)	(641,858)	339,366	(6,666,996)
Total accumulated depreciation	<u>(112,618,111)</u>	<u>(8,009,760)</u>	<u>694,766</u>	<u>(119,933,105)</u>
Total capital assets, being depreciated, net	<u>89,496,193</u>	<u>9,720,339</u>	<u>(111,945)</u>	<u>99,104,587</u>
Governmental activities capital assets, net	<u>\$ 110,006,392</u>	<u>\$ 17,597,476</u>	<u>\$ (13,871,879)</u>	113,731,989

Calculation of invested in capital assets, net of related debt,

less of related long-term debt outstanding (net of available bond proceeds of \$5,529,708)	20,555,292
Invested in capital assets, net of related debt	<u>\$ 93,176,697</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 31,750	\$		\$ 31,750
Total capital assets, not being depreciated	31,750			31,750
Capital assets, being depreciated:				
Buildings	14,615,472			14,615,472
Improvements other than buildings	673,700			673,700
Office Furniture and equipment	694,767	160,000		854,767
Machinery and equipment	4,554,203	1,496		4,555,699
Vehicles	199,419			199,419
Total capital assets, being depreciated	20,737,561	161,496		20,899,057
Less accumulated depreciation for:				
Buildings	(6,371,585)	(420,494)		(6,792,079)
Improvements other than buildings	(372,555)	(91,865)		(464,420)
Office furniture and equipment	(434,347)	(45,225)		(479,572)
Machinery and equipment	(3,818,162)	(141,342)		(3,959,504)
Vehicles	(121,744)	(30,072)		(151,816)
Total accumulated depreciation	(11,118,393)	(728,998)		(11,847,391)
Total capital assets, being depreciated, net	9,619,168	(567,502)		9,051,666
Business-type activities capital assets, net	\$ 9,650,918	\$ (567,502)		\$ 9,083,416

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

Governmental activities:

Public health and human services	\$ 282,845
Public works	2,891,659
Resources and development	262,821
Education	655,593
General government	620,170
Public safety	<u>1,971,464</u>
Total depreciation expense – governmental activities	6,684,552
Internal service fund depreciation	<u>1,325,208</u>

Total increase in accumulated depreciation \$8,990,760

Business-type activities:

Rocky Knoll Health Care \$728,998

Construction Commitment

The County has several unfinished construction projects in progress as of December 31, 2011. Major projects include airport improvements, replacement of enterprise service in our Information Systems department and roadway improvements. At year-end the County had contracts outstanding for work to be done of \$34,371. 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, 2011 are detailed below:

	Interfund Receivables	Interfund Payables
Temporary Cash Advances to Finance Operating Cash Deficits of Other Funds		
General Fund	\$ 86,639	
Debt Service Funds		\$ 23,312
Highway Fund		63,327
	<u>\$ 86,639</u>	<u>\$ 86,639</u>

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.

Interfund Transfers	Transfers to				
	General Fund	Public Safety Special Revenue Fund	Capital Projects	Rocky Knoll Health Care	Governmental Activities - Internal Service Funds
General Fund	\$	\$ 15,533	\$ 7,427	\$ 1,305	\$ 35,104
Public Health and Human Services	3,780,902				
Debt Service	84,000				
Sunny Ridge Health Care	1,232,320				
Internal Service Funds	189,000				
<b>Total</b>	<u>\$ 5,286,222</u>	<u>\$ 15,533</u>	<u>\$ 7,427</u>	<u>\$ 1,305</u>	<u>\$ 35,104</u>

**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 2012 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 2013.

2012	\$124,338
2013	19,895
Total	\$144,233

**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
<b>Governmental activities</b>			
Current year tax levy receivable:			
General fund	\$	\$ 20,936,663	\$ 20,936,663
Public health and human services		13,503,712	13,503,712
Debt service fund		5,681,302	5,681,302
Delinquent property taxes - County portion	1,132,613		1,132,613
Interest receivable on delinquent property taxes	1,672,664		1,672,664
Development loans receivable	661,667		661,667
Revenue collected in advance		256,731	256,731
Subtotal	3,466,944	40,378,408	43,845,352
<b>Governmental activities - internal service fund</b>			
Subsequent year tax levy receivable:		4,447,725	4,447,725
Revenue collected in advance		1,155	1,155
Subtotal		4,448,880	4,448,880
<b>Subtotal - governmental activities</b>	3,466,944	44,827,288	48,294,232
<b>Business-type activity</b>			
Subsequent year tax levy receivable:			
Rocky Knoll Health Care Center		686,512	686,512
<b>Total</b>	\$ 3,466,944	\$ 45,513,800	\$ 48,980,744

