



COUNTY OF RACINE

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

For the year ended December 31, 2003

COUNTY OF RACINE
Racine, Wisconsin

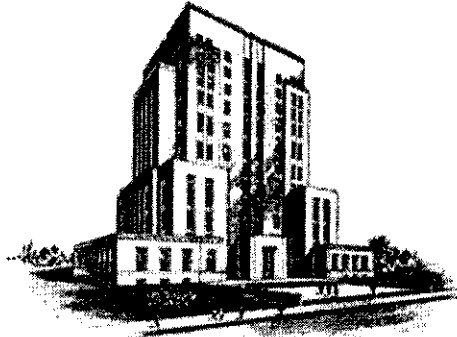
FINANCIAL STATEMENTS
December 31, 2003

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INTRODUCTORY SECTION

COUNTY OF RACINE



RACINE COUNTY COURTHOUSE
1931

FINANCE DEPARTMENT
DOUGLAS STANSIL

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RACINE, WISCONSIN
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July 2, 2004

To the Honorable Members of the Board of Supervisors of the County of Racine:

State law requires that all general-purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual financial report of Racine County for the fiscal year ended December 31, 2003.

This report consists of management's representations concerning the finances of Racine County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Racine County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Racine County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Racine County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Racine County's financial statements have been audited by Clifton Gunderson LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Racine County for the fiscal year ended December 31, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Racine County's financial statements for the fiscal year ended December 31, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Racine County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in Racine County's separately issued Single Audit Report. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Racine County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Racine County, created in 1853, is located in southeastern Wisconsin, approximately 30 miles south of Milwaukee and 60 miles north of Chicago and is bounded on the east by Lake Michigan. The County encompasses an area of 337 square miles and consists of two cities, seven villages and nine towns. Racine County serves a population of 190,000.

Racine County operates under the County Executive who is in charge of day-to-day operation of the County. The County Executive serves for a four-year term and is elected on a non-partisan basis. The current term ends in April 2007. Policy-making and legislative authority are vested in the County Board of Supervisors composed of 23 members. All Supervisors are elected to a two-year term on a non-partisan basis. The current term ends April 2004. The County Board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees. The County Executive is responsible for carrying out the policies and ordinances of the County Board, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The County elects the following offices to two-year terms on a partisan basis, County Clerk, County Treasurer, Register of Deeds, Clerk of Courts, and District Attorney. The County Sheriff is elected to a four-year term on a partisan basis.

Racine County provides a full range of services, including sheriff and jail; the construction and maintenance of highways, streets, and other infrastructure; health and human services activities; recreational activities and cultural events, as well as conservation and development activities, and nursing home services.

The County is required by State law to annually formulate a budget and to hold public hearings thereon prior to the determination of the amounts to be financed, in whole or in part, by general property taxes, funds on hand or estimated revenues from other sources. The budget must list all existing indebtedness of the County and include anticipated revenues from all sources during the ensuing year, and must list all proposed appropriations for each department, activity and reserve account during the ensuing year. The budget must show actual revenues and expenditures for the prior year and not less than the first six months of the current year and estimated revenues and expenditures for the balance of the current year.

As part of the budgeting process, public hearings are held on the proposed budget, at which time any resident or taxpayer in the County may be heard. At an annual budget meeting in November of each year the County Board adopts the final budget for the succeeding year and levies taxes based on equalized valuations of property less any increment attributable to Tax Increment Districts. The amounts of taxes so levied and the amounts of the various applications in the final budget (after any alterations made pursuant to public hearings) may not be changed unless authorized by a vote of two-thirds of the entire membership of the County Board. Failure to publish notice of any such alteration within ten days thereafter shall preclude any change in the budget.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Racine County operates.

Local economy. While higher than the State and National unemployment rate, the Racine County rate increased by only .5% over the preceding year. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate over the past year. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include manufacturer of commercial and institutional cleaning products, health care services, manufacturer of agricultural and construction equipment, and the manufacturer of household and commercial disposer systems. Supporting our industrial base is a network of local, county and state roads.

Racine County has an employed labor force of approximately 87,900. Manufacturing accounts for approximately 20% of Employment.

Long-term financial planning. Racine County has adopted The Strategic Economic Development Plan for Racine County. Throughout 2001, the Racine County Economic Development Corporation (RCEDC) and its partners, together with over 100 individuals throughout Racine County, engaged in a comprehensive strategic planning process. The goal was to develop a 5-year economic development plan that responds to changing national economic conditions, including the impact of technology on business and the loss of jobs in our community. The result is a series of strategies and action items for the RCEDC and its partners which are specific to the future economic vitality of Racine County. The Plan will change over time in response to changing economic conditions.

