

KENOSHA COUNTY

Kenosha, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2005

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KENOSHA COUNTY

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INDEPENDENT AUDITORS' REPORT

To the County Board of Supervisors
Kenosha County
Kenosha, 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 Kenosha County, Wisconsin, as of and for the year ended December 31, 2005, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Kenosha County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kenosha County, Wisconsin, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Human Services Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of the County of Kenosha's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 result of our audit.

To the County Board of Supervisors
Kenosha County

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The management's discussion and analysis on pages 3 through 17 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Vreckow, Krause + Company, LLP

Madison, Wisconsin
May 16, 2006

KENOSHA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Kenosha County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2005.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a long-term view of the County's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds.

Reporting the County as a Whole

The financial statements that present the County as a whole begin on page 19. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. You can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenditures, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing, through fees and grants.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

Governmental activities: Most of the County's basic services are reported here, including law enforcement, parks, planning, capital projects, administration, and human services. Sales taxes, property taxes, fines, and state and federal grants finance most of these activities.

The functions and programs of the governmental activities are as follows:

- General Government includes the County Board, Circuit Court, Juvenile Intake, County Executive, County Clerk, Personnel, Information Systems, Finance, Purchasing, Treasurer, District Attorney, Corporation Counsel, Register of Deeds, Facilities, Medical Examiner, Health Insurance, Workers Compensation, and Liability Insurance.
- Health includes the Health Division, and Disability Services.
- Public Works includes the infrastructure depreciation.

KENOSHA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities (continued):

- Public Safety includes the Sheriff, Joint Services, and Emergency Services.
- Social Services includes Division of Children and Family Services, Division of Workforce Development, Aging, and Veterans.
- Education and Recreation includes Parks, UW Extension, and the Library.
- Conservation and Development includes Planning and Development and the Housing Authority.

Business-type activities: The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. Brookside Nursing Home, Highway and the Golf Courses are reported here.

Reporting the County's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds - not the County as a whole. The County's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds: Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations following the respective governmental funds' statements.

The governmental funds present separate columns for the major funds, including the General Fund, Human Services Fund, and Debt Service Fund. All other governmental activities including capital projects, library, housing authority, health department and GIS (Geographical Information System) are included in the non-major column. The General Fund includes the Sheriff, District Attorney, Courts, Juvenile Intake, Joint Services, Facilities, Parks, Veterans, Personnel, Emergency Management, Financial Services, Purchasing, Information Systems, Planning and Development, County Clerk, Treasurer, Register of Deeds, County Executive, Corporation Counsel, and the Medical Examiner. Revenues and expenditures not allocated back to departments (referred to as Non-Departmental in the County budget) are also included in the General Fund. Some of the larger elements included in Non-Departmental are shared revenue, sales tax, and the vacancy adjustment. The vacancy adjustment is a reduction of personnel costs based upon an estimate of County vacancies.

The Human Services Fund includes the Divisions of Children and Family Services, Workforce Development, Child Support, Aging, and Disability Services.

The Debt Service Fund is used to account for debt payments of principal & interest and the taxes levied to cover the payments.

KENOSHA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the County's Most Significant Funds (continued)

Proprietary funds: When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows. The proprietary funds include Golf, Brookside, Highway, Insurances, and the Human Services building.

The County as Trustee

The County is the trustee, or fiduciary, for the Culich/Schneider Memorial Fund and for the State of Wisconsin. The Culich/Schneider Memorial Fund is reported within the Brookside Care Center because it is a non-expendable fund used solely for Brookside. We exclude the remaining activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

Government-wide Financial Analysis

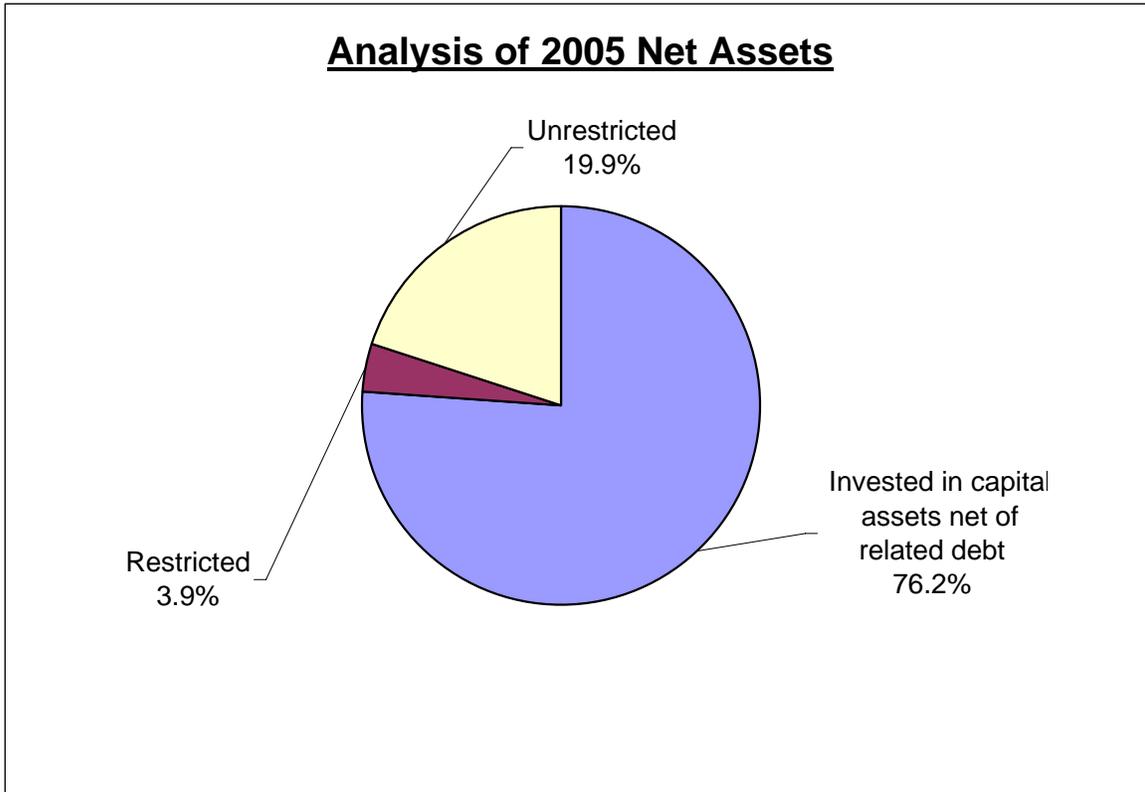
The condensed financial statements on the next two pages present the net assets of the County, and changes in net assets. These statements are presented with comparisons to 2004.

Net Assets may serve over time as a useful indicator of a government's financial position. In 2005, the County's assets exceeded liabilities by \$49,620,715. The largest portion (76.2 percent) reflects the County's investment in capital assets less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to the 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 used to liquidate these liabilities.

The restricted assets, which are subject to external restrictions on how they may be used, comprise 3.9 percent of the net assets.

The remaining of the County's net assets (19.9 percent) is the category of unrestricted net assets which may be used to meet the County's ongoing obligations to citizens and creditors.

**KENOSHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**



**KENOSHA COUNTY
NET ASSETS
As of December 31, 2005
(Rounded to Millions)**

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 85.30	\$ 81.47	\$ 9.18	\$ 8.60	\$ 94.48	\$ 90.07
Capital assets	106.55	106.55	16.57	17.44	123.12	123.99
Total Assets	191.85	188.02	25.75	26.04	217.60	214.06
Long-term liabilities outstanding	84.86	90.62	7.17	7.88	92.03	98.50
Other liabilities	70.09	68.39	5.86	6.07	75.95	74.46
Total liabilities	154.95	159.01	13.03	13.95	167.98	172.96
Net assets:						
Invested in capital assets, net of related debt	28.40	27.16	9.41	10.12	37.81	37.28
Restricted	1.92	0.34	-	-	1.92	0.34
Unrestricted	6.58	1.51	3.31	1.97	9.89	3.48
Total Net Assets	<u>\$ 36.90</u>	<u>\$ 29.01</u>	<u>\$ 12.72</u>	<u>\$ 12.09</u>	<u>\$ 49.62</u>	<u>\$ 41.10</u>

The County's total net assets increased by \$8.52 million. This was primarily due to the increase in operating grants and a decrease in interest expense.

**KENOSHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The "Unrestricted" net assets in the governmental type column for 2005 includes carryovers of \$6.7 million which is designated for use in 2006 and is not available for general use. In the business-type column for 2005, the "Unrestricted" net assets include \$1.56 million of carryovers designated for 2006.

**KENOSHA COUNTY
CHANGES IN NET ASSETS
Year Ended December 31, 2005
(Rounded to Millions)**

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 7.07	\$ 6.90	\$ 15.74	\$ 15.22	\$ 22.81	\$ 22.12
Operating grants and contributions	69.59	66.89	3.23	3.40	72.82	70.29
Capital grants and contributions	0.95	0.95	0.13	0.57	1.08	1.52
General revenues:						
Property taxes	34.97	33.67	4.77	5.01	39.74	38.68
Other taxes	21.03	20.24	-	-	21.03	20.24
Grants and contributions not restricted to specific programs	4.05	3.99	-	-	4.05	3.99
Other	2.42	1.25	-	-	2.42	1.25
Total revenues	<u>140.08</u>	<u>133.89</u>	<u>23.87</u>	<u>24.20</u>	<u>163.95</u>	<u>158.09</u>
Expenses:						
General government	18.46	18.27	-	-	18.46	18.27
Health	24.61	23.30	-	-	24.61	23.30
Public works	1.31	1.36	-	-	1.31	1.36
Public safety	33.44	33.13	-	-	33.44	33.13
Social services	46.97	45.63	-	-	46.97	45.63
Education and recreation	3.61	3.53	-	-	3.61	3.53
Conservation and development	1.99	1.59	-	-	1.99	1.59
Interest on long-term debt	3.70	4.69	-	-	3.70	4.69
Nursing home	-	-	10.68	10.45	10.68	10.45
Highway	-	-	8.42	8.27	8.42	8.27
Golf Course	-	-	3.03	3.03	3.03	3.03
Total expenses	<u>134.09</u>	<u>131.50</u>	<u>22.13</u>	<u>21.75</u>	<u>156.22</u>	<u>153.25</u>
Increase in net assets before transfers	5.99	2.39	1.74	2.45	7.73	4.84
Transfers	<u>1.11</u>	<u>2.08</u>	<u>(1.11)</u>	<u>(2.08)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	7.10	4.47	0.63	0.37	7.73	4.84
Net assets beginning of year (restated)	29.81	24.54	12.09	11.72	41.90	36.26
Net assets end of year	<u>\$ 36.91</u>	<u>\$ 29.01</u>	<u>\$ 12.72</u>	<u>\$ 12.09</u>	<u>\$ 49.63</u>	<u>\$ 41.10</u>

**KENOSHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Revenue for governmental activities increased by \$6.2 million when compared to 2004. Key elements of this increase are as follows:

- Increased sales tax revenue of \$270,000
- Increased W-2 revenue of \$500,000 and state aids for child care of \$800,000
- Increased federal inmate revenue of \$400,000
- Increased state grants for disability services of \$0.6 million
- Increased interest on investments \$0.4 million
- New WMCIR revenue of \$748,000 (\$648,000 for Disability Services and \$100,000 all other Divisions).
- Increased property tax of \$1.8 million
- Health Division increased HUD and KUSD revenue of \$0.12 million.

Expenditures for governmental activities increased by \$2.6 million when compared to 2004. Key elements of this increase are as follows:

- Increased Human Services costs in Disability Services of \$1.3 million, with \$0.8 million related to increases in CIP funded expense, and \$0.5 million related to increased utilization in placements for mental illness.
- Increased W-2 costs for Human Services of \$0.8 million.
- Total personnel costs for all funds including Business-type funds, increased by \$1.3 million in 2005, from \$67.9 million in 2004 to \$69.2 million in 2005. Health insurance costs declined by \$1.1 million, and all other personnel costs increased by \$2.4 million. \$0.25 million of this increase was incurred in the Business-type funds.
- Interest expense in the debt service fund declined by \$1 million.

Revenue for the Business-type activities decreased by \$0.5 million in 2005 when compared to 2004. Key elements of this decrease are as follows:

- Brookside operating revenue and grants increased by \$0.25 million
- Highway Local Road Improvement grant revenue decreased by \$0.56 million
- Highway's outside services increased by \$0.24 million
- Property taxes decreased by \$0.23 million
- Golf Course fees increased by \$0.15 million

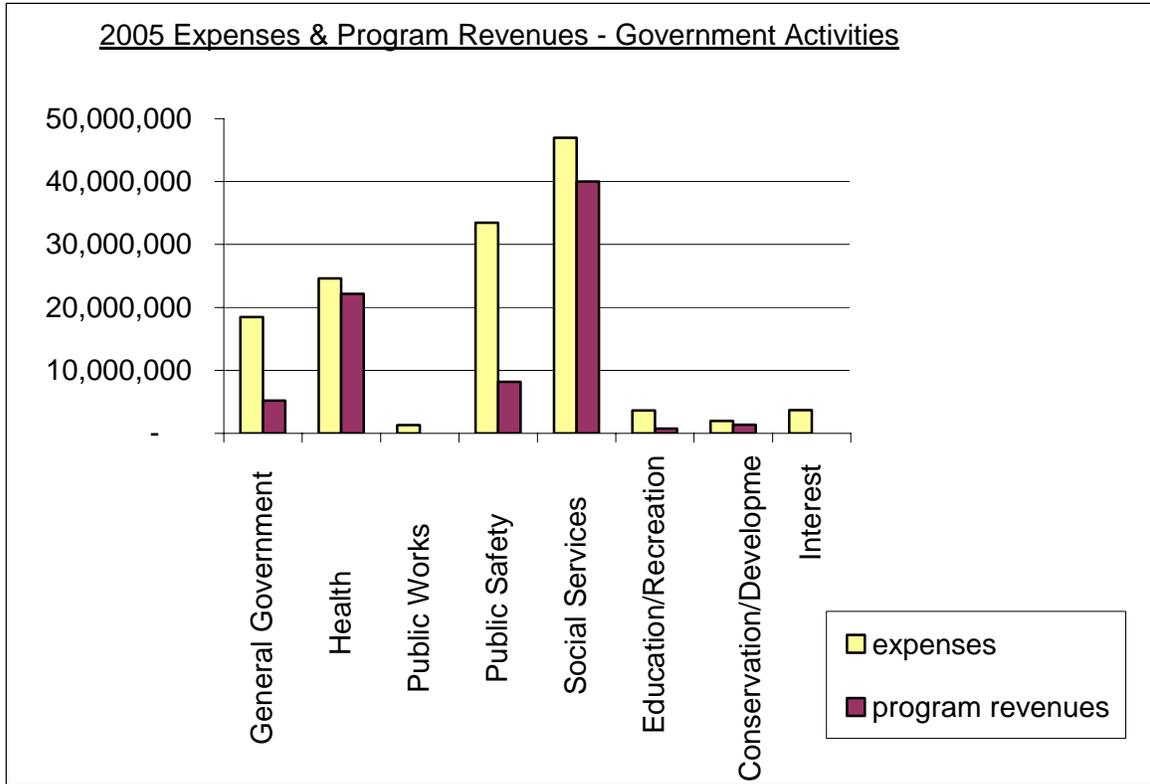
Expenses for Business-type activities increased a net of \$0.4 million in 2005 when compared to 2004. Key elements of this increase are as follows:

- increased personnel costs of \$0.25 million

KENOSHA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

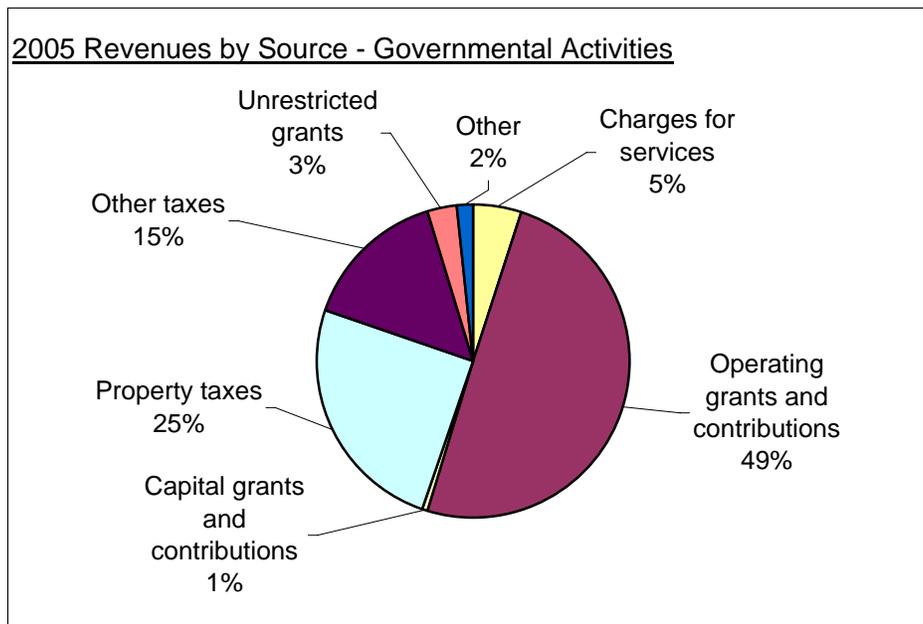
EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

The following chart shows the portion of expenses by function that is covered by program revenues for 2005.



REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

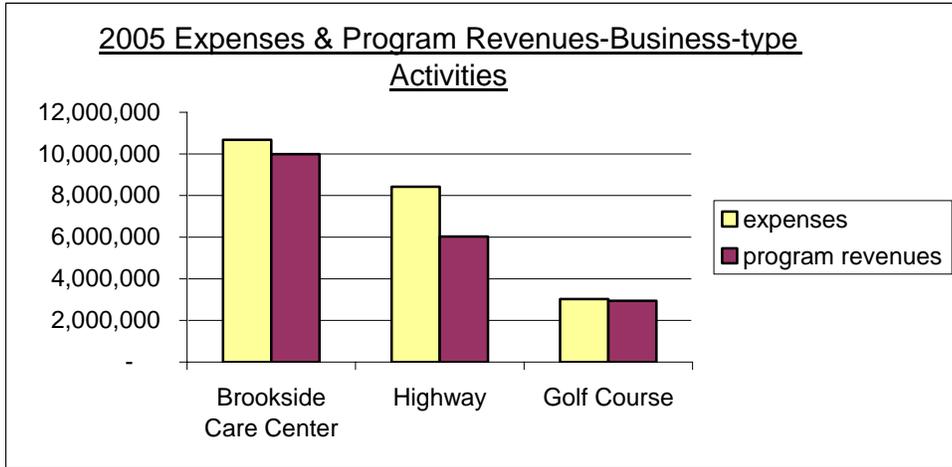
This chart illustrates the percent of revenue sources that fund the County's governmental activities for 2005.



**KENOSHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

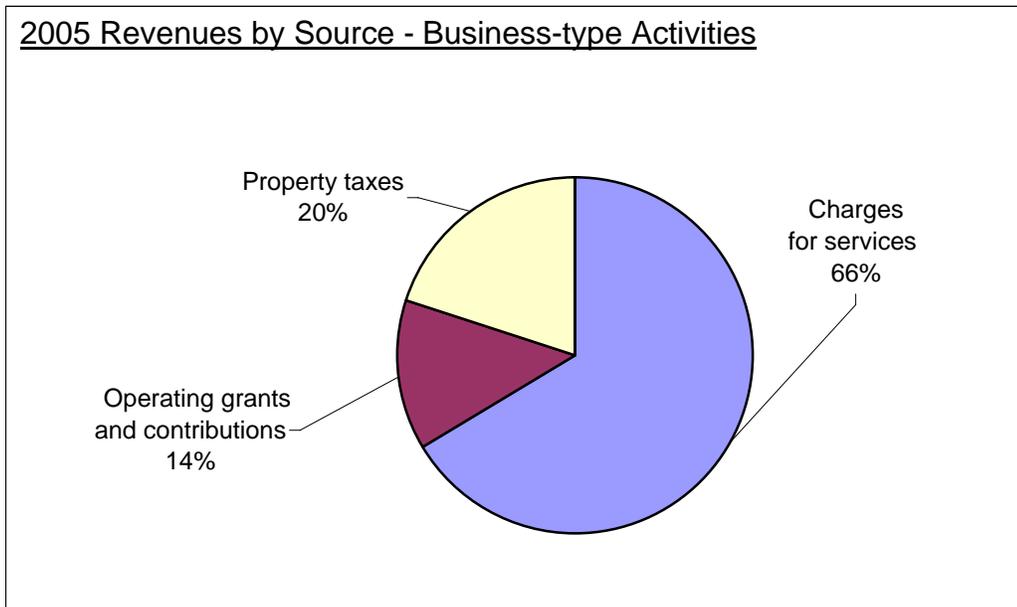
EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES

The following chart shows the portion of expenses by function that is covered by program revenues for business-type activities for 2005.



REVENUES BY SOURCE – BUSINESS-TYPE ACTIVITIES

This chart illustrates the percent of revenue sources that fund the County's business-type activities for 2005.



KENOSHA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

THE COUNTY'S FUNDS

Kenosha County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These funds, along with major changes that occurred in the County's funds are described below.

General Fund

The General Fund remained stable in 2005, with an increase in unreserved, undesignated fund balance over the 2004 balance of \$837,489. The unreserved, undesignated fund balance increased to \$11.5 million in 2005 compared to \$10.6 million in 2004. The unreserved, undesignated fund balance amount is significant, as this is the amount available for future expenditures if approved by the County Board. A summary of the primary elements for all funds resulting in the increase in unreserved undesignated fund balance in the General Fund is provided on page 13.

In 2004, two reserve policies were adopted that impacted the General Fund:

1. The adoption of a new fund balance reserve policy applicable to the General Fund
2. The adoption of a non-lapsing policy relative to the Brookside Nursing Home enterprise fund.

The General Fund Balance Reserve Policy is discussed in this section. The Brookside non-lapsing policy is discussed in the Brookside section.

The purpose of the General Fund fund balance reserve policy is:

- To maintain the fund balance of the General Fund at levels sufficient to protect the County's creditworthiness as well as its financial positions from unforeseeable emergencies.
- To ensure sufficient liquidity to provide for County obligations as they become due.
- To maintain the proper balance between maintaining a prudent level of reserves that is neither too low nor too high. The new policy requires that the County maintain 17% of General Fund expenditures as unreserved, undesignated fund balance in the General Fund. The County exceeded the 17% threshold by \$2.6 million at year-end 2005. See the summary on page 13 for an analysis of this.

In accord with this policy, available balances within the General Fund in excess of 17% may be used for capital expenditures and one-time operating expenditures. An amount not to exceed \$250,000 may be used for ongoing operational expenditures. In the 2006 budget, \$1,393,500 of funds from the General Fund were used to finance capital projects, and \$250,000 was used to fund the History Center and the Kemper Center. The Kemper Center provides art and cultural programs. This policy does permit reserves to be used for mid-year budget transfers.

As part of the 2005 closeout, it was determined that \$695,000 of the 2005 surplus would be used to fund several projects, primarily capital in nature. These transfers are shown in the exhibit on page 13 and noted as "appropriated in 2006".

In accord with County Board policy, the remainder of available and expendable resources from all non-lapsing funds have been transferred to the General Fund.

Brookside Enterprise Fund

In 2005, the Brookside Fund had a surplus of \$1.8 million before transfers. \$960,000 of this surplus was transferred to the General Fund, and relates to intergovernmental transfer revenue (IGT). The transfer of the IGT funds to the General Fund was planned as part of the adoption of the 2005 budget. A portion of the surplus in the amount of \$537,000 relates to savings from the personnel vacancy factor which is budgeted in the General Fund. This amount was lapsed to the General Fund to record the savings in the fund in which it was budgeted. The Brookside Enterprise Fund is now non-lapsing, in accordance with a policy adopted by the County Board in 2005. \$1,164,018 of

KENOSHA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

available and expendable cash balances that otherwise would have lapsed to the General Fund now remain in the Brookside Enterprise Fund. This represents an increase in the Brookside reserve in 2005 of \$146,943. User fees have historically financed over 80% of the Brookside operation. Not lapsing these funds will permit the nursing home to utilize the user fee revenue for the purpose of funding its programs and operations, in accord with customary enterprise fund fiscal practices.

An amount not to exceed one-half of the available and expendable cash reserves may be used to fund Brookside operations. The County may lapse Brookside funds to the General Fund in the event that the General Fund drops below 17% of General Fund spending.

Kenosha County Sheriff

Excluding the surplus in health insurance, the Sheriff experienced a surplus of \$1,126,527 in 2005. This occurred primarily due to a surplus in inmate housing revenue of \$826,116.

Highway Enterprise Fund

The Highway Fund experienced a gain of \$258,557 in 2005. Part of this gain relates to non-cash accounting transactions such as depreciation, combined with a decrease in the amount borrowed to finance capital equipment and road construction. Cash available to fund future expenditures in the Highway Fund at year-end 2005 was \$189,057 which was lapsed to the General Fund.

Golf Course Enterprise Fund

The Golf Course experienced a gain of \$21,736 in 2005. Because of other transactions impacting cash, the Fund had a positive cash position of \$75,978. The funds transferred to the Golf Course were a carryover from 2004 to 2005 for capital equipment. The golf course did not have a cash deficit in 2005.

Health Insurance Internal Service Fund

The self-funded health Insurance program experienced a countywide budgetary surplus in 2005 of \$2.1 million. Of this, \$1.3 million impacted the General Fund.

Vacancy Adjustment

Kenosha County reduces its total budgeted personnel costs using a vacancy adjustment. Historically, the County has an employee turnover rate in excess of 2%. Therefore, it is not necessary to fund 100% of all budgeted positions. In 2005, the budgeted County vacancy adjustment was \$1,633,011, or 2.4% of total personnel costs. In 2005, countywide savings generated through vacancies were \$1,472,030, a deficit in its vacancy adjustment of \$177,970. However, if savings from vacancies are not transferred in from the Human Services funds and the Highway fund, the total deficit charged to the General Fund would be \$1,197,405. The County has historically budgeted the majority of the vacancy adjustment in the General Fund. The majority of the vacancy adjustment is not allocated by department throughout the budget. Year-end lapses from the Human Services funds and the Highway fund include savings generated from vacancies that are needed to make the General Fund whole.

In this respect, the majority of the funds lapsed in 2005 from the Human Services Fund (\$30,191), Brookside (\$537,289) and the Highway fund (\$189,057) account for the non-General Fund share of vacancy savings needed to make the General Fund whole in 2005. As a result, the net vacancy adjustment deficit charged to the General Fund is \$440,868 (\$1,197,405 minus the lapse from Human Services, Brookside, and Highway funds). Vacancy savings from departments within the General Fund, such as the Sheriff, bring the total deficit in the vacancy adjustment down to \$177,970. Of the total vacancy savings, \$680,079 is from Health Insurance and is part of the Health Insurance total budgetary surplus of \$2.1 million.

**KENOSHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summary of 2005 Operations: Review of Major Elements Impacting the Undesignated, Unreserved Fund Balance in the General Fund

2004 undesignated reserves	\$ 10,620,741	
2005 activity affecting undesignated reserves		
Sales tax	215,262	- Surplus revenue in 2005
Register of Deeds	266,274	- Real estate transfers revenue surplus
Treasurer	394,921	- Interest on investments and tax on delinquencies
Health insurance	1,390,164	- General Fund Only - County total savings is \$2,117,410
Sheriff	1,126,527	- Sheriff surplus - does not include health insurance surplus of \$726,079. Includes inmate housing revenue surplus of \$826,716.
Kemper Center	(100,000)	- General Fund reserves used in 2006 budget
Historical Society	(150,000)	- General Fund reserves used in 2006 budget
Capital	(1,393,500)	- General Fund reserves used in 2006 budget
Broadband	(159,855)	- Resolution #6 - transfer from General Fund approved by Board
Department of Public Works		
Facilities - Kenosha County Job Center rooftop units	(200,000)	- Appropriated in 2006
Brightondale Park - resurface driveway	(37,000)	- Appropriated in 2006
Petrifying Springs Park - lift station	(100,000)	- Appropriated in 2006
Petrifying Springs Park - connect to city water	(13,000)	- Appropriated in 2006
Safety Building - carpet, paint, furniture	(150,000)	- Appropriated in 2006
Human Services - Kenosha Achievement Center	(125,000)	- Appropriated in 2006
Information Systems - systems engineer	(70,000)	- Appropriated in 2006
Tipping fee surplus	222,838	- Increase in tonnage
Telephone surplus	116,649	- Use 90% - 10% represents revenue reduction
Planning & Development revenue	(51,121)	- Sanitary fees, land use fees
Profit and loss on tax deeds	50,245	- Surplus revenue from sale of tax deed property
Intergovernmental transfer revenue surplus	235,773	- Brookside intergovernmental transfer revenue
Budgeted vacancy factor	(1,197,405)	- Vacancy adjustment General Fund impact w/o transfers from departments - net deficit countywide is \$177,970.
Tax delinquencies	120,400	- Total tax certificates decreased to \$3,142,567
All other accounts	183,738	
Undesignated reserves before lapsing	11,196,651	
plus: Highway fund lapse	189,057	
plus: Human Services fund lapse	30,191	
plus: Brookside fund lapse	537,289	- to cover vacancy
less: Lapse to Health Insurance fund	(500,000)	
Total undesignated reserves after lapse	11,453,188	
less: County Board requirement	(8,875,197)	- 17% of General Fund Expenditure
Amount in excess of requirement	2,577,991	
less: 2007 Capital (estimate)	(1,300,000)	- Appropriated in 2007
less: Kemper and History Center	(250,000)	- Appropriated in 2007
less: Joint Services pension liability	(271,652)	- Appropriated in 2007
Available for contingencies	\$ 756,339	

KENOSHA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County Board revised the County budget several times. These budget amendments fall into five categories.

- The first category includes amendments for carryover funds from the prior year. The carryover of these funds allows the County to complete projects previously authorized by the Board.
- The second category includes budget amendments done to reflect changes in intergovernmental aids and grants.
- The third category includes transfers the Board approved for certain increases in appropriations to prevent budget overruns within budget appropriation. All of the transfers in this third category were done within the total budget.
- The fourth category includes transfers from the General Fund approved by the County Board. In 2005, there was one transfer from the General Fund. This budget amendment in the amount of \$159,855 was for the purpose of connecting broadband from Gateway to the Courthouse.
- The fifth category is reprogrammed surplus funds re-budgeted for a new purpose using surplus funds identified as part of the year-end closeout. \$695,000 of new projects were funded as an amendment to the 2006 budget using 2005 surplus funds. These new projects are identified on the "Summary of 2005 Operations" schedule in this report.