## G. Long-Term Obligations

### Changes in Long-Term Obligations

Long-term obligation activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation debt:					
Bonds	\$ 7,965,000	\$	\$ (795,000)	\$ 7,170,000	\$ 800,000
Notes	27,235,000		(4,595,000)	22,640,000	4,625,000
Total general obligation debt	35,200,000		(5,390,000)	29,810,000	5,425,000
Capital leases		684,630	(153,726)	530,904	153,726
Compensated absences	6,510,916	936,556	(920,711)	6,526,761	185,987
Other postemployment benefits	1,438,508	199,581		1,638,089	
Governmental activities - long-term liabilities	\$ 43,149,424	\$ 1,820,767	\$ (6,464,437)	\$ 38,505,754	\$ 5,764,713
<b>Business-type Activity</b>					
Compensated absences	\$ 1,730,088	\$ 220,192	\$ (595,250)	\$ 1,355,030	\$ 3,461
Other postemployment benefits	541,468	82,956		624,424	
Business-type Activity - long-term liabilities	\$ 2,271,556	\$ 303,148	\$ (595,250)	\$ 1,979,454	\$ 3,461

### **Governmental activities**

#### General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

<u>Notes:</u>	<u>Amount</u>
\$5,000,000 – Series 2002, balance due May 1, 2012; interest 4.25%	\$ 565,000
\$8,820,000 – Series 2004, various amounts due through May 1, 2015; interest 3.625% - 3.875%	2,330,000
\$7,255,000 – Series 2006, various amounts due through February 1, 2016; interest 3.75% - 4.00%	2,740,000
\$8,000,000 – Series 2008, various amounts due through May 1, 2018; interest 3.75% - 4.25%	4,280,000
\$3,815,000 – Series 2010 issued under the Build America Bond Program, various amounts due through May 1, 2013; interest 1.70% - 2.35%	2,155,000

\$4,185,000 – Series 2010 issued under the Recovery Zone Economic Development Bond program, various amounts due through May 1, 2019; interest 2.35% - 4.55% 4,185,000

\$6,385,000 – Series 2010 issued under the Build America Bond program, various amounts due through May 1, 2020; interest 1.25% - 3.85% 6,385,000  
\$22,640,000

**Refunding Bonds:**

\$6,000,000 – Series 2003, balance due May 1, 2012; interest 5.10% \$365,000

\$5,685,000 – Series 2004, various amounts due through December 1, 2019; interest 3.75% - 4.20% 3,445,000

\$3,455,000 – Series 2010, various amounts due through May 1, 2019; interest 1.10% - 3.42% 3,360,000  
\$7,170,000

**Total general obligation debt outstanding \$29,810,000**

The annual principal and interest payments on all debt, except capital leases, compensated absences and other post-employment benefits as of December 31, 2011, are as follows:

Year	Governmental Activities General Obligation Debt		
	Principal	Interest	Total
2012	\$ 5,425,000	\$ 904,219	\$ 6,329,219
2013	3,780,000	766,184	4,546,184
2014	4,150,000	644,828	4,794,828
2015	3,430,000	527,905	3,957,905
2016	3,535,000	418,609	3,953,609
2017	3,025,000	308,261	3,333,261
2018	3,115,000	198,512	3,313,512
2019	2,495,000	92,597	2,587,597
2020	855,000	16,459	871,459
<b>Total</b>	<u>\$ 29,810,000</u>	<u>\$ 3,877,574</u>	<u>\$ 33,687,574</u>

Build America Bond

The general obligation debt issued on April 6, 2010 and November 9, 2010 qualifies as Build America Bonds, as described in Section 54AA of the Internal Revenue Code. The interest on the debt is taxable as set forth in the regulations. The County is eligible to receive a 35% subsidy of the annual interest payment from the Federal government. In order to receive this subsidy it is necessary for the County to file a claim form semi-annually.