The County has received a declining amount of shared revenue from the state over the past several years. This trend is expected to continue through 2004.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury, the State of Wisconsin Local Government Investment Pool, and M&I Trust Company. The maturities of the investments other than cash and short-term investments range from 19 to 21 months, with an average maturity of 20 months.

Risk management. Racine County is self-funded for workers' compensation. As part of this comprehensive plan, resources are being accumulated in the general fund to meet potential losses. In addition, various control techniques, including employee accident prevention training, have been implemented during the year to minimize accident-related losses. Third-party coverage is currently maintained for individual workers' compensation claims in excess of \$425,000 up to a maximum of \$1,000,000 and aggregate claims in excess of \$1,850,000 up to a maximum of \$5,000,000.

The County is self-funded for medical expenses of employees and eligible retirees. Third party coverage is currently maintained for individual claims in excess of \$225,000 up to a maximum of \$1,775,000.

The County self funds for public liability and automobile coverage.

Additional information on Racine County's risk management activity can be found in Note V.C of the notes to the financial statements.

Pension and other post employment benefits. The County provides pension benefits for all eligible employees through the State of Wisconsin Retirement System. The County fully funds the required contribution to the pension plan as determined by the State of Wisconsin Retirement Systems Actuary. An actuarially determined prior service liability does exist and is more fully described in Note V.D. of the notes to the basic financial statements.

Racine County also provides post employment health benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 510 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP does not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on Racine County's pension arrangements and post employment benefits can be found in Notes V of the notes to the financial statements.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the County Executive and the County Board of Supervisors for their unfailing support for maintaining the highest standards of professionalism in the management of Racine County's finances.

Respectfully submitted,

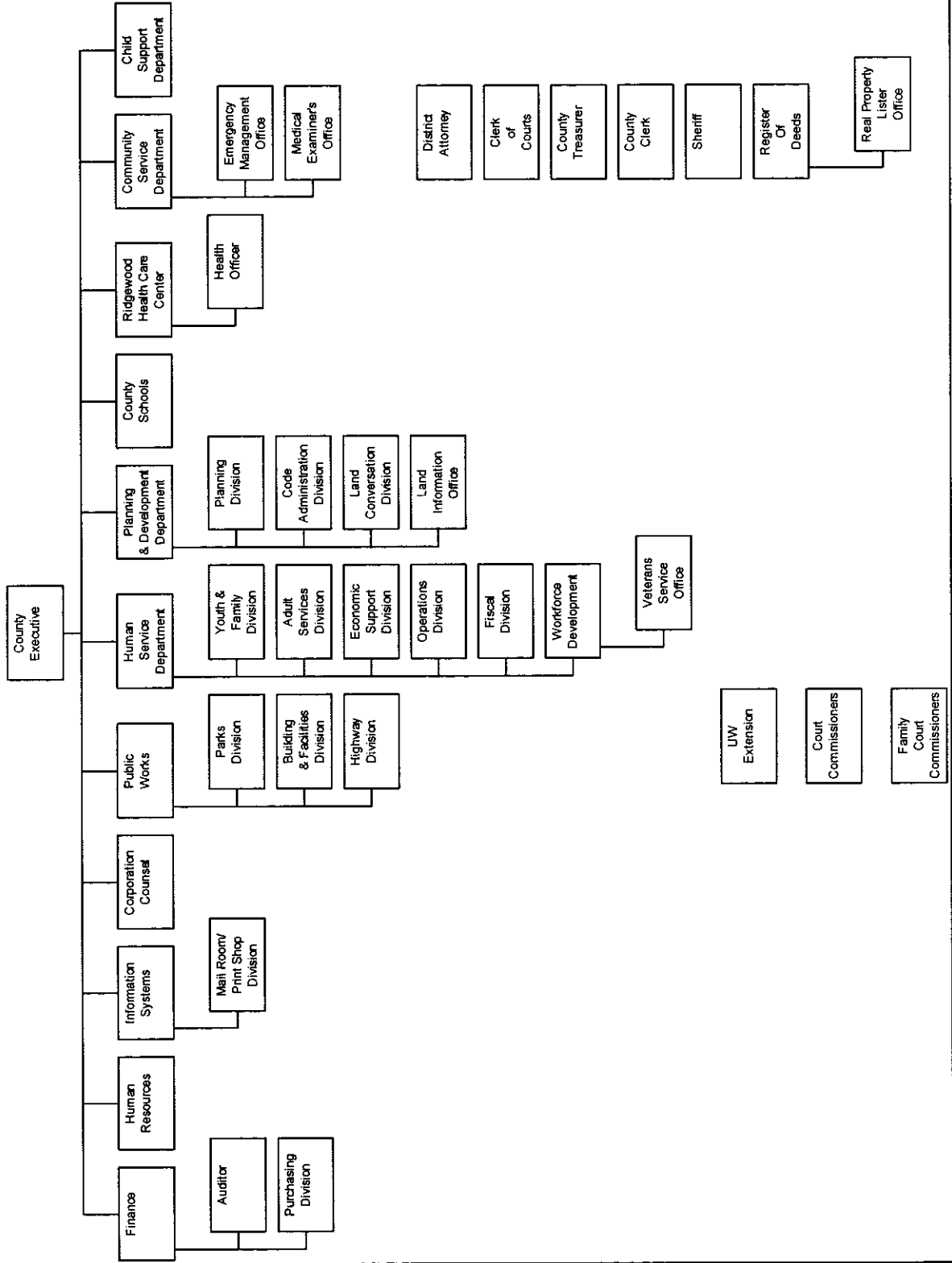
A handwritten signature in black ink, appearing to read 'Douglas Stansil', with a large, sweeping flourish at the end.