The County Board has approved all budget amendments. See "Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual" presented for the General Fund on page 27 for more detail.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2005 financial statements reflect the fourth year of growth of surplus in the General Fund. The trend began in 2002 when the County Board implemented a permanent budget reduction of \$1.1 million with the adoption of Resolution 27. This permanent reduction combined with increases in sales tax revenue and other revenues, a reduction in juvenile placement costs and new revenue from the Sheriff for housing federal inmates enabled the County to adopt its budgets without the use of accumulated surplus. 2003 was the first year since 1997 that the County did not use a significant amount of reserves to fund ongoing operating costs. The County has continued this practice with the adoption of the 2004, 2005, and 2006 budgets. As a result of not using reserves to fund operating costs, undesignated, unreserved fund balance in the general fund has grown from \$5.7 million in 2001 to \$8.1 in 2002, \$10.4 million in 2003, \$10.6 million in 2004, and \$11.5 million in 2005. In 2004, the County has established a policy to maintain an undesignated, unreserved fund balance in the general fund of 17% of general fund expense. The County has determined that it is not a prudent use of public funds to exceed the 17% benchmark by a significant amount. Therefore, the County will consider using surplus funds in excess of 17% to fund capital expenditures or one-time operating costs, in lieu of bonding or increasing tax levies.

At this time, there are certain known factors that may impact the financial statements. The County Board has adopted an advisory resolution relative to the 2007 budget. This resolution advises that the 2007 property tax levy shall increase in an amount not to exceed 3%. This limit includes the debt levy and the operating levy. It is estimated that the 2007 increase in the debt levy will be about 4%. It is estimated that the increase in the operating levy will exceed the 3% advisory limit by about \$900,000. In order to achieve the 3% levy objective in 2007 it will be necessary for the County to increase revenue or decrease spending by a combined total of approximately \$900,000. This 3% limit is advisory only. The County is presently \$8.3 million below the State mill rate cap.

**KENOSHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For 2007, the County estimates that it would be able to increase its levy by a maximum of \$2.36 million, or 4.7% under the State Levy Limit. The State Levy Limit expires after 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2005, the County had \$123.12 million invested in net capital assets including land, buildings, park and golf facilities, vehicles, equipment, and infrastructure.

Land and land improvements increased by \$500,000 due to the acquisition of the land in the floodplain which is funded by federal dollars. The increase in machinery and equipment primarily relates to the acquisition of computer equipment and vehicles of \$1.9 million. See Notes to the Financial Statements page 61 for more detail about the capital assets. Summary report (rounded to millions) is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2005	2004	2005	2004	2005	2004
Construction in progress	\$ 0.38	\$ 0.02	\$ -	\$ -	\$ 0.38	\$ 0.02
Land	15.88	15.55	0.34	0.34	16.22	15.89
Land improvements	8.91	8.76	4.29	4.18	13.20	12.94
Buildings	72.61	72.44	15.11	15.11	87.72	87.55
Machinery & equipment	13.27	11.33	16.05	15.69	29.32	27.02
Infrastructure	35.73	33.96	-	-	35.73	33.96
Total capital assets	146.78	142.06	35.79	35.32	182.57	177.38
Less: accumulated depreciation	(40.23)	(35.51)	(19.22)	(17.88)	(59.45)	(53.39)
Total net capital assets	<u>\$ 106.55</u>	<u>\$ 106.55</u>	<u>\$ 16.57</u>	<u>\$ 17.44</u>	<u>\$ 123.12</u>	<u>\$ 123.99</u>

Debt

At year-end, the County had \$96,426,875 in outstanding general obligation debt. That is a decrease of six percent as shown in the following table.

Bonded debt outstanding at 12/31/04	\$ 102,484,154
Principal retired in 2005	(8,757,279)
Eight year notes issued to fund 2005 capital projects	2,700,000
Debt outstanding at 12/31/05	<u>\$ 96,426,875</u>

New principal issued was \$2,700,000. Total debt outstanding declined by \$6,057,279 or 6.0%.

Since 1999, the County has done six refinancings, excluding the pension refunding bonds. These refinancings are estimated to achieve savings exceeding \$2.4 million. In order to implement the six refinancings, it was necessary to issue additional principal of about \$2 million. Of this amount, a balance of about \$1.6 million remains at year end 2005.

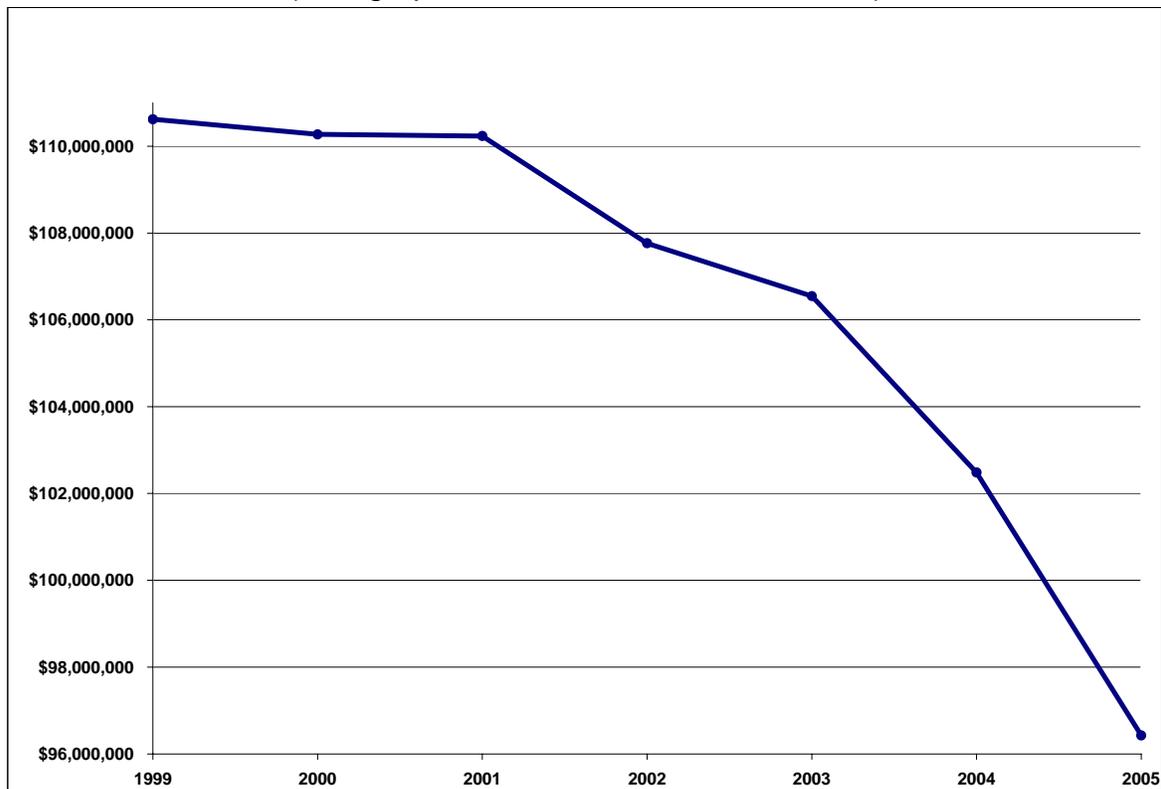
KENOSHA COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

The County received an increase in its Moody's credit rating in 2004. The rating received from Moody's increased from A 1 to Aa3. The County received an increase in its Standard and Poor's credit rating in 2003. The rating received from Standard & Poor's increased from AA- to AA and have remained constant for 2005.

Since 1999, the County Executive and the County Board have directed that the County engage in a debt reduction program. County debt hit its highest level of \$112.9 million in 1999, including the County's unfunded actuarial pension liability. As of year end 2005, total County general obligation debt was \$96.4 million. This amount includes about \$1.6 million of additional principal issued to refinance debt for savings. Adjusting total County debt outstanding as of year-end 2005 for new principal issued for refinancings, and restating the resulting balance in inflation adjusted 1999 dollars, total debt outstanding at year-end 2005 would be \$80.9 million. This reflects a reduction over 1999 of \$32 million, or 28% over total County debt outstanding in 1999 in inflation adjusted dollars.

Kenosha County Debt Service Reduction

(This graph reflects actual debt reduction.)



In June of 2004, the County adopted a resolution authorizing \$20,000,000 of borrowing to be used to finance the County's capital improvement program over the next 5 years. This was done in order to lock in the County's ability to finance capital projects backed by an irrevocable tax levy notwithstanding proposed new State restrictions. The County would expect interest costs to increase for debt issued under these potential legislative restrictions. Therefore, the County has determined that it was prudent to authorize the debt under existing law in order to reduce interest

**KENOSHA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

expense. In addition, the County authorized \$56,300,000 for the purpose of paying the cost of refinancing County debt. This would preserve the ability of the County to refinance debt at a savings notwithstanding potential new State restrictions. These approvals are good for five years.

See Notes to the Financial Statements page 66 for more detail about the County's debt.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Financial Services Division at 1010 56th Street, Kenosha, WI.

David M. Geertsen, CPA
Finance Director
Kenosha County, Wisconsin

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KENOSHA COUNTY
STATEMENT OF NET ASSETS
As of December 31, 2005

ASSETS	Governmental Activities	Business-type Activities	Totals
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cash and temporary cash investments	21,632,691	2,574,227	24,206,918
Receivables			
Property taxes receivable	45,581,003	4,643,073	50,224,076
Delinquent taxes	5,111,735	-	5,111,735
Due from other governments	8,987,248	632,536	9,619,784
Miscellaneous	2,507,231	930,594	3,437,825
Prepaid expenses	61,574	-	61,574
Inventories	-	397,621	397,621
Restricted assets			
Cash	264,004	-	264,004
Deposit with Wisconsin Municipal Mutual Insurance Co.	1,157,860	-	1,157,860
Capital assets			
Land, improvements, and construction in progress	22,955,377	338,258	23,293,635
Other capital assets, net of depreciation	83,596,392	16,234,616	99,831,008
Total Capital Assets	<u>106,551,769</u>	<u>16,572,874</u>	<u>123,124,643</u>
Total Assets	<u>191,855,115</u>	<u>25,750,925</u>	<u>217,606,040</u>
 LIABILITIES			
Accounts payable	9,104,241	228,253	9,332,494
Accrued compensation	1,667,370	-	1,667,370
Other liabilities	1,168,179	84,446	1,252,625
Special deposits	12,097	-	12,097
Due to other governments	1,122,170	27,378	1,149,548
Due to special districts	1,028,631	-	1,028,631
Unearned property tax revenue	45,581,003	4,643,073	50,224,076
Other unearned revenue	604,400	27,798	632,198
Long-term liabilities			
Due within one year	9,802,435	857,640	10,660,075
Due in more than one year	84,860,651	7,165,560	92,026,211
Total Liabilities	<u>154,951,177</u>	<u>13,034,148</u>	<u>167,985,325</u>
 NET ASSETS			
Invested in capital assets, net of related debt	28,403,155	9,412,255	37,815,410
Restricted for:			
Specific purpose: grants	1,919,900	-	1,919,900
Unrestricted	6,580,883	3,304,522	9,885,405
Total Net Assets	<u>\$ 36,903,938</u>	<u>\$ 12,716,777</u>	<u>\$ 49,620,715</u>

See accompanying notes to the financial statements.

KENOSHA COUNTY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
PRIMARY GOVERNMENT:							
Governmental activities:							
General government	\$ 18,453,251	\$ 3,184,816	\$ 1,665,730	\$ 329,489	\$ (13,273,216)	\$ -	\$ (13,273,216)
Health	24,613,147	1,507,299	20,628,672	-	(2,477,176)	-	(2,477,176)
Public works	1,314,242	-	-	-	(1,314,242)	-	(1,314,242)
Public safety	33,444,104	1,314,222	6,726,632	142,200	(25,261,050)	-	(25,261,050)
Social services	46,969,954	18,314	39,923,065	60,861	(6,967,714)	-	(6,967,714)
Education and recreation	3,608,936	214,822	512,396	35,060	(2,846,658)	-	(2,846,658)
Conservation and development	1,994,545	829,084	133,174	387,383	(644,904)	-	(644,904)
Interest on long-term debt	3,696,487	-	-	-	(3,696,487)	-	(3,696,487)
Total Governmental Activities	134,094,666	7,068,557	69,589,669	954,993	(56,481,447)	-	(56,481,447)
Business-type activities:							
Nursing home	10,683,803	9,026,481	960,773	21,196	-	(675,353)	(675,353)
Highway	8,416,983	3,765,467	2,266,850	-	-	(2,384,666)	(2,384,666)
Golf Course	3,030,081	2,943,419	-	108,398	-	21,736	21,736
Total Business-Type Activities	22,130,867	15,735,367	3,227,623	129,594	-	(3,038,283)	(3,038,283)
Total Primary Government	\$ 156,225,533	\$ 22,803,924	\$ 72,817,292	\$ 1,084,587	(56,481,447)	(3,038,283)	(59,519,730)
General Revenues:							
Taxes:							
Property taxes, levied for general purposes					34,966,943	4,773,680	39,740,623
Property taxes, levied for debt service					11,206,928	-	11,206,928
Sales tax - County					9,744,716	-	9,744,716
Dog track admissions tax					73,702	-	73,702
Grants and contributions not restricted to specific programs					4,049,202	-	4,049,202
Unrestricted investment earnings					1,386,273	5,063	1,391,336
Miscellaneous					1,035,230	-	1,035,230
Transfers					1,112,669	(1,112,669)	-
Total general revenues and transfers					63,575,663	3,666,074	67,241,737
Change in net assets					7,094,216	627,791	7,722,007
Net assets-beginning (as restated)					29,809,722	12,088,986	41,898,708
Net assets-ending					\$ 36,903,938	\$ 12,716,777	\$ 49,620,715

See accompanying notes to the financial statements.

**KENOSHA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005**

	General	Human Services	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 12,013,376	\$ 166,105	\$ -	\$ 4,992,781	\$ 17,172,262
Receivables					
Property taxes receivables	23,152,244	8,893,334	11,398,525	2,136,900	45,581,003
Delinquent taxes	5,111,735	-	-	-	5,111,735
Miscellaneous	456,515	88,273	-	243,233	788,021
Due from other governments	3,240,592	5,054,471	-	682,709	8,977,772
Due from other funds	1,363,563	-	-	-	1,363,563
Prepaid items	24,194	-	-	-	24,194
Loans receivable	-	-	-	1,574,278	1,574,278
TOTAL ASSETS	\$ 45,362,219	\$ 14,202,183	\$ 11,398,525	\$ 9,629,901	\$ 80,592,828
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 927,252	\$ 4,134,024	\$ -	\$ 367,987	\$ 5,429,263
Accrued compensation	1,667,370	-	-	-	1,667,370
Other liabilities	-	-	1,575	-	1,575
Special deposits	9,251	2,846	-	-	12,097
Due to other governments	1,244,409	827,637	-	78,755	2,150,801
Due to other funds	-	-	58,338	406,430	464,768
Deferred property tax revenue	23,152,244	8,893,334	11,398,525	2,136,900	45,581,003
Other deferred revenue	1,015,673	81,016	-	1,896,652	2,993,341
Total Liabilities	<u>28,016,199</u>	<u>13,938,857</u>	<u>11,458,438</u>	<u>4,886,724</u>	<u>58,300,218</u>
Fund Balance					
Reserved for delinquent tax certificate receivables	3,142,567	-	-	-	3,142,567
Reserved for encumbrances	121,045	263,325	-	27,800	412,170
Reserved for prepaid items	24,194	-	-	-	24,194
Unreserved, reported in:					
General Fund, designated	2,605,026	-	-	-	2,605,026
General Fund, undesignated	11,453,188	-	-	-	11,453,188
Debt Service, undesignated (deficit)	-	-	(59,913)	-	(59,913)
Special Revenue Funds, designated	-	-	-	370,022	370,022
Special Revenue Funds, undesignated	-	1	-	92,716	92,717
Capital Projects Funds, designated	-	-	-	4,108,668	4,108,668
Capital Projects Funds, undesignated	-	-	-	143,971	143,971
Total Fund Balances (deficit)	<u>17,346,020</u>	<u>263,326</u>	<u>(59,913)</u>	<u>4,743,177</u>	<u>22,292,610</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,362,219	\$ 14,202,183	\$ 11,398,525	\$ 9,629,901	\$ 80,592,828

See accompanying notes to the financial statements.