### Recovery Zone Economic Development Bonds

The general obligation debt issued on April 6, 2010 qualifies as Recovery Zone Economic Development Bonds, as described in Section 54AA of the Internal Revenue Code. The interest on the debt is taxable as set forth in the regulations. The County is eligible to receive a 45% subsidy of the annual interest payment from the Federal government. In order to receive this subsidy it is necessary for the County to file a claim form semi-annually.

### Capital Lease

In January of 2011, the County entered into capital lease agreements to finance the acquisition of dispatch and record management system equipment and software upgrade for recording of property deeds. The leases are non-interest bearing and annual principal maturities are as follows:

<u>Year ended</u> <u>December 31</u>	<u>Principal</u>
2012	\$ 153,726
2013	153,726
2014	111,726
2015	111,726
	<u>\$ 530,904</u>

### Legal Margin for New Debt

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 \$8,894,478,600 the County is restricted to \$444,723,930 of general obligation debt. At December 31, 2011, \$29,810,000 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, 2011, \$470,000 of outstanding general obligation notes are considered defeased, as summarized below:

	Balance			Total	
	Defeased	2012	2013		2014
<b>General Obligation Debt</b>					
Notes					
Series 1999 Aa2	\$ 50,000	\$	\$	\$	\$
Series 2000 Aa2	660,000				
Series 20001 Aa2	155,000				
Series 2002 Aa2	270,000	65,000			65,000
Series 2004 Aa2	350,000	50,000	55,000	55,000	160,000
Series 2006 Aa2	505,000	45,000	200,000		245,000
<b>Total</b>	<b>\$ 1,990,000</b>	<b>\$ 160,000</b>	<b>\$ 255,000</b>	<b>\$ 55,000</b>	<b>\$ 470,000</b>

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	\$526,372
Interest on OPEB Obligation	79,038
Adjustment to annual required contribution	<u>(109,874)</u>
Annual OPEB cost	\$495,536
Contributions made	<u>(212,999)</u>
Increase in net OPEB obligation	\$282,537
Net OPEB Obligation – Beginning of Year	<u>1,979,976</u>
Net OPEB Obligation – End of Year	<u>\$ 2,262,513</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and 2010 were as follows:



Year	Annual OPEB Cost	Annual OPEB Cost Contributed	Funding %
------	------------------	------------------------------	-----------

2010	\$ 475,852	28.78%	\$ 1,979,976
2011	495,536	42.98%	2,262,513

As of December 31, 2010, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$5,007,013, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,007,013.

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, 2010 actuarial valuation, the Unit Credit Method was used. The actuarial assumptions included a 4 percent investment rate of return. The initial healthcare trend rate was 9.3% for medical and 5.3% for dental, reduced ratably to an ultimate rate of 4.7% for medical and 4.0% for dental. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2011 was 30 years. For purposes of this valuation, costs through full eligibility age for the benefits provided have been accrued.

#### H. Fund Equity

In the fund financial statements, portions of governmental fund balances are nonspendable because amounts are not in spendable form (such as inventory, prepaid items, or long-term receivables) or legally or contractually required to remain intact. At December 31, 2011 fund balance was nonspendable as follows:

General Fund	
Nonspendable	
Prepays and Inventory	\$ 187,096
Delinquent property taxes	<u>3,697,709</u>
Total	<u>\$3,884,805</u>
Public Health and Human Services	
Nonspendable	
Prepays and Inventory	<u>\$4,514</u>

Also in the fund financial statements, portions of governmental fund balances are restricted by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation. At December 31, 2011 fund balance was restricted as follows:

General Fund		
Restricted		
Jail Assessment Fees	\$ 9,884	
Land Record Fees	<u>440,014</u>	
Total		<u>\$449,898</u>
Debt Service Fund		
Restricted		
Debt Service	<u>\$46,471</u>	
Capital Projects Fund		
Restricted		
Capital Project Expenditures	<u>\$5,570,535</u>	
Revolving Loan Fund		
Restricted		
Community Development	<u>\$837,260</u>	

Also in the fund financial statements portions of governmental fund balances are committed by County Board action. At December 31, 2011 fund balance was committed as follows:

General Fund		
Committed		
UW Extension Funds	\$ 24,521	
County Airport Funds	70,273	
Stewardship Funds	<u>11,455</u>	
Total		<u>\$106,249</u>
Public Health and Human Services		
Committed		
Subsequent years' expenditures	<u>\$91,035</u>	

Also in the fund financial statements portions of governmental fund balances are assigned by County Board action. At December 31, 2011 fund balance was assigned as follows:

General Fund		
Assigned		
Subsequent years' expenditures	<u>\$491,373</u>	
Public Health and Human Services		
Assigned		
Public health and human services programs	\$1,000,000	
Public safety programs	<u>15,533</u>	
Total		<u>\$1,015,533</u>

Finally in the fund financial statements portions of governmental fund balances are in excess of nonspendable, restricted, committed or assigned. At December 31, 2011 fund balance was unassigned as follows:

General Fund	
Unassigned fund balance	<u>\$12,053,878</u>

## 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 \$134,400 and IBNR's are estimated to be immaterial.

<b>Claims Liability WCMIC</b>	<u>2010</u>	<u>2011</u>
Unpaid claims, including IBNR's – beginning of year	\$157,478	\$87,594
Current year claims and changes in estimates	(2,145)	130,010
Claim payments	<u>(67,739)</u>	<u>(83,204)</u>
Unpaid claims – end of year	<u>\$87,594</u>	<u>\$134,400</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 \$500,000 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, 2011, the County has established a future claims insurance reserve in the amount of \$1,237,991 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>2010</u>	<u>2011</u>
Unpaid claims – Beginning of year	\$147,564	\$140,336
Current year claims and changes in estimates	59,567	257,484
Claims payments	<u>(66,795)</u>	<u>(154,643)</u>
Unpaid claims – End of year	<u>\$140,336</u>	<u>\$243,177</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 \$250,000 per individual claim for health insurance. The County has purchased stop-loss insurance for claims in excess of those amounts. In addition, the health insurance claim payments shown below include self-funded dental payments of \$1,116,789.

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>2010*</u>	<u>2011*</u>
Unpaid claims – Beginning of year	\$3,081,643	\$2,465,181
Current year claims and changes in estimates	17,274,086	19,330,142
Claims payments	<u>(17,890,548)</u>	<u>(19,394,700)</u>
Unpaid claims – End of year	<u>\$2,465,181</u>	<u>\$2,400,623</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 hired before July 1, 2011 and expected to work over 600 hours a year or hired on or after July 1, 2011 and expected to work over 1200 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupation with Social Security, and 5.8% for Protective without Social Security) to the plan. Employers may 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 WRS for the year ended December 31, 2011, was \$38,303,257; the employer’s total payroll was \$39,803,881. The total required contribution for the year ended December 31, 2011 was \$4,714,055 which consisted of \$3,865,783 or 10.1% percent of covered payroll from the employer and \$848,272 or 2.2% of covered payroll from employees. Total contributions for

the years ending December 31, 2010 and 2009 were \$4,503,132 and \$4,452,738 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. A final average earnings is 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 has extended the levy limit through 2013. 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 0% for the 2012 budget year. The actual limit for the County for the 2012 budget was .59%. 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.

**REQUIRED SUPPLEMENTAL INFORMATION**

# County of Sheboygan, WI

## Schedule of Funding Progress

### Other Postemployment Benefits Plan

For the Year Ended December 31, 2011

Actuarial Valuation Date December 31	(1) Actuarial Value of Asset	(2) Actuarial Accrued Liability (AAL) Unit Credit Method	(3) Funded Ratio (1)/(2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4)/(5)
2010	\$ -	\$ 5,007,013	0%	\$ 5,007,013	N/A	N/A
2008	-	10,188,796	0%	10,188,796	N/A	N/A

The County implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.

The decrease in the actuarial accrued liability between 2010 and 2008 as presented above is due to implementation of benefit changes. Retiree contributions have been increased and the maximum age to receive benefits has been reduced from age 70 to age 65.