Douglas Stansil
Finance Director

Dec-09-2003

Racine County

Ordinance No. 2003-158



COUNTY OF RACINE
List of Elected and Appointed Officials
December 31, 2003

COUNTY BOARD OF SUPERVISORS

Wendell E. Anderson, Chairperson
Kenneth A. Vetovec, Vice-Chairperson
Robin J. Vos, Finance Committee Chairperson

H. John Anderson	Diane M. Lange
Gilbert Bakke	Kenneth Lumpkin
Joseph F. Bellante, Jr.	Michael J. Miklasevich
Hubert H. Braun	Robert N. Miller
Russell A. Clark	Thomas Pringle
Raymond J. DeHahn	Q. A. Shakoore II
Gaynell Dyess	Daniel F. Sharkozy
Jeff Halbach	Donnie Snow
John R. Hansen	Van H. Wangaard
Peter L. Hansen	Pamela Zenner-Richards

ADMINISTRATION

William L. McReynolds, County Executive
Douglas B. Stansil, Finance Director
Mark Janiuk, Corporation Counsel
Joan C. Rennert, County Clerk
Elizabeth A. Majeski, County Treasurer
Karen Galbraith, Human Resource Director
Rob Richardson, Information System Director

FINANCIAL SECTION

Independent Auditor's Report

To the Honorable Members
of the Board of Supervisors
of the County of Racine, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Racine, Wisconsin, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Racine's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the County's 2002 financial statements and, in our report dated July 3, 2003, we expressed unqualified opinions on the basic financial statements.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Racine, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2004 on our consideration of the County of Racine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 11 through 19 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 inquires 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 the County of Racine's basic financial statements. The combining financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express not opinion on them.

Clifton Gundua LLP

Racine, Wisconsin
July 2, 2004

**County of Racine
Management's Discussion and Analysis
December 31, 2003**

As management of Racine County, we offer readers of Racine County's financial statements this narrative overview and analysis of the financial activities of Racine County for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of Racine County exceeded its liabilities, at the close of the most recent fiscal year by \$86,769 (*net assets*). Of this amount, \$19,343 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$4,509.
- As of the close of the current fiscal year, Racine County's governmental funds reported combined ending fund balances of \$38,141, an decrease of \$5,060 in comparison with the prior year. Of this total amount, \$22,559, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$13,126, or 12 percent of total general fund expenditures.
- Racine County's total general obligation debt increased by \$12,916 (61 percent) during the current fiscal year. The key factors in this increase was the issuance of \$4,900 in general obligation notes for 2003 capital projects and the issuance of \$10,470 of general obligation taxable bonds to pay the County's unfunded pension obligation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Racine County's basic financial statements. Racine County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Racine County's finances in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of Racine County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Racine County include general government, public safety, highways and streets, health and social services, development, and education and recreation. The business-type activities of Racine County include Ridgewood Health Care Facility and Golf Course Operations.