KENOSHA COUNTY
Reconciliation of the Governmental Fund Balance Sheet
and the Statement of Net Assets
As of December 31, 2005

Fund Balance - Total Governmental Funds	\$ 22,292,610
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. See note IV.C.	99,921,495
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. See Note II.A.	(90,352,677)
Interest expense is not accrued in the governmental funds.	(1,101,388)
Proceeds of loans receivable collected are recorded as revenue in government-wide not as deferred revenue.	1,574,278
Unavailable delinquent tax receivable is recorded as revenue in government-wide not as deferred revenue.	815,328
Internal service funds are classed as proprietary funds in the fund statements but are governmental type in the entity wide statements. See Note II.A.	<u>3,754,292</u>
Total Net Assets - Governmental Activities	<u>\$ 36,903,938</u>

See accompanying notes to the financial statements.

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KENOSHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	<u>General</u>	<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 34,275,729	\$ 8,534,703	\$ 11,206,928	\$ 2,047,350	\$ 56,064,710
Licenses and permits	444,004	-	-	314,309	758,313
Intergovernmental revenues	8,669,265	57,318,956	-	3,316,189	69,304,410
Charges for services	7,197,366	8,150	-	1,815,148	9,020,664
Fines, forfeits and penalties	1,214,185	-	-	-	1,214,185
Investment income	1,187,569	-	-	79,302	1,266,871
Miscellaneous income	744,715	654,001	-	821,666	2,220,382
Total Revenues	<u>53,732,833</u>	<u>66,515,810</u>	<u>11,206,928</u>	<u>8,393,964</u>	<u>139,849,535</u>
EXPENDITURES					
Current					
General government	15,505,584	-	-	-	15,505,584
Health	-	19,796,346	-	4,750,939	24,547,285
Public safety	32,874,634	-	-	-	32,874,634
Social services	246,718	46,862,085	-	-	47,108,803
Education and recreation	1,753,446	-	-	1,659,539	3,412,985
Conservation and development	1,715,036	-	-	332,043	2,047,079
Capital Outlay	116,866	-	-	3,084,245	3,201,111
Debt Service					
Principal retirement	-	-	7,484,505	-	7,484,505
Interest, fiscal charges and debt issuance costs	-	-	3,553,550	32,185	3,585,735
Total Expenditures	<u>52,212,284</u>	<u>66,658,431</u>	<u>11,038,055</u>	<u>9,858,951</u>	<u>139,767,721</u>

See accompanying notes to the financial statements.

KENOSHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	<u>General</u>	<u>Human Services</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficiency) of revenues over expenditures	1,520,549	(142,621)	168,873	(1,464,987)	81,814
OTHER FINANCING SOURCES (USES)					
General obligation debt issued	-	-	-	2,700,000	2,700,000
Premium on issuance of debt	-	-	-	8,743	8,743
Transfers from other funds	1,717,310	28,678	-	489,855	2,235,843
Transfers to other funds	(659,855)	(30,191)	(390,495)	(2,088,466)	(3,169,007)
Total Other Financing Sources (Uses)	<u>1,057,455</u>	<u>(1,513)</u>	<u>(390,495)</u>	<u>1,110,132</u>	<u>1,775,579</u>
Net change in fund balances	2,578,004	(144,134)	(221,622)	(354,855)	1,857,393
FUND BALANCES					
Beginning of year (as restated)	<u>14,768,016</u>	<u>407,460</u>	<u>161,709</u>	<u>5,098,032</u>	<u>20,435,217</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 17,346,020</u>	<u>\$ 263,326</u>	<u>\$ (59,913)</u>	<u>\$ 4,743,177</u>	<u>\$ 22,292,610</u>

See accompanying notes to the financial statements.

KENOSHA COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 1,857,393

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. This is the amount by which capital outlay (\$3,201,111), donated assets (\$205,413), and infrastructure (\$1,155,338) less capital outlay that falls below the threshold (\$11,941) and assets transferred to the internal service fund (\$55,900) exceeds depreciation (\$4,398,829) without internal service funds in the current period. 95,192

The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and adjustments) is to increase net assets. (499,858)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (93,020)

Bond issues provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded debt issued. See Note II.B. 4,761,278

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 governmental funds. See Note II.B. (224,683)

Delinquent taxes receivables not collected within 60 days of year end are recorded as unearned revenue in the governmental funds. (72,493)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and public works, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 1,270,407

Change in net assets of governmental activities \$ 7,094,216

KENOSHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 33,710,158	\$ 33,710,158	\$ 34,275,729	\$ 565,571
Licenses and permits	433,450	433,450	444,004	10,554
Intergovernmental revenues	8,837,854	10,331,457	8,669,265	(1,662,192)
Charges for services	5,073,808	6,258,557	7,197,366	938,809
Fines, forfeits and penalties	1,218,540	1,218,540	1,214,185	(4,355)
Investment income	740,000	795,000	1,187,569	392,569
Miscellaneous income	621,545	631,545	744,715	113,170
Carryovers	713,214	365,200	-	(365,200)
Total Revenues	<u>51,348,569</u>	<u>53,743,907</u>	<u>53,732,833</u>	<u>(11,074)</u>
Expenditures				
Current				
General government	14,707,790	15,170,721	15,505,584	(334,863)
Public safety	32,595,111	34,844,202	32,874,634	1,969,568
Social services	260,758	262,206	246,718	15,488
Education/recreation	1,940,028	1,896,508	1,753,446	143,062
Conservation and development	1,741,332	1,843,516	1,715,036	128,480
Capital Outlay	103,550	188,965	116,866	72,099
Total Expenditures	<u>51,348,569</u>	<u>54,206,118</u>	<u>52,212,284</u>	<u>1,993,834</u>
Excess (deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(462,211)</u>	<u>1,520,549</u>	<u>1,982,760</u>
Other Financing Sources (Uses)				
Transfers in	-	1,687,119	1,717,310	30,191
Transfers out	-	(659,855)	(659,855)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,027,264</u>	<u>1,057,455</u>	<u>30,191</u>
Net change in fund balance	<u>-</u>	<u>565,053</u>	<u>2,578,004</u>	<u>2,012,951</u>
Fund balance - beginning	14,768,016	14,768,016	14,768,016	-
Fund balance - ending	<u>\$ 14,768,016</u>	<u>\$ 15,333,069</u>	<u>\$ 17,346,020</u>	<u>\$ 2,012,951</u>

See accompanying notes to the financial statements.

KENOSHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - HUMAN SERVICES FUND
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,534,703	\$ 8,534,703	\$ 8,534,703	\$ -
Intergovernmental revenues	58,182,270	61,237,556	57,318,956	(3,918,600)
Charges for services	29,000	30,048	8,150	(21,898)
Miscellaneous income	8,050	656,087	654,001	(2,086)
Total Revenues	<u>66,754,023</u>	<u>70,458,394</u>	<u>66,515,810</u>	<u>(3,942,584)</u>
Expenditures				
Current				
Health	19,201,051	19,816,295	19,796,346	19,949
Social services	47,552,972	51,177,502	46,862,085	4,315,417
Total Expenditures	<u>66,754,023</u>	<u>70,993,797</u>	<u>66,658,431</u>	<u>4,335,366</u>
Excess (deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(535,403)</u>	<u>(142,621)</u>	<u>392,782</u>
Other Financing Sources (Uses)				
Transfers in	-	28,679	28,678	(1)
Transfers out	-	-	(30,191)	(30,191)
Total Other Financing Sources (Uses)	<u>-</u>	<u>28,679</u>	<u>(1,513)</u>	<u>(30,192)</u>
Net change in fund balance	<u>-</u>	<u>(506,724)</u>	<u>(144,134)</u>	<u>362,590</u>
Fund balance - beginning (restated)	407,460	407,460	407,460	-
Fund balance - ending (deficit)	<u>\$ 407,460</u>	<u>\$ (99,264)</u>	<u>\$ 263,326</u>	<u>\$ 362,590</u>

See accompanying notes to the financial statements.

**KENOSHA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2005**

	Business-type Activities				Governmental Activities
	Brookside Care Center	Highway	Golf Course	Totals	Internal Service
ASSETS					
Cash and cash equivalents	\$ 1,154,851	\$ 1,343,398	\$ 75,978	\$ 2,574,227	\$ 4,460,429
Accounts receivable	928,843	-	1,751	930,594	144,932
Property taxes receivable	2,436,997	2,206,076	-	4,643,073	-
Due from other governments	10,240	618,121	4,175	632,536	9,476
Inventories	37,820	347,366	12,435	397,621	-
Prepaid items	-	-	-	-	37,380
Restricted cash and investments	-	-	-	-	264,004
Deposit in WMMIC	-	-	-	-	1,157,860
Land	203	60,409	277,646	338,258	682,623
Buildings and improvements	5,299,147	8,292,370	5,818,135	19,409,652	7,223,005
Machinery and equipment	4,223,826	10,244,849	1,573,393	16,042,068	154,891
Accumulated depreciation	<u>(4,208,527)</u>	<u>(11,149,160)</u>	<u>(3,859,417)</u>	<u>(19,217,104)</u>	<u>(1,430,244)</u>
Total Assets	<u>9,883,400</u>	<u>11,963,429</u>	<u>3,904,096</u>	<u>25,750,925</u>	<u>12,704,356</u>
LIABILITIES					
Accounts payable	108,927	98,455	20,871	228,253	677,923
Claims payable	-	-	-	-	2,997,055
Due to other funds	-	-	-	-	898,795
Due to other governments	-	10,276	17,102	27,378	-
Other liabilities	84,446	-	-	84,446	65,217
Current portion of long-term debt payable	575,765	21,741	260,134	857,640	554,700
Deferred property tax revenue	2,436,997	2,206,076	-	4,643,073	-
Other unearned revenue	-	27,798	-	27,798	665
General obligation debt payable	4,947,501	344,501	2,637,939	7,929,941	3,755,709
Unamortized discount on debt	<u>(344,812)</u>	<u>-</u>	<u>(419,569)</u>	<u>(764,381)</u>	<u>-</u>
Total Liabilities	<u>7,808,824</u>	<u>2,708,847</u>	<u>2,516,477</u>	<u>13,034,148</u>	<u>8,950,064</u>
NET ASSETS					
Invested in capital assets, net of related debt	579,461	7,448,468	1,384,326	9,412,255	2,721,740
Unrestricted	<u>1,495,115</u>	<u>1,806,114</u>	<u>3,293</u>	<u>3,304,522</u>	<u>1,032,552</u>
Total Net Assets	<u>\$ 2,074,576</u>	<u>\$ 9,254,582</u>	<u>\$ 1,387,619</u>	<u>\$ 12,716,777</u>	<u>\$ 3,754,292</u>

See accompanying notes to the financial statements.

KENOSHA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	Business-type Activities				Governmental Activities
	Brookside Care Center	Highway	Golf Course	Totals	Internal Service
OPERATING REVENUES					
Charges for services	\$ 9,026,481	\$ 3,765,467	\$ 2,943,419	\$ 15,735,367	\$ 17,302,742
Total Operating Revenues	9,026,481	3,765,467	2,943,419	15,735,367	17,302,742
OPERATING EXPENSES					
Operations and maintenance	9,238,676	7,809,425	2,594,836	19,642,937	16,529,037
General and administrative	782,867	888,566	-	1,671,433	-
Depreciation and amortization	379,843	874,330	306,053	1,560,226	458,960
Total Operating Expense	10,401,386	9,572,321	2,900,889	22,874,596	16,987,997
Operating Income (Loss)	(1,374,905)	(5,806,854)	42,530	(7,139,229)	314,745
NON-OPERATING REVENUES (EXPENSES)					
General property taxes	2,515,850	2,257,830	-	4,773,680	-
Intergovernmental grants	960,773	2,266,850	-	3,227,623	-
Investment income	5,063	-	-	5,063	171,232
Amortization of debt discount and loss on refinancing	(52,587)	-	(34,949)	(87,536)	-
Interest and fiscal charges	(229,830)	-	(94,243)	(324,073)	(161,965)
Total Non-Operating Revenues (Expenses)	3,199,269	4,524,680	(129,192)	7,594,757	9,267
Income (Loss) Before Contributions and Transfers	1,824,364	(1,282,174)	(86,662)	455,528	324,012
CONTRIBUTIONS	21,196	-	108,398	129,594	55,900
TRANSFERS					
Transfers in	-	1,729,788	-	1,729,788	890,495
Transfers out	(1,498,062)	(189,057)	-	(1,687,119)	-
Total Transfers	(1,498,062)	1,540,731	-	42,669	890,495
Change in net assets	347,498	258,557	21,736	627,791	1,270,407
Total net assets at the beginning of year	1,727,078	8,996,025	1,365,883	12,088,986	2,483,885
Total net assets at end of year	<u>\$ 2,074,576</u>	<u>\$ 9,254,582</u>	<u>\$ 1,387,619</u>	<u>\$ 12,716,777</u>	<u>\$ 3,754,292</u>

See accompanying notes to the financial statements.

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KENOSHA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005

	Business-type Activities			Governmental Activities	
	Brookside Care Center	Highway	Golf Course	Totals	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 8,750,392	\$ 3,797,959	\$ 2,945,086	\$ 15,493,437	\$ 17,309,619
Paid to suppliers and employees for goods and services	(10,004,688)	(8,766,782)	(2,592,167)	(21,363,637)	(17,274,159)
Cash Flows from Operating Activities	<u>(1,254,296)</u>	<u>(4,968,823)</u>	<u>352,919</u>	<u>(5,870,200)</u>	<u>35,460</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
General property taxes	2,515,850	2,257,830	-	4,773,680	-
Intergovernmental grants	960,773	2,266,850	-	3,227,623	-
Transfers	(1,498,062)	1,540,731	-	42,669	890,495
Cash Flows from Noncapital Financing Activities	<u>1,978,561</u>	<u>6,065,411</u>	<u>-</u>	<u>8,043,972</u>	<u>890,495</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES					
Debt retired	(545,000)	-	(235,000)	(780,000)	(492,774)
Interest paid	(229,830)	-	(94,243)	(324,073)	(161,965)
Acquisition and construction of capital assets	(133,082)	(331,004)	(98,655)	(562,741)	(16,858)
Cash Flows from Capital and Financing Activities	<u>(907,912)</u>	<u>(331,004)</u>	<u>(427,898)</u>	<u>(1,666,814)</u>	<u>(671,597)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Change in restricted cash	-	-	-	-	50,588
Investment income	5,063	-	-	5,063	171,232
Cash Flows from Investing Activities	<u>5,063</u>	<u>-</u>	<u>-</u>	<u>5,063</u>	<u>221,820</u>
Net Change in Cash and Cash Equivalents	(178,584)	765,584	(74,979)	512,021	476,178
Cash and Cash Equivalents - Beginning of Year	<u>1,333,435</u>	<u>577,814</u>	<u>150,957</u>	<u>2,062,206</u>	<u>3,984,251</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,154,851</u>	<u>\$ 1,343,398</u>	<u>\$ 75,978</u>	<u>\$ 2,574,227</u>	<u>\$ 4,460,429</u>

See accompanying notes to the financial statements.