# ***County of Sheboygan, WI***

## ***Schedule of Employer Contributions***

### ***Other Postemployment Benefits Plan***

*For the Year Ended December 31, 2011*

<b>Year Ended December 31, 2011</b>	<b>Employer Contributions</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>
2011	\$ 212,999	\$ 495,536	42.98%
2010	136,962	475,852	28.78%
2009	272,000	1,103,697	24.64%
2008	250,000	1,059,389	23.60%

The County implemented GASB Statement No. 45 for the fiscal year ended December 31, 2008. Information for prior years is not available.



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## **SUPPLEMENTAL INFORMATION**

# County of Sheboygan, WI

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 December 31, 2011

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<i>Public Safety</i>	<i>Community Development</i>	
<b>Assets</b>			
Cash & Investments	\$15,533	\$838,860	\$854,393
Long Term Receivables, net		661,667	661,667
<b>Total Assets</b>	<b>\$15,533</b>	<b>\$1,500,527</b>	<b>\$1,516,060</b>
<b>Liabilities &amp; Fund Balances</b>			
Accounts Payable	\$	\$ 1,600	\$ 1,600
Deferred Revenue		661,667	661,667
<b>Total Liabilities</b>		<b>663,267</b>	<b>663,267</b>
Fund Balances:			
Restricted		837,260	837,260
Assigned	15,533		15,533
<b>Total Fund Balances</b>	<b>15,533</b>	<b>837,260</b>	<b>852,793</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$15,533</b>	<b>\$1,500,527</b>	<b>\$1,516,060</b>

# County of Sheboygan, WI

## Statement of Revenues, Expenditures, and

### Changes in Fund Balances

#### Nonmajor Governmental Funds

For the Year Ended December 31, 2011

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Public Safety</u>	<u>Community Development</u>	
<b>Revenues</b>			
Public Charges for Services	\$	\$ 500	\$ 500
Interest and Other Revenue		454,167	454,167
<b>Total Revenues</b>		<u>454,667</u>	<u>454,667</u>
<b>Expenditures</b>			
Current:			
Resources and Development		356,063	356,063
<b>Total Expenditures</b>		<u>356,063</u>	<u>356,063</u>
<b>Excess (deficiency) of revenues over expenditures</b>		<u>98,604</u>	<u>98,604</u>
<b>Other Financing Sources</b>			
Transfers In	15,533		15,533
<b>Total Other Financing Sources</b>	<u>15,533</u>		<u>15,533</u>
<b>Net Change in Fund Balances</b>	<u>15,533</u>	<u>98,604</u>	<u>114,137</u>
<b>Fund Balances - Beginning</b>		<u>738,656</u>	<u>738,656</u>
<b>Fund Balances - Ending</b>	<u>\$15,533</u>	<u>\$837,260</u>	<u>\$852,793</u>

# County of Sheboygan, WI

## Statement of Net Assets Internal Service Funds

December 31, 2011

## Governmental Activities - Internal Service Funds

	Employee Benefits & Insurance	Information Systems & Printing	Highway	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash & Investments	\$7,808,704	\$1,045,820	\$	\$8,854,524
Receivables (net)	38,498	875	4,584,427	4,623,800
Due From External Parties		604	529,279	529,883
Prepays & Inventory	272,704	264,357	1,663,012	2,200,073
<b>Total current assets</b>	<b>8,119,906</b>	<b>1,311,656</b>	<b>6,776,718</b>	<b>16,208,280</b>
<b>Noncurrent Assets</b>				
Capital assets:				
Land			1,359,285	1,359,285
Property, Plant and Equipment	45,477	10,283,433	25,079,896	35,408,806
Accumulated Depreciation	(45,477)	(9,341,396)	(17,620,886)	(27,007,759)
<b>Total noncurrent assets</b>		<b>942,037</b>	<b>8,818,295</b>	<b>9,760,332</b>
<b>Total Assets</b>	<b>8,119,906</b>	<b>2,253,693</b>	<b>15,595,013</b>	<b>25,968,612</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable		34,062	187,110	221,172
Due to Other Funds			63,327	63,327
Accrued Compensation		24,355	218,024	242,379
Deferred Revenue			4,448,880	4,448,880
		58,417	4,917,341	4,975,758
<b>Noncurrent Liabilities</b>				
Due Within One Year		11,671		11,671
Due In More Than One Year		244,592	521,186	765,778
Insurance and Other Reserves	8,118,864			8,118,864
	8,118,864	256,263	521,186	8,896,313
<b>Total Liabilities</b>	<b>8,118,864</b>	<b>314,680</b>	<b>5,438,527</b>	<b>13,872,071</b>
<b>Net Assets</b>				
Invested in Capital Assets		942,037	8,818,295	\$9,760,332
Unrestricted	1,042	996,976	1,338,191	\$2,336,209
<b>Total Net Assets</b>	<b>\$1,042</b>	<b>\$1,939,013</b>	<b>\$10,156,486</b>	<b>\$12,096,541</b>