The government-wide financial statements include not only Racine County itself (known as the *primary government*), but also a legally separate Housing Authority. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Racine County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Racine County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Racine County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Racine County adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits 3-4 of this report.

Proprietary funds. Racine County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Racine County uses enterprise funds to account for its Health Care Center and for its golf course. An *Internal service fund* is an accounting device used to accumulate and allocate costs internally among Racine County's various functions. Racine County uses an internal service fund to account for its highway department. Because this service

predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Ridgewood Health Care Facility and Golf Courses, both of which are considered to be major funds of Racine County.

The basic proprietary fund financial statements can be found on Exhibits 7-9 of this report.

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

The basic fiduciary fund financial statements can be found on Exhibits 10-11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-50 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes. Combining and individual fund statements and schedules can be found on Exhibits 12-18 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Racine County, assets exceeded liabilities by \$86,768 at the close of the most recent fiscal year.

The largest portion of Racine County's net assets (71 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Racine 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.

RACINE COUNTY NET ASSETS

	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities	2003	2002
	2003	2002	2003	2002		
Current and other assets	\$ 110,417	\$ 113,863	\$ 1,020	\$ 1,835	\$ 111,437	\$ 115,698
Capital assets	75,376	61,631	9,508	9,304	84,884	70,935
Total assets	185,793	175,494	10,528	11,139	196,321	186,633
Long-term liabilities outstanding	36,786	24,486	4,914	4,710	41,700	29,196
Other liabilities	67,121	63,831	732	1,288	67,853	65,119
Total liabilities	103,907	88,317	5,646	5,998	109,553	94,315
Net assets						
Invested in capital assets, net of related debt	54,939	45,108	4,987	4,717	59,926	49,825
Restricted	7,336	20,976	163	-	7,499	20,976
Unrestricted	19,611	21,093	(268)	424	19,343	21,517
Total net assets	\$ 81,886	\$ 87,177	\$ 4,882	\$ 5,141	\$ 86,768	\$ 92,318

An additional portion of Racine County's net assets (9 percent) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$19,343 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Racine County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

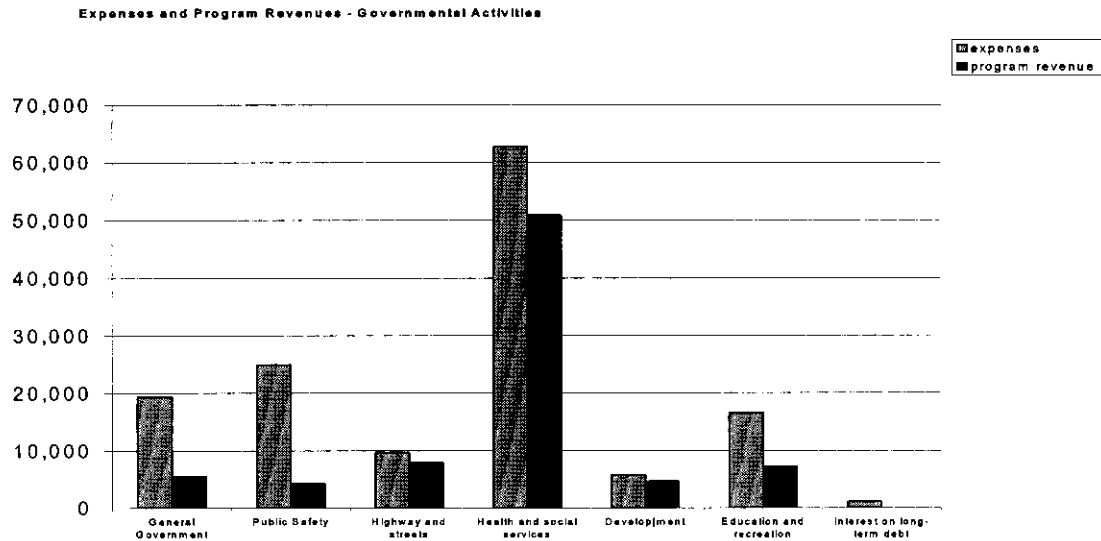
The government's net assets decreased by \$4,509 during the current fiscal year.