**KENOSHA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005**

	Business-type Activities				Governmental Activities
	Brookside Care Center	Highway	Golf Course	Totals	Internal Service
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (1,374,905)	\$ (5,806,854)	\$ 42,530	\$ (7,139,229)	\$ 314,745
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation expense and amortization	379,843	874,330	306,053	1,560,226	458,960
Changes in assets and liabilities:					
Accounts receivable	(265,849)	119,505	989	(145,355)	6,879
Due from other governments	(10,240)	(114,811)	678	(124,373)	-
Inventories	(143)	68,445	852	69,154	-
Prepaid items	-	-	-	-	(37,380)
Accounts payable	28,094	(137,417)	18,919	(90,404)	(101,803)
Due to other governments	-	181	(17,102)	(16,921)	-
Due to other funds	-	-	-	-	(605,941)
Other current liabilities	(11,096)	27,798	-	16,702	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (1,254,296)</u>	<u>\$ (4,968,823)</u>	<u>\$ 352,919</u>	<u>\$ (5,870,200)</u>	<u>\$ 35,460</u>

Noncash investing, capital and financing activities:

During 2005, the Capital Projects fund transferred capital assets to the Human Services Building Fund with a net value of \$55,900 and the General Fund transferred capital assets with the net values of \$21,196 and \$108,398 to the Brookside Care Center Fund and the Golf Course Fund, respectively.

See accompanying notes to the financial statements.

KENOSHA COUNTY

**STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS - AGENCY FUNDS**

December 31, 2005

ASSETS

Cash and temporary cash investments	\$	4,323,178
Miscellaneous receivables		<u>226,418</u>
Total Assets		<u><u>4,549,596</u></u>

LIABILITIES

Other liabilities		<u>4,549,596</u>
Total Liabilities	\$	<u><u>4,549,596</u></u>

See accompanying notes to the financial statements.

KENOSHA COUNTY

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KENOSHA COUNTY

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KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Kenosha, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

This report includes all of the funds of Kenosha County. The reporting entity for the County consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units or its constituents, (2) the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization, (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to or has the ability to otherwise access are significant to that primary government. This report does not contain any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Government-Wide Financial Statements (cont.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The County allocates indirect expenses to functions in the Statement of Activities by using a cost allocation plan. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which, are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental, proprietary, and fiduciary statements. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

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

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The County reports the following major governmental funds:

- General Fund – accounts for the County’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- Human Services Fund – Accounts for resources legally restricted to supporting expenditures for the Social Services and Aging programs.
- Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.

The County reports the following major enterprise funds:

- Brookside Care Center Fund – accounts for the operations of the County nursing home.
- Highway – accounts for the maintenance of the County, state and local roads.
- Golf Course Fund – accounts for operations of the County golf course.

The County reports the following non-major governmental and enterprise funds:

- Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. These funds are:

Housing Authority	Federated Library System
Health Department	Geographic Information Systems

- Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities. These projects include:

County Detention Center	Courthouse Security
Parkland Development	Safety Building Remodeling
Parking Structure	Other Capital Projects
Jail Expansion	

- The County has no non-major enterprise funds.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

***Fund Financial Statements* (cont.)**

In addition, the County reports the following fund types:

- Internal Service Funds - used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds consist of:
 - Human Services Building Workers Compensation
 - Health Insurance General Liability Insurance
- Agency Funds - used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. These funds consist of the following:

Agency Funds:

Clerk of Courts
Child Support
Social Services
Other Agency Funds

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except for human services and victim witness reimbursable grants, for which available is defined as 180 days. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the County is entitled to the resources and the amounts are available. Amounts owed to the County which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in the future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the County are reported as receivables and reserved fund balance in the General Fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The County reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent years' operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

Deferred revenues also arise when resources are received before the County has a legal claim to them, as when grant monies 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 from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

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

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the County considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

The County has adopted an investment policy which follows the state statute for allowable investments. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

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, 2005 the fair value of the County's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

2. Receivables

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.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. If not collected by July 31, the delinquent property taxes are recorded as delinquent taxes receivable and reserved fund balance in the general fund. Interest on delinquent property taxes is recognized as revenue when received.

The County purchases uncollected property taxes from other taxing authorities as the unpaid amount to facilitate the collection of taxes.

The purchases are a financing arrangement and are not included in property tax revenues. Delinquent property taxes purchased from other taxing authorities are included as a reservation of fund balance at year end. Delinquent special assessments are recorded as a receivable and due to other units of government until collected and paid to the taxing jurisdiction.

Property taxes as levied are collected by local treasurers until January 31 in eleven municipalities and July 31 in two municipalities. At the end of the local treasurer's collection process, a settlement between the County treasurer and local treasurers determine the amount due the various taxing districts. Tax collection becomes the responsibility of the County and delinquent 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. No allowance for losses on delinquent taxes has been provided because the County has demonstrated its ability to recover any losses through the sale of property.

Following is the property tax calendar for municipalities within the County except for the City of Kenosha and the Village of Pleasant Prairie which collect taxes in three installments through July 31.

Property tax calendar – 2005 tax roll:

Lien date and levy date	December 2005
Tax bills mailed	December 2005
Payment in full, or	January 31, 2006
First installment due	January 31, 2006
Second installment due	July 31, 2006
Personal property taxes in full	January 31, 2006
Tax sale – 2005 delinquent real estate taxes	October 2008

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

2. Receivables (cont.)

During the course of operations transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds. Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds”. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

The County has received federal grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The County records a loan receivable when the loan has been made and funds have been disbursed.

It is the County’s policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction or operation and maintenance expense when used.

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

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

5. Capital Assets

Government-Wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and infrastructure assets, and an estimated useful life based on the asset type. All capital assets are valued at historical cost, or estimated historical cost, if actual amounts are unavailable based on the amount provided by the appraisal firm retained by the County. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34 governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation.

Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2006 when GASB 34 requires the County to retroactively report all major general infrastructure assets acquired since January 1, 1980. The County has retroactively reported all network infrastructure acquired by its governmental fund types.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	50-100 Years
Land Improvements	20 Years
Machinery and Equipment	5-40 Years
Infrastructure	20-50 Years

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

5. Capital Assets (cont.)

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and in the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. The amount of accumulated sick leave that will not be repaid with expendable available resources cannot be reasonably determined. Sick leave does not vest.

Vested vacation and casual days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Accumulated liabilities at December 31, 2005 are determined on the basis of current salary rates and salary related payments.

8. Long-Term Obligations/Conduit Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources. The payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

8. Long-Term Obligations/Conduit Debt (cont.)

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt which ever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

The County does not engage in conduit debt transactions.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. See Note V. C. on commitments and contingencies.

10. Equity Classifications

Government-Wide Financial Statements

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

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – consist of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

10. Equity Classifications (cont.)

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation.

KENOSHA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2005

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

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE 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 “long-term liabilities applicable to the County’s governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities”. All liabilities, both current and long-term, are reported in the statement of net assets. Following are details of these differences:

Bonds and notes payable	\$ 84,191,466
Vacation/casual day accrual	2,767,835
Post retirement health insurance benefits	3,858,733
Unamortized debt discount and issue costs	<u>(465,357)</u>
Combined adjustment for long-term liabilities	<u>\$ 90,352,677</u>

Internal service funds are classified as proprietary funds in the fund statements but as governmental activities in the government-wide statements.

Internal Service Funds:	
Human Services Building	\$ 2,112,879
Health Insurance	1,500,001
Workers Compensation	127,165
General Liability Insurance	<u>14,247</u>
Total	<u>\$ 3,754,292</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE 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 states that “bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. This is the amount by which repayments exceeded debt issued”.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (cont.)

Also, governmental 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. The details of this \$4,761,278 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (2,700,000)
Less discounts, premium and issuance costs	23,442
Amortization expense	(46,669)
Principal repayments:	
General obligation debt	<u>7,484,505</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>\$ 4,761,278</u>

Another element of that reconciliation states that “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 governmental funds”. The details of this \$224,683 difference are as follows:

Vacation/casual day accrual	\$ (12,306)
Post retirement health insurance benefits	(286,819)
Accrued interest	<u>74,442</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>\$ (224,683)</u>

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.

A budget has been adopted for the general fund, special revenue funds, debt service fund, and capital projects funds. Comparisons of actual to budget are presented in the basic financial statements for the general fund and human services special revenue fund. Budgetary comparisons are not required for proprietary funds.

The budgeted amounts presented include any amendments made. Various approvals are required to transfer budgeted amounts within departments, between departments, or changes to the overall budget. Supplemental appropriations during the year were:

General Fund	\$ 2,857,549
Human Services Fund	4,239,774
Special Revenue Fund	2,389,343
Capital Projects Fund	7,472,794

The 2005 adopted budget appropriated \$16,005,639 for health/dental costs. Actual expenditures for health/dental for the year were \$13,728,052. This savings of \$2,277,587 was allocated to the County departments.

Appropriations lapse at year end unless specifically carried over. Carryovers to the following year are included in designated fund balance (for government funds) as follows:

General Fund	\$ 2,544,688
Special Revenue Fund	24,400
Capital Projects Fund	4,108,668
Brookside Care Center	137,300
Highway	1,422,288
Internal Service Fund	4,178

B. GOVERNMENTAL FUNDS - EXCESS EXPENDITURES OVER APPROPRIATIONS

The County controls expenditures at the business unit level. There were no expenditure line item accounts that experienced expenditures which exceeded appropriations. The detail of those items can be found in the County's year end budget to actual report. The general fund budget general government appropriation includes a negative amount of \$1,633,011 which is budgeted for vacancies. However, the actual savings are experienced and recorded in all funds. These savings have been lapsed back to the general fund at year end but do not appear in the specific line item to offset the budgeted vacancy amount. Therefore, the general government line appears to have expenditures which exceeded appropriations even though it does not.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2005, the following fund held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Debt Service Fund	\$59,913	An estimate of reserves available at the end of 2004 was used to reduce the 2005 levy in the debt service fund. Actual reserves were less than the estimate, causing a deficit in the 2005 debt service fund. This deficit will be recovered in the 2006 budget year.

D. LIMITATIONS ON THE COUNTY'S TAX LEVY RATE AND ITS ABILITY TO ISSUE NEW DEBT

As part of Wisconsin's State Budget Bill (1993 Act 16), new legislation was passed that limits the County's future tax levy rates. Generally, the County is limited to its 1992 tax levy rate, based upon current legislation. However, this limitation does not affect debt authorized prior to August 12, 1993 or refunding bonds.

The County may also exceed the limitation by holding a referendum (according to state statutes) authorizing the County board to approve a higher rate. The County may also exceed the rate if it increases the services it provides due to a transfer of these services from another governmental unit.

The State Budget Bill also imposes restrictions on the County's ability to issue new debt. Generally, referendum approval is required to issue unlimited tax general obligation debt, with the following exceptions:

- Refunding debt issues
- 75% approval by the County board
- A reasonable expectation that the new debt can be accommodated within the existing tax rate
- Other exceptions as listed in State Statutes Section 67.045

The County is in compliance with the limitation.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and noninterest bearing accounts. Deposits in credit unions are insured by the NCUA in the amount of \$100,000 for all share draft accounts, and \$100,000 for all share certificate and regular share accounts.

Bank accounts and credit unions are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the amounts of custodial credit risk.

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

The County has an agreement with Johnson Bank for collateralization of its deposits and investments. The bank has pledged \$6,769,537 of various governmental securities as collateralization for the County's deposits.

The County maintains cash in an investment pool that is available for use by all funds. The deposit and investment balances of the various fund types on December 31, 2005 are as follows:

General	\$ 12,013,376
Special Revenue	625,639
Debt Service	-
Capital Projects	4,533,247
Enterprise	2,574,227
Internal Service	4,460,429
Agency	4,323,178
Total	<u>\$28,530,096</u>

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian holding the County's deposits, the deposits may not be returned.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Deposits – Custodial Credit Risk (cont.)

As of December 31, 2005, the carrying amount of the County's deposits was \$(1,969,413) and the bank balance was \$1,016,376. \$831,793 of the bank balance at year-end was covered by Federal and State depository insurance or by collateral held by the County's agent in the County's name. \$184,583 of the bank balance was uninsured or uncollateralized at year-end. In addition, the County maintains petty cash funds in the amount of \$12,105.

Investments

The County's investment policy follows Wisconsin State Statute 34 and County ordinance which delegates authority to the Treasurer to invest money of the County, to sell or exchange securities purchased and to provide for the safekeeping of such securities. The County contracts with investment advisory firms for investment management services.

State statutes authorize the County to invest in obligations of the U.S. Treasury, agencies and instrumentalities; obligations of Wisconsin governmental units; bonds issued by a local exposition district, a local professional baseball park district, or by the University of Wisconsin Hospitals and Clinics Authority; 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 only deposits and invests its monies in investments allowed by State Statute.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are recorded at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

Investment Risk Factors

There are many factors that can affect the value of investments, such as credit risk, custodial credit risk, interest rate risk and foreign currency risk.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies, such as Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk. The County's repurchase agreements are not subject to credit risk because the securities underlying the agreements are not subject to credit risk.

The credit risk profile for fixed income securities at December 31, 2005 is as follows:

U.S. Government Guaranteed		
Investment	S & P Rating	Amount
AIM		
Government & Agency- Institutional	AAA	11,641,561
Treasury - Institutional	AAA	1,817,455
DANA		
Federal Home Loan Bank	AAA	618,395
Federal Home Loan Mortgage Corp.	AAA	2,728,317
Federal National Mortgage Association	AAA	2,299,389
Government National Mortgage Association	AAA	168,506
Small Business Association	AAA	234,186
Johnson Bank		
Repurchase Agreements	AAA	3,265,838
Total U.S. Government Guaranteed		22,773,647
Money Market Accounts		
Wisconsin Local Government		
Investment Pool	Unrated	7,633,398
DANA		
Money Market Account	AAA	55,446
Total Money Market Accounts		7,688,844
Grand Total		30,462,491

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian holding the County's investments, the investments may not be returned.

The County's Investment Policy requires all investment institutions acting as a depository for the County to enter into a "depository agreement" requiring the depository to pledge collateral to secure deposits over and above the \$100,000 of federal depository insurance and the \$400,000 covered by the State Deposit Guarantee. All securities serving as collateral shall be specifically pledged to the County (not as part of a pooled fund) and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution. The custodian shall send statements of pledged collateral to the Treasurer's Office on a monthly basis.