# Sheboygan County, WI

## Statement of Revenues, Expenses, and Changes in Fund Net Assets

### Internal Service Funds

For the Year Ended December 31, 2011

### Governmental Activities - Internal Service Funds

	<i>Employee Benefits &amp; Insurance</i>	<i>Information Systems &amp; Printing</i>	<i>Highway</i>	<i>Total</i>
<b>Operating Revenues</b>				
Charges for services		\$15,530	\$25,361	\$40,891
Intergovernmental charges for services		14,408	4,693,088	4,707,496
Fines, forfeits and penalties			149	149
Interdepartmental revenue	12,277,614	2,221,681	4,261,497	18,760,792
Miscellaneous operating revenue	672,962	15,746	38,389	727,097
<b>Total Operating Revenues</b>	<b>12,950,576</b>	<b>2,267,365</b>	<b>9,018,484</b>	<b>24,236,425</b>
<b>Operating Expenses</b>				
Personnel related	11,829,465	828,761	5,826,757	18,484,983
Purchased services	565,691	682,571	1,514,356	2,762,618
Repairs & maintenance	7,811	182,100	790,061	979,972
General operating	566,117	106,519	5,215,527	5,888,163
Interdepartmental expenses	464	206,856	2,160,862	2,368,182
Depreciation		416,321	908,887	1,325,208
<b>Total Operating Expenses</b>	<b>12,969,548</b>	<b>2,423,128</b>	<b>16,416,450</b>	<b>31,809,126</b>
<b>Operating income (loss)</b>	<b>(18,972)</b>	<b>(155,763)</b>	<b>(7,397,966)</b>	<b>(7,572,701)</b>
<b>Nonoperating revenues (expenses)</b>				
Intergovernmental contracts/grants			3,062,665	3,062,665
Property tax appropriation			4,339,712	4,339,712
Rental Income			2,116	2,116
Gain on disposal of capital assets		890	193,707	194,597
<b>Total nonoperating revenues (expenses)</b>		<b>890</b>	<b>7,598,200</b>	<b>7,599,090</b>
<b>Income (loss) before contributions and transfers</b>	<b>(18,972)</b>	<b>(154,873)</b>	<b>200,234</b>	<b>26,389</b>
Capital Contribution (County)			331,993	331,993
Transfers In			35,104	35,104
Transfer Out			(189,000)	(189,000)
<b>Change in net assets</b>	<b>(18,972)</b>	<b>(154,873)</b>	<b>378,331</b>	<b>204,486</b>
<b>Total Net Assets - Beginning</b>	<b>20,014</b>	<b>2,093,886</b>	<b>9,778,155</b>	<b>11,892,055</b>
<b>Total Net Assets - Ending</b>	<b>\$1,042</b>	<b>\$1,939,013</b>	<b>\$10,156,486</b>	<b>\$12,096,541</b>