RACINE COUNTY CHANGE IN NET ASSETS

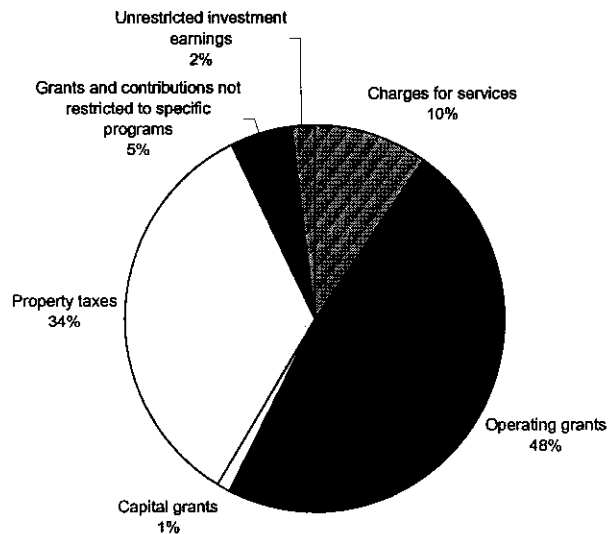
	Governmental Activities 2003	Governmental Activities 2002	Business-type Activities 2003	Business-type Activities 2002	Total 2003	Total 2002
Revenues:						
Program revenues:						
Charges for services	\$ 13,384	\$ 13,858	\$ 10,695	\$ 11,902	\$ 24,079	\$ 25,760
Operating grants and contributions	65,746	61,765	-	-	65,746	61,765
Capital grants and contributions	1,405	2,155	-	-	1,405	2,155
General revenues:						
Property taxes	47,068	44,186	-	-	47,068	44,186
Grants and contributions not restricted to specific programs	7,192	7,822	-	-	7,192	7,822
Other	3,988	2,640	(14)	8	3,974	2,647
Total revenues	138,783	132,426	10,681	11,910	149,464	144,335
Expenses:						
General government	19,378	18,620	-	-	19,378	18,620
Public safety	24,977	23,509	-	-	24,977	23,509
Highways and streets	9,619	10,996	-	-	9,619	10,996
Health and social services	62,786	60,373	-	-	62,786	60,373
Development	5,745	1,765	-	-	5,745	1,765
Education and recreation	16,537	12,821	-	-	16,537	12,821
Interest on long-term debt	1,080	584	-	-	1,080	584
Golf	-	-	182	178	182	178
Nursing Home	-	-	13,669	14,347	13,669	14,347
Total expenses	140,122	128,668	13,851	14,525	153,973	143,193
Increase (decrease) in net assets before transfers	(1,339)	3,758	(3,170)	(2,615)	(4,509)	1,143
Transfers	(2,911)	(2,710)	2,911	2,710	-	-
Increase in net assets	(4,250)	1,048	(259)	95	(4,509)	1,143
Net assets - beginning-revised	86,136	86,129	5,141	5,046	91,277	91,175
Net assets - ending	\$ 81,886	\$ 87,177	\$ 4,882	\$ 5,141	\$ 86,768	\$ 92,318

Governmental activities. Governmental activities decreased Racine County's net assets by \$4,250, thereby accounting for 94 percent of the total reduction in the net assets of Racine County.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