The County's Investment Policy does not address custodial credit risk for investments. In practice, all of the County's investments are held in the County's name by a third party custodian (a bank trust company), or are part of an external investment pool. There is no custodial credit risk exposure for these investments.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification of having significant funds invested in a few individual issuers, thereby exposing the County to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

Major issuers (over five percent of total investments) in the County's portfolio as of December 31, 2005 are as follows:

Issuer	Amount	Percentage
Federal National Mortgage Association	2,299,389	7%
U.S. Treasury	16,724,854	55%
Federal Home Loan Mortgage Corp.	2,728,317	9%
Other issuers (none over 5%)	8,709,931	29%
	30,462,491	100%

Interest Rate Risk

The County's Investment Policy does not address interest rate risk for its investments. In practice, the County contracts with professional portfolio management firms for its investments. Each portfolio management firm has been assigned a widely recognized benchmark consistent with their management strategy. AIM has been assigned the Lehman Intermediate Government Index as their benchmark. Dana Investment Advisors has been assigned the 100% Donoghue Taxable Index as their benchmark.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

In addition to using the assigned benchmarks to evaluate the performance of the portfolio management firms, the firms also manage interest rate risk by maintaining the effective duration of their portfolios consistent to the duration of the assigned benchmark. The duration of the County's overall investments at December 31, 2005 is as follows (total duration includes money market accounts, which are not listed in the table):

<u>Investment Type</u>	<u>Amount</u>	<u>Effective Duration</u>
Federal Home Loan Bank	618,395	Average 752 days
Federal Home Loan Mortgage Corp.	2,728,317	Average 752 days
Federal National Mortgage Association	2,299,389	Average 752 days
Government National Mortgage Association	168,506	Average 752 days
Small Business Association	234,186	Average 752 days
Repurchase agreements	3,265,838	Overnight
	9,314,631	

For money market fund investments and external pools, weighted average maturity is used to measure interest rate risk. The weighted average maturity of all of the County's money market investments at December 31, 2005 is as follows:

<u>Fund Name</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Wisconsin Local Government Investment Pool	7,633,398	32 days
AIM Short Term Government & Agency	11,641,561	28.24 days
AIM Short Term Treasury	1,817,455	28.24 days
DANA Money Market	55,446	Average 752 days
	21,147,860	

B. RECEIVABLES

Revenues of the County are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period were \$0.

Loans issued by the Housing Authority are not due until the related real estate property is sold by the borrower. Therefore, the amount that will be due within one year can not be determined.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable	\$ -	\$ 45,581,003
Delinquent property taxes purchased	815,328	-
Housing Authority loans receivable	1,574,278	-
Grant drawdowns prior to meeting all eligibility requirements	-	603,735
 Total Deferred/Unearned Revenue for Governmental Funds	 \$ 2,389,606	 \$ 46,184,738

Delinquent property taxes purchased from other taxing authorities are reflected as reservations of fund balance at year-end. Delinquent property taxes collected within sixty days subsequent to year-end are considered to be available for current expenditures and are therefore excluded from the reservation of fund balances. For the year ended December 31, 2005, such collections aggregated \$3,948,134 of which \$815,328 was levied by the County. Delinquent property taxes levied by the County are reflected as deferred revenue and are excluded from the fund balance until collected.

The internal service funds also had deferred revenue of \$665. Total other governmental unearned revenue per the statement of net assets is \$604,400.

At December 31, 2005, delinquent property taxes by year levied consists of the following:

	<u>Total</u>	<u>County Levied</u>	<u>County Purchased</u>
Tax Certificates			
2004	2,430,995	502,024	1,928,971
2003	950,505	196,289	754,216
2002	293,745	60,661	233,084
2001	129,366	26,715	102,651
2000 and prior	143,523	29,639	113,884
Total Tax Certificates	3,948,134	\$ 815,328	\$ 3,132,806
Delinquent Special Assessments	427,676		
Tax Deeds held by County	736,723		
Total Delinquent Property Taxes Receivable	\$ 5,112,533		

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

For economic development loans, the County is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans it may retain and loan to other businesses. Program income includes the principal and interest received from economic development loans repayments. Based upon its current population, the County may retain \$750,000.

<u>Population</u>	<u>Maximum Retention</u>
1,000 and under	\$100,000
1,001 - 1,999	\$150,000
2,000 - 3,999	\$250,000
4,000 - 9,999	\$500,000
10,000 and over	\$750,000

At December 31, 2005, the County has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS

The County defines their capital assets as assets with an initial cost of more than \$5,000. The addition column represents the new assets in 2005 including new infrastructure assets. The deletion column represents the assets that were discarded in 2005. The adjustment column represents the adjustments needed to show the assets at the restated amounts.

Capital asset valuation and activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities					
Capital Assets not being depreciated:					
Construction in Progress	\$ 15,838	\$ 367,173	\$ -	\$ -	\$ 383,011
Land Improvements	6,694,400	-	-	-	6,694,400
Land	15,548,423	393,058	(63,515)	-	15,877,966
Total Capital Assets not being depreciated	<u>22,258,661</u>	<u>760,231</u>	<u>(63,515)</u>	<u>-</u>	<u>22,955,377</u>
Other Capital Assets:					
Land Improvements	2,066,771	152,128	-	-	2,218,899
Buildings	72,442,403	165,278	-	-	72,607,681
Machinery & Equipment	11,326,337	2,333,804	(394,081)	-	13,266,060
Infrastructure	33,960,500	1,155,338	(749,800)	1,367,338	35,733,376
Total Other Capital Assets at Historical Cost	<u>119,796,011</u>	<u>3,806,548</u>	<u>(1,143,881)</u>	<u>1,367,338</u>	<u>123,826,016</u>
Less: Accumulated Depreciation					
Land Improvements	(1,332,018)	(109,429)	-	-	(1,441,447)
Buildings	(18,312,441)	(1,734,639)	-	-	(20,047,080)
Machinery & Equipment	(5,978,236)	(1,708,121)	176,338	-	(7,510,019)
Infrastructure	(9,886,400)	(1,305,600)	531,200	(570,278)	(11,231,078)
Total Accumulated Depreciation	<u>(35,509,095)</u>	<u>(4,857,789)</u>	<u>707,538</u>	<u>(570,278)</u>	<u>(40,229,624)</u>
Net Total Other Capital Assets	84,286,916	(1,051,241)	(436,343)	797,060	83,596,392
Net Total Government Activities Capital Assets	<u>\$106,545,577</u>	<u>\$ (291,010)</u>	<u>\$ (499,858)</u>	<u>\$ 797,060</u>	<u>\$ 106,551,769</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 2,895,832
Public Safety	356,764
Public Works	1,305,600
Social Services	15,200
Education & Recreation	183,984
Health	41,629
Conservation & Development	58,780
Total Governmental Activities - Depreciation Expense	<u>\$ 4,857,789</u>

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

The total amounts for infrastructure shown in the above schedule are detailed more fully below. The adjustment column represents the adjustments needed to reflect the change in the estimate in useful life years and values.

Infrastructure Category	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Roadways	\$ 20,684,400	\$ 859,900	\$ (749,800)	\$ -	\$ 20,794,500
Right-of-ways	7,230,700	-	-	-	7,230,700
Bridges	2,496,900	295,438	-	1,367,338	4,159,676
Traffic signals	2,957,900	-	-	-	2,957,900
Sewer drainage	355,600	-	-	-	355,600
Culverts	235,000	-	-	-	235,000
Infrastructure	33,960,500	1,155,338	(749,800)	1,367,338	35,733,376
Land improvements	6,694,400	-	-	-	6,694,400
Total	40,654,900	1,155,338	(749,800)	1,367,338	42,427,776
Less Accumulated Depreciation					
Roadways	(8,566,698)	(1,119,800)	531,200	-	(9,155,298)
Bridges	(452,482)	(55,800)	-	(570,278)	(1,078,560)
Traffic signals	(699,600)	(118,200)	-	-	(817,800)
Sewer drainage	(161,520)	(7,100)	-	-	(168,620)
Culverts	(6,100)	(4,700)	-	-	(10,800)
Total Accumulated Depreciation	(9,886,400)	(1,305,600)	531,200	(570,278)	(11,231,078)
Net Infrastructure	<u>\$ 30,768,500</u>	<u>\$ (150,262)</u>	<u>\$ (218,600)</u>	<u>\$ 797,060</u>	<u>\$ 31,196,698</u>

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business - Type Activities				
Capital Assets not being depreciated:				
Land	\$ 338,258	\$ -	\$ -	\$ 338,258
Total Capital Assets not being depreciated	338,258	-	-	338,258
Other Capital Assets:				
Land Improvements	4,181,958	112,792	-	4,294,750
Buildings	15,114,902	-	-	15,114,902
Machinery & Equipment	15,689,590	606,692	(254,214)	16,042,068
Total Other Capital Assets at Historical Cost	34,986,450	719,484	(254,214)	35,451,720
Less: Accumulated Depreciation				
Land Improvements	(2,018,244)	(172,406)	-	(2,190,650)
Buildings	(7,086,438)	(499,897)	-	(7,586,335)
Machinery & Equipment	(8,779,259)	(887,923)	227,063	(9,440,119)
Total Accumulated Depreciation	(17,883,941)	(1,560,226)	227,063	(19,217,104)
Net Total Other Capital Assets	17,102,509	(840,742)	(27,151)	16,234,616
Net Total Business - Type Activities Capital Assets	\$17,440,767	\$ (840,742)	\$ (27,151)	\$ 16,572,874

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Brookside Care Center	\$ 379,843
Highway	874,330
Golf Courses	306,053
Total Business – Type Activities - Depreciation Expense	\$ 1,560,226

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund		\$1,363,563
	Debt Service	(58,338)
	General Liability Insurance	(361,738)
	Human Services Building	(537,057)
	Health Department	(403,631)
	Capital Projects-Jail Expansion	(2,799)

All of these balances will be repaid within the year.

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONT.)

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund		756,537	To record lapsing funds at year end.
Health Insurance		500,000	
Human Services		28,678	
	Highway		(189,057)
	Brookside		(537,289)
	Human Services		(30,191)
	Health Department		(28,678)
	General Fund		(500,000)
Highway		1,729,788	Allocate bond proceeds to appropriate fund.
	Capital Projects-Other		
Human Services Building		390,495	Transfer funds to pay debt on Human Services building.
	Debt Service		
Capital Projects-Other		159,855	Transfer funds for Broadband network.
	General Fund		
Capital Projects - Courthouse Security System		330,000	Allocate bond proceeds to appropriate fund.
	Capital Projects-Other		
General Fund		960,773	Allocation of inter-governmental transfer to General Fund.
	Brookside		
Golf Course		108,398	Capital transferred from General Fund for land improvements
	General Fund		
Brookside		21,196	Capital transferred from General Fund for equipment
	General Fund		
Human Services Building		55,900	Capital transferred from Capital Projects-Other for equipment
	Capital Projects-Other		

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable:					
General Obligation Debt	\$ 93,779,154	\$ 2,700,000	\$ 7,977,279	\$ 88,501,875	\$ 8,721,336
Add/(Subtract) Deferred Amounts For:					
(Discounts)/Premiums	(488,584)	(23,442)	(46,669)	(465,357)	(49,599)
Total Bonds And Notes Payable	93,290,570	2,676,558	7,930,610	88,036,518	8,671,737
Other Liabilities:					
Post Retirement Benefits	3,571,914	1,225,387	938,568	3,858,733	938,568
Vested Vacation and Casual Days	2,755,529	28,434	16,128	2,767,835	192,130
Total Other Liabilities	6,327,443	1,253,821	954,696	6,626,568	1,130,698
Total Governmental Activities- Long-Term Liabilities	\$ 99,618,013	\$ 3,930,379	\$ 8,885,306	\$ 94,663,086	\$ 9,802,435
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
Bonds and Notes Payable:					
General Obligation Debt	\$ 8,705,000	\$ -	\$ 780,000	\$ 7,925,000	\$ 820,000
Add/(Subtract) Deferred Amounts For:					
(Discounts)	(851,917)	-	(87,536)	(764,381)	-
Total Bonds And Notes Payable	7,853,083	-	692,464	7,160,619	820,000
Other Liabilities:					
Vested Vacation and Casual Days	839,123	36,238	12,780	862,581	37,640
Total Other Liabilities	839,123	36,238	12,780	862,581	37,640
Total Business-Type Activities- Long-Term Liabilities	\$ 8,692,206	\$ 36,238	\$ 705,244	\$ 8,023,200	\$ 857,640

All general obligation notes and bonds payable are backed by the full faith and credit of the County. Notes and bonds in the governmental funds will be retired by future property tax levies accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the County may not exceed five percent of the equalized value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2005, was \$618,670,505. Total general obligation debt outstanding at year end was \$96,426,875.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2005</u>
Governmental Activities - General Obligation Debt					
Corporate Purpose Bonds	1997	2009	5.10-5.60%	29,025,000	5,075,000
Corporate Purpose Bonds	1997	2017	4.75-5.25%	9,080,000	650,000
Corporate Purpose Bonds	1998	2017	4.15-4.20%	4,525,000	3,825,000
Refunding Bonds	1999	2013	3.40-4.50%	13,130,000	8,770,000
State Trust Fund Loan	1999	2009	5.25%	693,721	351,875
Promissory Notes	2000	2008	4.40-4.75%	4,080,000	2,145,000
Refunding Bonds	2001	2017	3.50-5.00%	25,755,000	23,300,000
Promissory Notes	2001	2009	3.25-3.85%	4,100,000	2,660,000
Refunding Bonds	2002	2007	2.00-4.00%	7,015,000	2,535,000
Promissory Notes	2002	2010	3.15%	4,270,000	2,770,000
Promissory Notes	2003	2011	1.50%-3.00%	5,320,000	4,720,000
Refunding Bonds	2003	2013	1.50%-3.35%	8,140,000	6,440,000
Refunding Bonds	2003	2022	3.25%-5.50%	9,285,000	9,005,000
Promissory Notes	2004	2012	2.00%-3.60%	3,100,000	3,050,000
Refunding Bonds	2004	2017	2.00%-4.00%	10,630,000	10,505,000
Promissory Notes	2005	2013	3.50%	2,700,000	<u>2,700,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 88,501,875</u>

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/2005</u>
Business-Type Activities - General Obligation Debt					
Refunding Bonds	1999	2013	3.40-4.50%	5,825,000	5,080,000
Refunding Bonds	2004	2015	2.00-3.90%	3,080,000	<u>2,845,000</u>
Total Business-Type Activities - General Obligation Debt					<u>\$ 7,925,000</u>

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Years	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2006	8,721,336	3,528,071	820,000	310,160
2007	9,355,606	3,226,337	835,000	284,060
2008	9,065,101	2,888,090	865,000	257,160
2009	8,979,832	2,552,734	875,000	218,560
2010	8,645,000	2,222,349	910,000	178,520
2011-2015	29,125,000	6,756,412	3,620,000	362,441
2016-2020	12,735,000	1,465,581	-	-
2021-2022	1,875,000	105,738	-	-
Totals	<u>\$ 88,501,875</u>	<u>\$ 22,745,312</u>	<u>\$ 7,925,000</u>	<u>\$ 1,610,901</u>

Capital Leases

Refer to Note IV. G. There are no material capital leases.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The County believes it is in compliance with all significant limitations and restrictions.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Prior-Year Defeasance of Debt

In prior years, the County defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At December 31, 2005, the call dates of the bonds held in escrow and amounts of bonds outstanding and considered defeased are as follows:

<u>Call Date</u>	<u>Balance at 12/31/05</u>
02/02/07	22,625,000
12/01/07	8,080,000

Deferred Amount on Refunding

Deferred amounts on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deduction from debt payable in the government-wide and proprietary fund statements. Amortization for 2005 was \$134,205 of which \$46,669 is for the governmental activities, \$52,587 for Brookside Care Center and \$34,949 is for the Golf Course.

F. RESTRICTED ASSETS

The County has restricted assets which consist of a deposit in Wisconsin Municipal Mutual Insurance Company (WMMIC) in the amount of \$1,157,860. This deposit is the County's original capitalization investment. In addition, cash in the amount of \$264,004 is restricted in purpose for liability insurance at WMMIC.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

G. LEASE DISCLOSURES

LEASE DISCLOSURES

Lessor – Operating Leases

The County leases a portion (44%) of the Public Safety Building facility to the City of Kenosha and the Kenosha City-Joint Services Board under operating leases through 2007. 2005 revenues of \$488,729 related to these leases are recorded in the general fund. The provisions of the lease agreement allow for an annual adjustment of the lease amount based on the actual costs to the County of maintaining the facility. The book value of the entire building is \$13,100,000 with a net book value of \$6,812,000.