# County of Sheboygan, WI

## Statement of Cash Flows

### Internal Service Funds

For the Year Ended December 31, 2011

#### Governmental Activities - Internal Service Funds

	<i>Employee Benefits &amp; Insurance</i>	<i>Information Systems &amp; Printing</i>	<i>Highway</i>	<i>Total</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 635,685	\$ 38,910	\$ 4,807,775	\$ 5,482,370
Receipts from interfund services provided	12,277,614	2,221,682	4,261,497	18,760,793
Other operating cash receipts		15,744	38,538	54,282
Payments to suppliers	(1,139,618)	(960,565)	(7,346,066)	(9,446,249)
Other sources (uses) of cash	268,339	184,232	(360,228)	92,343
Payments to employees	(11,829,471)	(920,955)	(5,813,545)	(18,563,971)
Payments for interfund services used	(464)	(206,856)	(2,160,862)	(2,368,182)
Net cash provided (used) by operating activities	<u>212,085</u>	<u>372,192</u>	<u>(6,572,891)</u>	<u>(5,988,614)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental contracts/grants			3,062,665	3,062,665
Property tax appropriation received			4,339,712	4,339,712
Transfer in			35,104	35,104
Transfer out			(189,000)	(189,000)
Net cash provided by noncapital financing activities			<u>7,248,481</u>	<u>7,248,481</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets		890	178,362	179,252
Purchases of capital assets		(86,229)	(856,068)	(942,297)
Net cash provided (used) by capital and related financing activities		<u>(85,339)</u>	<u>(677,706)</u>	<u>(763,045)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Rental income			2,116	2,116
Net cash provided by investing activities			<u>2,116</u>	<u>2,116</u>
Net increase (decrease) in cash and cash equivalents	<u>212,085</u>	<u>286,853</u>		<u>498,938</u>
Cash and cash equivalents - January 1	7,596,619	758,967		8,355,586
Cash and cash equivalents - December 31	<u>\$ 7,808,704</u>	<u>\$ 1,045,820</u>		<u>\$ 8,854,524</u>

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

Operating income (loss)	\$ (18,972)	\$ (155,763)	\$ (7,397,966)	\$ (7,572,701)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation (net of amortization)		416,321	908,887	1,325,208
Changes in assets and liabilities:				
Accounts receivable	(37,282)	8,972	89,326	61,016
Due from other governments		(349)	215,087	214,738
Inventories and prepayments	81,822	184,581	82,699	349,102
Accounts payable and accrued expenses	186,517	10,623	173,878	371,018
Due to other funds			(791,343)	(791,343)
Due to other governments			133,329	133,329
Compensated absences payable		(92,193)	13,212	(78,981)
Net cash provided (used) by operating activities	<u>\$ 212,085</u>	<u>\$ 372,192</u>	<u>\$ (6,572,891)</u>	<u>\$ (5,988,614)</u>

**Noncash investing, capital and  
financing activities**

Contribution of capital assets by County			\$ 331,993	\$ 331,993
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# County of Sheboygan, WI

## Schedule of Changes in Assets and Liabilities

### Fiduciary Funds

For the Year Ended December 31, 2011

	<u>Clerk of Courts Trust</u>	<u>Jail Inmates Trust</u>	<u>Sheriff General Trust</u>	<u>Treasurer Trust Account</u>	<u>UW Extension Trust Account</u>	<u>Land &amp; Water Trust Account</u>	<u>Patient Trust - Rocky Knoll</u>	<u>Total</u>
<b>ADDITIONS</b>								
Cash and investments	\$ 4,158,687	\$ 804,507	\$ 198,053		\$ 17,750	\$	\$ 30,307	\$ 5,209,304
Receivables				1,598,258				1,598,258
Total additions	<u>\$ 4,158,687</u>	<u>\$ 804,507</u>	<u>\$ 198,053</u>	<u>\$ 1,598,258</u>	<u>\$ 17,750</u>	<u>\$</u>	<u>\$ 30,307</u>	<u>\$ 6,807,561</u>
<b>DEDUCTIONS</b>								
Deposits	\$ 4,250,218	\$ 793,238	\$ 201,161	152,079	\$ 12,178	\$ 1,308	\$ 30,939	\$ 5,441,121
Due to other governments				1,506,727				1,506,727
Total deductions	<u>4,250,218</u>	<u>793,238</u>	<u>201,161</u>	<u>1,658,806</u>	<u>12,178</u>	<u>1,308</u>	<u>30,939</u>	<u>6,947,848</u>
Net increase (decrease)	(91,531)	11,269	(3,108)	(60,548)	5,572	(1,308)	(632)	(140,287)
Total Assets - Beginning	690,624	26,984	3,141	1,488,105	23,778	3,300	28,089	2,264,021
Total Assets - Ending	<u>\$ 599,093</u>	<u>\$ 38,253</u>	<u>\$ 33</u>	<u>\$ 1,427,557</u>	<u>\$ 29,350</u>	<u>\$ 1,992</u>	<u>\$ 27,457</u>	<u>\$ 2,123,734</u>