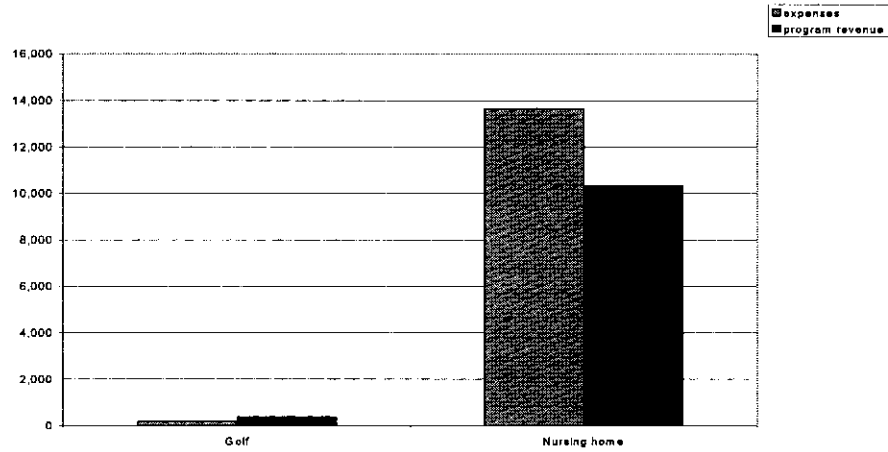


Revenues by Source - Governmental Activities

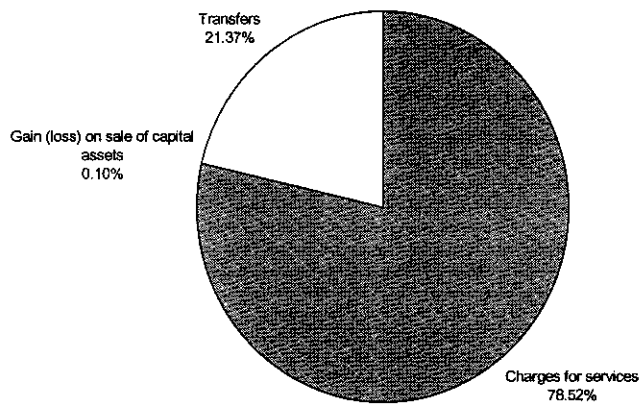


Business-type activities. Business-type activities increased Racine County's net assets by \$259, accounting for 6 percent of the total growth in the government's net assets.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business Type Activities



Financial Analysis of Racine County's Funds

As noted earlier, Racine County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Racine County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Racine County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Racine County's governmental funds reported combined ending fund balances of \$38,141, an decrease of \$5,060 in comparison with the prior year. Approximately half of this total amount \$22,559 constitutes *unreserved fund balance*, which is available for spending at the governments' discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to pay debt service, 2) carryovers and encumbrances, 3) tax stabilization, 4) delinquent property taxes, 5) jail improvement, 6) the subsequent years budget, or 7) endowments.

The general fund is the chief operating fund of Racine County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$13,126, while total fund balance reached \$24,593. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11 percent of total general fund expenditures, while total fund balance represents 21 percent of that same amount.

The fund balance of Racine County's general fund decreased by \$5,343 during the current fiscal year. Key factors in this decrease are as follows:

- Planned use of reserves from tax stabilization reserve
- Higher than anticipated juvenile incarceration usage
- Increases in employee medical costs in excess of projected amounts
- Lower interest earnings
- Better than expected workers compensation costs.

Proprietary funds. Racine County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Ridgewood Health Care Center at the end of the year amounted to a deficit of \$(1,061) and those for golf course operations amounted to \$793. Ridgewood net assets decreased by \$408 and Golf Course net assets increased by \$150.

General Fund Budgetary Highlights

Significant differences between the original budget and the final amended budget \$(13,150) increase in appropriations) can be briefly summarized as follows:

- \$3,705 Carryovers and encumbrances from prior year
- \$1,790 Human Services Grant increases
- \$ 744 Revenue transfers for unbudgeted planned expenses
- \$1,406 Carryforward State Community Development Block Grant Authorization (Case \$994, Poclair \$400, and RCEDC \$12)
- \$1,204 Additional Grants awarded for various county programs
- \$4,012 State Community Development Block Grant Authorization (Midwest Express \$4,000 and RCEDC \$12)

Capital Asset and Debt Administration

Capital assets. Racine County's investment in capital assets for its governmental and business type activities as of December 31, 2003 amounts to \$84,884 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- Construction continued on the county bike trail \$844.
- Construction of the county communication center and equipment \$2,981.
- Construction of the Harbor breakwater improvements \$1,823.
- Contraction in progress permanently consists of the Highway road projects.

RACINE COUNTY CAPITAL ASSETS (net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
Land	\$ 19,746	\$ 19,746	\$ 1,132	\$ 1,132	\$ 20,878	\$ 20,878
Buildings and systems	28,313	27,023	5,221	5,382	33,534	32,405
Improvements other than buildings	5,341	2,836	1,953	1,743	7,294	4,579
Machinery and equipment	10,769	8,904	1,201	1,046	11,970	9,950
Infrastructure	7,117	5,257	-	-	7,117	5,257
Construction in progress	4,091	7,162	-	1	4,091	7,163
Total	<u>\$ 75,377</u>	<u>\$ 70,928</u>	<u>\$ 9,507</u>	<u>\$ 9,304</u>	<u>\$ 84,884</u>	<u>\$ 80,232</u>

Additional information on Racine County's capital assets can be found in Note IV.C of this report.

Long-term debt. At the end of the current fiscal year, Racine County had total bonded debt outstanding of \$34,149. All of this comprises debt backed by the full faith and credit of the government.