Future minimum lease payments receivable under existing terms of the non-cancelable operating leases at December 31, 2005, are as follows:

Year Ending December 31,		
	2006	\$ 488,729
	2007	<u>488,729</u>
	Total Minimum Lease Payments Receivable	<u>\$ 977,458</u>

Lessee – Operating Leases

The County has no material operating leases with a remaining noncancelable term exceeding one year.

Capital Leases – Lessee/Lessor

The County has no material capital leases as lessee or lessor.

H. GOVERNMENTAL ACTIVITIES NET ASSETS

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2005 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Land, land improvements and construction in progress	\$ 22,955,377
Other capital assets, net of accumulated depreciation	83,596,392
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(78,148,614)</u>
Total Invested in Capital Assets	<u>\$ 28,403,155</u>

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

H. GOVERNMENTAL ACTIVITIES NET ASSETS (cont.)

Governmental Activities (cont.)

Restricted	
Housing Authority	\$ 1,919,900
Total Restricted	<u>1,919,900</u>
Unrestricted	<u>6,580,883</u>
Total Governmental Activities Net Assets	<u>\$ 36,903,938</u>

Governmental fund balances reported on the fund financial statements at December 31, 2005 include the following:

Reserved	
Major Funds	
General Fund	
Delinquent tax certificate receivables	\$ 3,142,567
Encumbrances	121,045
Prepaid items	<u>24,194</u>
Total	<u>\$ 3,287,806</u>
Human Service Fund	
Reserved for encumbrances	<u>\$ 263,325</u>
Non Major Funds	
Capital Projects	
Other Capital Projects	
Reserved for encumbrances	<u>\$ 27,800</u>
 Unreserved (designated)	
Major Funds	
General Fund, subsequent year expenditures	\$ 2,544,688
General Fund, sheriff special deposit	<u>60,338</u>
Total Major Funds	<u>\$ 2,605,026</u>

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

H. GOVERNMENTAL ACTIVITIES NET ASSETS (cont.)

Governmental Activities (cont.)

Non-Major Funds

Special Revenue Funds	
Housing Authority, designated grant funding	\$ 345,622
GIS Fund, subsequent year expenditures	<u>24,400</u>
Total Special Revenue Funds	<u>\$ 370,022</u>
Capital Project Funds, all subsequent year expenditures	
County Detention Center	\$ 1,383,333
Parkland Development	615,130
Parking Structure	365,849
Courthouse Security	141,345
Safety Building Remodeling	1,099,935
Other Capital Projects	<u>503,076</u>
Total Capital Projects Funds	<u>\$ 4,108,668</u>

I. RESTATEMENT OF NET ASSETS

Net assets for January 1, 2005 have been restated due to the following items:

Governmental Activities - Net Assets -	
December 31, 2004 (as reported)	\$ 29,012,660
Plus:	
Rounding difference	2
Plus:	
Net Infrastructure restated from prior years	<u>797,060</u>
Net assets - January 1, 2005 (as restated)	<u>\$ 29,809,722</u>

J. RESTATEMENT OF HUMAN SERVICES FUND BALANCE

In 2005 the Division of Aging was budgeted as part of the Human Services fund. Therefore, the beginning of the year fund balance for the Human Services fund has been increased to include the Division of Aging funds.

Human Services Fund Balance	
December 31, 2004 (as reported)	\$ 392,900
Plus:	
Division of Aging fund balance December 31, 2004 (as reported)	<u>14,560</u>
Human Services fund balance – January 1, 2005 (as restated)	<u>\$ 407,460</u>

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE V – Other Information

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible County employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work at least 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.8% of their salary (2.8% for Executives and Elected Officials, 4.9% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for County employees covered by the System for the year ended December 31, 2005 was \$45,799,980; the employer's total payroll was \$46,652,878. The total required contribution for the year ended December 31, 2005 was \$4,853,502 or 10.6 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2004 and 2003 were \$4,589,946 and \$4,071,748, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit.

For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System 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.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE V – Other Information (cont.)

B. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The County participates in a public entity risk pool called WMMIC to provide coverage for losses from torts; errors and omissions; and public liability. However, other risks, such as workers compensation is accounted for and financed by the County in internal service funds. Theft, damage to, or destruction of assets are covered through the purchase of an insurance policy. Settled claims have not exceeded the commercial coverage in any of the past three years. Health insurance claims are self-insured with a purchased stop loss policy with a maximum \$100,000 per employee exposure. There were no significant reductions in coverage compared to the prior year.

Public Entity Risk Pool

During 1987, the County, together with certain other units of government within the State of Wisconsin, created the Wisconsin Municipal Mutual Insurance Company (WMMIC), a nonassessable mutual company which provides liability insurance and risk management services to its members. The County became a member of WMMIC in 1992 by issuing a general obligation note for \$1,157,860 and investing the proceeds in WMMIC. The scope of insurance protection provided by WMMIC is broad, covering automobile liability, general liability, law enforcement liability, public official's errors and omissions, civil rights, incidental medical malpractice, personal injury, equal rights, and American with Disabilities Act at policy limits of \$5,000,000 per occurrence and \$10,000,000 annual aggregate on an excess basis above members per occurrence and annual aggregate self-insured retentions. The County's self-insured retention limit \$100,000 for each occurrence and \$600,000 annual aggregate. WMMIC's exposure in its layer of insurance is limited to \$500,000 per occurrence in that the company purchases \$4,500,000 per occurrence in reinsurance for losses in excess of its retained layer of coverage. The amount of reinsurance may vary from year to year as determined by the WMMIC Board of Directors.

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

The actuary for WMMIC determines the insurance premiums for each member based upon the relevant rating exposure bases as well as the historical loss experience by member. WMMIC's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE V – Other Information (cont.)

B. RISK MANAGEMENT (cont.)

The participant's share in the operation of WMMIC as of December 31, 2005 is as follows:

	<u>Percentage</u>
Brown County	8.07
Chippewa County	3.78
Dane County	10.59
Dodge County	4.02
City of Eau Claire	4.10
Kenosha County	6.36
LaCrosse County	4.13
City of Madison	19.63
Manitowoc County	6.76
Marathon County	6.34
Outagamie County	7.55
St. Croix County	3.45
Waukesha County	12.28
Eau Claire County	<u>2.94</u>
 Total	 <u>100.00</u>

The County's investment in WMMIC is reported on the Risk Management Fund balance sheet as a deposit. The amount reported is the original capitalization of \$1,157,860. The market value of the original capitalization as of December 31, 2005 is \$1,935,225. The financial statements can be obtained from WMMIC at their address of 4785 Hayes Road, Madison, Wisconsin, 53704-7364.

The estimated liability for the County's self-insured retention (SIR) limits related to coverage provided by WMMIC has been determined on an actuarial basis.

Claims Liability- WMMIC	<u>2005</u>	<u>2004</u>
Unpaid claims, including IBNR – beginning of year	\$ 763,211	\$ 669,726
Current year claims and changes in estimates	335,171	255,447
Claim payments	<u>(366,702)</u>	<u>(161,962)</u>
 Unpaid claims – end of year	 <u>\$ 731,680</u>	 <u>\$ 763,211</u>

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE V – Other Information (cont.)

B. RISK MANAGEMENT (cont.)

Self-Insurance – Workers Compensation

The County has also established a Risk Management program for workers compensation. All funds of the County participate in this program. The workers compensation internal service fund is maintained to provide for self-insured workers compensation insurance coverage and employee safety and loss control programs. The County contracts with a third party claims administrator for the purpose of adjusting workers compensation claims. An excess insurance policy covers individual claims in excess of the County's \$250,000 self-insured retention up to statutory requirements (unlimited) per claim. Settled claims have not exceeded the commercial coverage in any of the past three years. Costs associated with the workers compensation program are billed to other County departments based on exposure and historical loss experience and include amounts necessary to fund current year claims to be paid in the current year and in the future. At December 31, 2005, the County has established a future claims insurance reserve in the amount of \$1,428,175 to fund the estimated liability for the County's self-insured retention limits under its workers compensation program. This represents a discounted reserve determined on an actuarial basis with a mean confidence level which achieves the County's objective of providing a reserve confidence level not less than 50%, but not more than 95% as a reflection of the County's risk tolerance.

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 is reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The County does not allocate overhead costs or other nonincremental costs to the claims liability.

Claims Liability	<u>2005</u>	<u>2004</u>
Unpaid claims, including IBNR – beginning of year	\$ 1,367,325	\$ 1,367,325
Current year claims and changes in estimates	574,197	554,434
Claim payments	<u>(513,347)</u>	<u>(554,434)</u>
Unpaid Claims – end of year	<u>\$ 1,428,175</u>	<u>\$ 1,367,325</u>

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE V – Other Information (cont.)

Self-Insurance – Health Insurance

The estimated liability for the County’s self-insured incurred but not recorded (IBNR) expenditures related to outstanding claims has been determined on an actuarial basis.

Claims Liability	2005	2004
Unpaid claims, including IBNR – beginning of year	\$ 922,740	\$ 1,126,740
Current year claims and changes in estimates	10,901,615	12,436,176
Claim payments	(10,987,155)	(12,640,176)
Unpaid Claims – end of year	\$ 837,200	\$ 922,740

C. COMMITMENTS AND CONTINGENCIES

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the County’s Attorney 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 operations.

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 reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

During 2005, the County borrowed \$2,700,000 for the purpose of making various capital improvements. These monies, as well as other revenue sources, are reflected in the various Capital Project, Highway, and Job Center funds. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. Open purchase orders for the General Fund, Human Services, and Capital Projects-Other totaled \$412,170 at year end and is included in reserve for encumbrances.

Funding for the operating budget of the County comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the County. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the County.

KENOSHA COUNTY
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE V – Other Information (cont.)

D. JOINT VENTURES

Kenosha County and the City of Kenosha jointly operate the Kenosha City-County Joint Services Board (Board) which was formed in 1981 to provide joint service functions supporting operations of the Kenosha County Sheriff's Department and the City of Kenosha Police Department. The Board provides the following support services: communications, records, property room evidence, collection of citations, vehicle maintenance and administrative services. The County and City share in the annual operation of the district equally.

The Board consists of three members appointed by the County, three by the City of Kenosha and one independent member confirmed by both. County representatives are the County Executive, the County Board Chairman and the chairman of the County Judiciary Committee or their designees. The Board has the authority to adopt its own budget and control the financial affairs of the organization. The County made payments totaling \$2,846,562 to the Board for 2005. The County believes that the organization will continue to provide services in the future at similar rates.

The transactions of the Board are not reflected in these financial statements.

The County accounts for its share of the operation in the general fund. Financial information of the Board as of December 31, 2005 is available directly from the Board's office.

E. OTHER POSTEMPLOYMENT BENEFITS

The County provides postemployment health insurance benefits for all eligible employees. Eligibility is based on age of retirement and years of service. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the County. Funding for those costs is provided out of the current operating budget of the County. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were \$938,568. The number of participants currently eligible to receive benefits is 61. The total amount outstanding at year end to be paid in the future is \$3,858,733.

SUPPLEMENTAL INFORMATION

**KENOSHA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 459,534	\$ 4,533,247	\$ 4,992,781
Receivables			
Property taxes receivables	2,095,275	41,625	2,136,900
Miscellaneous	242,483	750	243,233
Due from other governments	669,566	13,143	682,709
Loans receivable	1,574,278	-	1,574,278
TOTAL ASSETS	\$ 5,041,136	\$ 4,588,765	\$ 9,629,901
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 104,085	\$ 263,902	\$ 367,987
Due to other governments	78,755	-	78,755
Due to other funds	403,631	2,799	406,430
Deferred property tax revenue	2,095,275	41,625	2,136,900
Deferred revenue	1,896,652	-	1,896,652
Total Liabilities	<u>4,578,398</u>	<u>308,326</u>	<u>4,886,724</u>
Fund Balance			
Reserved for encumbrances	-	27,800	27,800
Unreserved			
Designated	370,022	4,108,668	4,478,690
Undesignated	92,716	143,971	236,687
Total Fund Balances	<u>462,738</u>	<u>4,280,439</u>	<u>4,743,177</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,041,136	\$ 4,588,765	\$ 9,629,901

**KENOSHA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
December 31, 2005**

	Housing Authority	Health Department	Federated Library System	Geographic Information Systems	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and investments	\$ 54,965	\$ -	\$ 306,008	\$ 98,561	\$ 459,534
Receivables					
Property taxes receivables	-	858,045	1,237,230	-	2,095,275
Miscellaneous	-	242,483	-	-	242,483
Due from other governments	293,840	366,254	-	9,472	669,566
Loans receivable	1,574,278	-	-	-	1,574,278
TOTAL ASSETS	\$ 1,923,083	\$ 1,466,782	\$ 1,543,238	\$ 108,033	\$ 5,041,136
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 3,183	\$ 100,902	\$ -	\$ -	\$ 104,085
Due to other governments	-	78,755	-	-	78,755
Due to other funds	-	403,631	-	-	403,631
Deferred property tax revenue	-	858,045	1,237,230	-	2,095,275
Deferred revenue	1,574,278	25,447	296,927	-	1,896,652
Total Liabilities	<u>1,577,461</u>	<u>1,466,780</u>	<u>1,534,157</u>	<u>-</u>	<u>4,578,398</u>
Fund Balance					
Unreserved					
Designated	345,622	-	-	24,400	370,022
Undesignated	-	2	9,081	83,633	92,716
Total Fund Balances	<u>345,622</u>	<u>2</u>	<u>9,081</u>	<u>108,033</u>	<u>462,738</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,923,083	\$ 1,466,782	\$ 1,543,238	\$ 108,033	\$ 5,041,136

**KENOSHA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
December 31, 2005**

	County Detention Center	Parkland Development	Parking Structure	Jail Expansion	Courthouse Security	Safety Building Remodeling	Other Capital Projects	Total Nonmajor Capital Projects Funds
ASSETS								
Cash and investments	\$ 1,428,289	\$ 715,862	\$ 371,740	\$ 11,363	\$ 166,894	\$ 1,123,089	\$ 716,010	\$ 4,533,247
Property taxes receivable	-	-	-	-	-	-	41,625	41,625
Miscellaneous receivable	-	750	-	-	-	-	-	750
Due from other governments	-	-	-	-	-	-	13,143	13,143
TOTAL ASSETS	\$ 1,428,289	\$ 716,612	\$ 371,740	\$ 11,363	\$ 166,894	\$ 1,123,089	\$ 770,778	\$ 4,588,765
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ 99,983	\$ 5,891	\$ -	\$ 25,549	\$ -	\$ 132,479	\$ 263,902
Due to other funds	-	-	-	2,799	-	-	-	2,799
Deferred property tax	-	-	-	-	-	-	41,625	41,625
Total Liabilities	-	99,983	5,891	2,799	25,549	-	174,104	308,326
Fund Balance								
Reserved for encumbrances	-	-	-	-	-	-	27,800	27,800
Unreserved								
Designated	1,383,333	615,130	365,849	-	141,345	1,099,935	503,076	4,108,668
Undesignated	44,956	1,499	-	8,564	-	23,154	65,798	143,971
Total Fund Balances	1,428,289	616,629	365,849	8,564	141,345	1,123,089	596,674	4,280,439
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,428,289	\$ 716,612	\$ 371,740	\$ 11,363	\$ 166,894	\$ 1,123,089	\$ 770,778	\$ 4,588,765

KENOSHA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2005

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 2,047,350	\$ -	\$ 2,047,350
Licenses and permits	314,309	-	314,309
Intergovernmental revenues	2,870,195	445,994	3,316,189
Charges for services	1,767,436	47,712	1,815,148
Investment income	5,483	73,819	79,302
Miscellaneous income	211,666	610,000	821,666
Total Revenues	<u>7,216,439</u>	<u>1,177,525</u>	<u>8,393,964</u>
EXPENDITURES			
Current			
Health	4,750,939	-	4,750,939
Education and recreation	1,659,539	-	1,659,539
Conservation and development	323,143	8,900	332,043
Capital Outlay	409,921	2,674,324	3,084,245
Debt Service			
Interest, fiscal charges and debt issuance costs	-	32,185	32,185
Total Expenditures	<u>7,143,542</u>	<u>2,715,409</u>	<u>9,858,951</u>
Excess (deficiency) of revenues over expenditures	72,897	(1,537,884)	(1,464,987)
OTHER FINANCING SOURCES (USES)			
General obligation debt issued	-	2,700,000	2,700,000
Premium on issuance of debt	-	8,743	8,743
Transfers from other funds	-	489,855	489,855
Transfers to other funds	(28,678)	(2,059,788)	(2,088,466)
Total Other Financing Sources (Uses)	<u>(28,678)</u>	<u>1,138,810</u>	<u>1,110,132</u>
Net change in fund balance	44,219	(399,074)	(354,855)
FUND BALANCES			
Beginning of year	<u>418,519</u>	<u>4,679,513</u>	<u>5,098,032</u>
FUND BALANCES - END OF YEAR	<u>\$ 462,738</u>	<u>\$ 4,280,439</u>	<u>\$ 4,743,177</u>

KENOSHA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2005

	Housing Authority	Health Department	Federated Library System	Geographic Information Systems	Total Nonmajor Special Revenue Funds
REVENUES					
Taxes	\$ -	\$ 846,156	\$ 1,201,194	\$ -	\$ 2,047,350
Licenses and permits	-	314,309	-	-	314,309
Intergovernmental revenues	387,383	1,989,369	458,345	35,098	2,870,195
Charges for services	-	1,614,876	-	152,560	1,767,436
Investment income	5,483	-	-	-	5,483
Miscellaneous income	185,119	26,547	-	-	211,666
Total Revenues	<u>577,985</u>	<u>4,791,257</u>	<u>1,659,539</u>	<u>187,658</u>	<u>7,216,439</u>
EXPENDITURES					
Current					
Health	-	4,750,939	-	-	4,750,939
Education and recreation	-	-	1,659,539	-	1,659,539
Conservation and development	172,944	-	-	150,199	323,143
Capital Outlay	393,708	16,213	-	-	409,921
Total Expenditures	<u>566,652</u>	<u>4,767,152</u>	<u>1,659,539</u>	<u>150,199</u>	<u>7,143,542</u>
Excess of revenues over expenditures	11,333	24,105	-	37,459	72,897
OTHER FINANCING (USES)					
Transfers to other funds	-	(28,678)	-	-	(28,678)
Total Other Financing (Uses)	<u>-</u>	<u>(28,678)</u>	<u>-</u>	<u>-</u>	<u>(28,678)</u>
Net change in fund balance	11,333	(4,573)	-	37,459	44,219
FUND BALANCES					
Beginning of year	<u>334,289</u>	<u>4,575</u>	<u>9,081</u>	<u>70,574</u>	<u>418,519</u>
FUND BALANCES - END OF YEAR	<u>\$ 345,622</u>	<u>\$ 2</u>	<u>\$ 9,081</u>	<u>\$ 108,033</u>	<u>\$ 462,738</u>

KENOSHA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
For the Year Ended December 31, 2005

	County Detention Center	Parkland Development	Parking Structure	Jail Expansion	Courthouse Security	Safety Building Remodeling	Other Capital Projects	Total Nonmajor Capital Projects Funds
REVENUES								
Intergovernmental revenues	\$ -	\$ -	\$ 329,489	\$ -	\$ -	\$ -	\$ 116,505	\$ 445,994
Charges for services	-	1,500	-	-	-	-	46,212	47,712
Investment income	44,956	-	-	-	-	-	28,863	73,819
Miscellaneous income	-	-	-	-	-	610,000	-	610,000
Total Revenues	<u>44,956</u>	<u>1,500</u>	<u>329,489</u>	<u>-</u>	<u>-</u>	<u>610,000</u>	<u>191,580</u>	<u>1,177,525</u>
EXPENDITURES								
Current								
Conservation and development	-	-	-	-	-	-	8,900	8,900
Capital Outlay	-	152,128	367,173	10,968	188,651	66	1,955,338	2,674,324
Debt Service								
Interest, fiscal charges and debt issuance costs	-	-	-	-	-	-	32,185	32,185
Total Expenditures	<u>-</u>	<u>152,128</u>	<u>367,173</u>	<u>10,968</u>	<u>188,651</u>	<u>66</u>	<u>1,996,423</u>	<u>2,715,409</u>
Excess (deficiency) of revenues over expenditures	44,956	(150,628)	(37,684)	(10,968)	(188,651)	609,934	(1,804,843)	(1,537,884)
OTHER FINANCING SOURCES (USES)								
General obligation debt issued	-	-	-	-	-	-	2,700,000	2,700,000
Premium on issuance of debt	-	-	-	-	-	-	8,743	8,743
Transfers from other funds	-	-	-	-	330,000	-	159,855	489,855
Transfers to other funds	-	-	-	-	-	-	(2,059,788)	(2,059,788)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,000</u>	<u>-</u>	<u>808,810</u>	<u>1,138,810</u>
Net change in fund balance	44,956	(150,628)	(37,684)	(10,968)	141,349	609,934	(996,033)	(399,074)
FUND BALANCES (DEFICIT)								
Beginning of year	<u>1,383,333</u>	<u>767,257</u>	<u>403,533</u>	<u>19,532</u>	<u>(4)</u>	<u>513,155</u>	<u>1,592,707</u>	<u>4,679,513</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,428,289</u>	<u>\$ 616,629</u>	<u>\$ 365,849</u>	<u>\$ 8,564</u>	<u>\$ 141,345</u>	<u>\$ 1,123,089</u>	<u>\$ 596,674</u>	<u>\$ 4,280,439</u>

KENOSHA COUNTY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
December 31, 2005

	Human Services Building	Health Insurance	Workers Compensation	General Liability Insurance	Totals
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,838,953	\$ 1,621,476	\$ -	\$ 4,460,429
Accounts receivable	-	46,604	-	98,328	144,932
Due from other governments	9,476	-	-	-	9,476
Prepaid items	-	37,380	-	-	37,380
Restricted cash and investments	-	-	-	264,004	264,004
Deposit in WMMIC	-	-	-	1,157,860	1,157,860
Land	682,623	-	-	-	682,623
Buildings and improvements	7,223,005	-	-	-	7,223,005
Machinery and equipment	154,891	-	-	-	154,891
Accumulated depreciation	(1,430,244)	-	-	-	(1,430,244)
	<u>\$ 6,639,751</u>	<u>\$ 2,922,937</u>	<u>\$ 1,621,476</u>	<u>\$ 1,520,192</u>	<u>\$ 12,704,356</u>
Total Assets					
LIABILITIES					
Accounts payable	\$ 81,280	\$ 519,854	\$ 66,136	\$ 10,653	\$ 677,923
Claims payable	-	837,200	1,428,175	731,680	2,997,055
Due to other funds	537,057	-	-	361,738	898,795
Other liabilities	-	65,217	-	-	65,217
Current portion of long-term debt payable	448,364	-	-	106,336	554,700
Other unearned revenue	-	665	-	-	665
General obligation debt payable	3,460,171	-	-	295,538	3,755,709
	<u>4,526,872</u>	<u>1,422,936</u>	<u>1,494,311</u>	<u>1,505,945</u>	<u>8,950,064</u>
Total Liabilities					
NET ASSETS					
Invested in capital assets, net of related debt	2,721,740	-	-	-	2,721,740
Unrestricted (deficit)	(608,861)	1,500,001	127,165	14,247	1,032,552
	<u>\$ 2,112,879</u>	<u>\$ 1,500,001</u>	<u>\$ 127,165</u>	<u>\$ 14,247</u>	<u>\$ 3,754,292</u>
Total Net Assets					

KENOSHA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005

	Human Services Building	Health Insurance	Workers Compensation	General Liability Insurance	Totals
OPERATING REVENUES					
Charges for services	\$ 2,257,628	\$ 13,786,192	\$ 757,648	\$ 501,274	\$ 17,302,742
Total Operating Revenues	<u>2,257,628</u>	<u>13,786,192</u>	<u>757,648</u>	<u>501,274</u>	<u>17,302,742</u>
OPERATING EXPENSES					
Operations and maintenance	1,522,778	13,728,052	706,074	572,133	16,529,037
Depreciation and amortization	458,960	-	-	-	458,960
Total Operating Expenses	<u>1,981,738</u>	<u>13,728,052</u>	<u>706,074</u>	<u>572,133</u>	<u>16,987,997</u>
Operating Income (loss)	275,890	58,140	51,574	(70,859)	314,745
NON-OPERATING REVENUES (EXPENSES)					
Investment income	-	-	60,033	111,199	171,232
Interest and fiscal charges	(135,872)	-	-	(26,093)	(161,965)
Total Non-operating Revenues (Expenses)	<u>(135,872)</u>	<u>-</u>	<u>60,033</u>	<u>85,106</u>	<u>9,267</u>
Income Before Contributions and Transfers	140,018	58,140	111,607	14,247	324,012
CAPITAL CONTRIBUTIONS	55,900	-	-	-	55,900
TRANSFERS	390,495	500,000	-	-	890,495
Change in net assets	586,413	558,140	111,607	14,247	1,270,407
Total net assets at the beginning of year	<u>1,526,466</u>	<u>941,861</u>	<u>15,558</u>	<u>-</u>	<u>2,483,885</u>
Total net assets at end of year	<u>\$ 2,112,879</u>	<u>\$ 1,500,001</u>	<u>\$ 127,165</u>	<u>\$ 14,247</u>	<u>\$ 3,754,292</u>

KENOSHA COUNTY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005

	Human Services Building	Health Insurance	Workers Compensation	General Liability Insurance	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Received from customers	\$ 2,261,636	\$ 13,775,741	\$ 757,648	\$ 514,594	\$ 17,309,619
Paid to suppliers for goods and services	(2,108,906)	(13,948,618)	(668,626)	(548,009)	(17,274,159)
Cash Flows from Operating Activities	<u>152,730</u>	<u>(172,877)</u>	<u>89,022</u>	<u>(33,415)</u>	<u>35,460</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers	390,495	500,000	-	-	890,495
Cash Flows from Noncapital Financing Activities	<u>390,495</u>	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>890,495</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES					
Debt retired	(390,495)	-	-	(102,279)	(492,774)
Interest paid	(135,872)	-	-	(26,093)	(161,965)
Acquisition and construction of capital assets	(16,858)	-	-	-	(16,858)
Cash Flows from Capital and Financing Activities	<u>(543,225)</u>	<u>-</u>	<u>-</u>	<u>(128,372)</u>	<u>(671,597)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Change in restricted cash	-	-	-	50,588	50,588
Investment income	-	-	60,033	111,199	171,232
Cash Flows from Investing Activities	<u>-</u>	<u>-</u>	<u>60,033</u>	<u>161,787</u>	<u>221,820</u>
Net Change in Cash and Cash Equivalents	-	327,123	149,055	-	476,178
Cash and Cash Equivalents - Beginning of Year	-	2,511,830	1,472,421	-	3,984,251
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ 2,838,953</u>	<u>\$ 1,621,476</u>	<u>\$ -</u>	<u>\$ 4,460,429</u>

**KENOSHA COUNTY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005**

	Human Services Building	Health Insurance	Workers Compensation	General Liability Insurance	Totals
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 275,890	\$ 58,140	\$ 51,574	\$ (70,859)	314,745
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Non-cash items included in operating income:					
Depreciation expense	458,960	-	-	-	458,960
Changes in assets and liabilities:					
Accounts receivable	4,009	(10,450)	-	13,320	6,879
Prepaid items	-	(37,380)	-	-	(37,380)
Accounts payable	80,222	(183,187)	37,448	(36,286)	(101,803)
Due to other funds	(666,351)	-	-	60,410	(605,941)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 152,730	\$ (172,877)	\$ 89,022	\$ (33,415)	\$ 35,460

Noncash investing, capital and financing activities:

During 2005, the Capital Projects fund transferred capital assets to the Human Services Building Fund with a net value of \$55,900.

KENOSHA COUNTY
AGENCY FUNDS - COMBINING BALANCE SHEET
December 31, 2005

	Agency				Totals
	Clerk of Courts	Child Support	Social Services	Other Agency Funds	
ASSETS					
Cash and temporary cash investments	\$ 3,310,258	\$ 140,354	\$ 15,504	\$ 857,062	\$ 4,323,178
Miscellaneous receivables	226,418	-	-	-	226,418
Total Assets	<u>\$ 3,536,676</u>	<u>\$ 140,354</u>	<u>\$ 15,504</u>	<u>\$ 857,062</u>	<u>\$ 4,549,596</u>
LIABILITIES AND FUND BALANCE					
Liabilities	\$ 3,536,676	\$ 140,354	\$ 15,504	\$ 857,062	\$ 4,549,596
Total Liabilities	<u>\$ 3,536,676</u>	<u>\$ 140,354</u>	<u>\$ 15,504</u>	<u>\$ 857,062</u>	<u>\$ 4,549,596</u>

KENOSHA COUNTY

**COMBINING STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES-
ALL AGENCY FUNDS**

For the Year Ended December 31, 2005

<u>Clerk of Courts</u>	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
Assets:				
Cash and temporary cash investments	\$ 3,333,559	\$ 11,721,120	\$ 11,744,421	\$ 3,310,258
Miscellaneous receivables	282,103	398,930	454,615	226,418
Total Assets	3,615,662	12,120,050	12,199,036	3,536,676
Liabilities:				
Other accrued liabilities	3,615,662	12,120,050	12,199,036	3,536,676
Total Liabilities	3,615,662	12,120,050	12,199,036	3,536,676
 <u>Child Support</u>				
Assets:				
Cash and temporary cash investments	140,354	-	-	140,354
Total Assets	140,354	-	-	140,354
Liabilities:				
Other accrued liabilities	140,354	-	-	140,354
Total Liabilities	140,354	-	-	140,354
 <u>Social Services</u>				
Assets:				
Cash and temporary cash investments	17,329	-	1,825	15,504
Total Assets	17,329	-	1,825	15,504
Liabilities:				
Other accrued liabilities	17,329	-	1,825	15,504
Total Liabilities	17,329	-	1,825	15,504
 <u>Other</u>				
Assets:				
Cash and temporary cash investments	772,043	6,756,735	6,671,716	857,062
Total Assets	772,043	6,756,735	6,671,716	857,062
Liabilities:				
Other accrued liabilities	772,043	6,756,735	6,671,716	857,062
Total Liabilities	772,043	6,756,735	6,671,716	857,062
 <u>Total</u>				
Assets:				
Cash and temporary cash investments	4,263,285	18,477,855	18,417,962	4,323,178
Miscellaneous receivables	282,103	398,930	454,615	226,418
Total Assets	4,545,388	18,876,785	18,872,577	4,549,596
Liabilities:				
Other accrued liabilities	4,545,388	18,876,785	18,872,577	4,549,596
Total Liabilities	\$ 4,545,388	\$ 18,876,785	\$ 18,872,577	\$ 4,549,596