RACINE COUNTY OUTSTANDING DEBT General Obligation and Revenue Bonds

	Governmental		Business-type		Total	
	Activities		Activities			
	2003	2002	2003	2002	2003	2002
General Obligation notes & bonds	\$ 29,629	\$ 16,523	\$ 4,520	\$ 4,710	\$ 34,149	\$ 21,233
Total	<u>\$ 29,629</u>	<u>\$ 16,523</u>	<u>\$ 4,520</u>	<u>\$ 4,710</u>	<u>\$ 34,149</u>	<u>\$ 21,233</u>

Racine County's total general obligation debt increased by \$12,916 (61 percent) during the current fiscal year. The key factor in this increase was a \$4,900 note issuance for various capital projects and issuance of \$10,470 of taxable bonds to pay the prior service liability due to the Wisconsin Retirement System. The result of the payment of the prior service liability is expected to decrease future payments by \$16,341.

Racine County maintained a "Aa2" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total assessed valuation. The current debt limitation for Racine County is \$493,476 which is significantly in excess of Racine County's outstanding general obligation debt.

Additional information on Racine County's long-term debt can be found in Note IV.E of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Racine County as of May 2004 is 6.8 percent, which is a decrease from a rate of 8.0 percent a year ago. This compares unfavorably to the state's average unemployment rate of 5.3 percent and the national average rate of 5.8 percent.
- The economic condition and outlook of the County has remained fairly stable over the last year.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing Racine County's budget for the 2004 fiscal year. The State of Wisconsin imposed tax levy limits at the 1992 tax rate for debt service and operations. The tax rate cannot exceed the limit unless the County meets one of the exceptions under statute. Racine County was \$3,734 under the operating rate limit and \$983 under the debt service rate limit for the 2003 budget.

During the current year, unreserved fund balance in the general fund decreased to \$13,126. Racine County has appropriated \$143 for spending in 2004 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of Racine County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 730 Wisconsin Ave, Racine, WI 53403.

COUNTY OF RACINE
STATEMENT OF NET ASSETS
December 31, 2003

Exhibit 1

	Primary Government			Component Unit Housing Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 15,379,970	\$ 562,340	\$ 15,942,310	\$ 821,850
Investments	20,530,313	-	20,530,313	-
Receivables (net of allowance for uncollectibles)	70,759,694	1,672,402	72,432,096	377,464
Internal balances	1,586,541	(1,586,541)	-	-
Inventories	508,021	50,235	558,256	-
Prepays	1,152,299	180	1,152,479	83,212
Deferred charges	110,633	167,223	277,856	-
Restricted assets:				
Cash and cash equivalents	35,370	155,053	190,423	-
Investments	353,317	-	353,317	-
Capital assets (net of accumulated depreciation):				
Land	19,745,794	1,131,761	20,877,555	101,000
Buildings and system	28,313,463	5,221,420	33,534,883	1,083,907
Improvements other than buildings	5,340,592	1,952,870	7,293,462	90,217
Machinery and equipment	10,768,965	1,201,570	11,970,535	14,295
Infrastructure	7,116,896	-	7,116,896	-
Construction in progress	4,090,780	-	4,090,780	244,016
Total assets	<u>185,792,648</u>	<u>10,528,513</u>	<u>196,321,161</u>	<u>2,815,961</u>
LIABILITIES				
Accounts payable and other current liabilities	15,069,284	622,872	15,692,156	237,586
Accrued interest payable	200,221	18,651	218,872	-
Due to other governments	2,407,964	-	2,407,964	-
Due to Trusts	242,676	-	242,676	-
Unearned revenue	49,188,215	-	49,188,215	28,052
Agency deposit	-	89,969	89,969	-
Deferred issue costs-bond premium	12,109	-	12,109	-
Noncurrent liabilities:				
Due within one year	7,097,927	589,154	7,687,081	3,727
Due in more than one year	29,688,622	4,325,000	34,013,622	-
Total liabilities	<u>103,907,018</u>	<u>5,645,646</u>	<u>109,552,664</u>	<u>269,365</u>
NET ASSETS				
Invested in capital assets, net of related debt	54,939,630	4,987,621	59,927,251	1,533,435
Restricted for:				
Capital projects	5,740,700	162,901	5,903,601	-
Debt service	1,242,861	-	1,242,861	-
Endowments	352,170	-	352,170	-
Unrestricted	<u>19,610,269</u>	<u>(267,655)</u>	<u>19,342,614</u>	<u>1,013,161</u>
Total net assets	<u>\$ 81,885,630</u>	<u>\$ 4,882,867</u>	<u>\$ 86,768,497</u>	<u>\$ 2,546,596</u>

The accompanying notes are an integral part of this statement.

COUNTY OF RACINE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

Exhibit 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Housing Authority
					Governmental Activities	Business-type Activities		
Primary government:								
Government activities:								
General Government	\$ 19,377,945	\$ 4,184,249	\$ 1,359,179	\$ -	\$ (13,834,517)	\$ -	\$ -	
Public Safety	24,940,588	2,777,838	1,506,345	-	(20,656,405)	-	-	
Highways and streets	9,618,932	4,950,408	1,932,946	1,085,912	(1,649,666)	-	-	
Health and social services	62,753,342	555,988	50,333,934	-	(11,863,420)	-	-	
Development	5,744,849	424,236	4,190,035	-	(1,130,578)	-	-	
Education and recreation	16,536,668	491,898	6,423,258	318,705	(9,302,807)	-	-	
Interest on long-term debt	1,079,648	-	-	-	(1,079,648)	-	-	
Total governmental activities	140,051,972	13,384,617	65,745,697	1,404,617	(59,517,041)	-	-	
Business-type activities:								
Golf	181,354	371,084	-	-	189,730	189,730	-	
Nursing Home	13,669,211	10,324,352	-	-	(3,344,859)	(3,344,859)	-	
Total business-type activities	13,850,565	10,695,436	-	-	(3,155,129)	(3,155,129)	-	
Total primary government	153,902,537	24,080,053	65,745,697	1,404,617	(62,672,170)	-	-	
Component unit:								
Housing Authority	\$ 7,483,634	\$ 196,162	\$ 7,340,388	\$ -	-	-	52,916	
General Revenues:								
Property taxes				47,067,618		47,067,618	-	
Grants and contributions not restricted to specific programs				7,191,801		7,191,801	-	
Unrestricted investment earnings				2,721,875	627	2,722,502	20,126	
Gain (loss) on sale of capital assets				(69,600)	(14,971)	(84,571)	(33,415)	
Other				1,266,421		1,266,421	-	
Transfers				(2,911,222)	2,911,222	-	-	
Total general revenues and transfers				53,266,893	2,896,878	58,163,771	(13,289)	
Change in net assets				(4,250,148)	(258,251)	(4,508,399)	39,627	
Net assets - beginning				86,135,778	5,141,118	91,276,896	2,506,969	
Net assets - ending				\$ 81,885,630	\$ 4,882,867	\$ 86,768,497	\$ 2,546,596	

The accompanying notes are an integral part of this statement.

COUNTY OF RACINE
BALANCE SHEET - GOVERNMENTAL FUNDS
As of December 31, 2003

Exhibit 3

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
CASH AND CASH EQUIVALENTS	\$ 13,426,169	\$ 1,953,101	\$ 15,379,270
RESTRICTED:			
Cash and cash equivalents	-	35,370	35,370
Investments	-	353,317	353,317
INVESTMENTS	20,530,313	-	20,530,313
RECEIVABLES :			
Property taxes:			
Current year levy	39,878,408	8,855,699	48,734,107
Delinquent	6,423,872	-	6,423,872
Due from other governments	4,796,736	4,838,854	9,635,590
Due from other funds	2,414,071	7,841,875	10,255,946
Interest and penalties	2,433,526	-	2,433,526
Other	2,087,628	405,137	2,492,765
INVENTORIES	34,168	-	34,168
PREPAID EXPENSES	1,144,979	5,713	1,150,692
Total assets	\$ 93,169,870	\$ 24,289,066	\$ 117,458,936
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 9,601,846	\$ 914,182	\$ 10,516,028
Accrued liabilities	3,650,417	256,541	3,906,958
Due to other governments	2,407,964	-	2,407,964
Due to other funds	9,380,474	705,763	10,086,237
Deferred revenues:			
Current year property tax levy	39,878,408	8,855,699	48,734,107
Other	3,657,266	9,109	3,666,375
Total liabilities	68,576,375	10,741,294	79,317,669
FUND BALANCES:			
Reserved for:			
Delinquent property taxes	5,451,411	-	5,451,411
Inventories and prepaid expenses	1,179,147	5,713	1,184,860
Carryovers and encumbrances	3,226,852	2,513,848	5,740,700
Human Services Stabilization	832,866	-	832,866
Jail improvement	634,326	-	634,326
Debt retirement	-	1,242,861	1,242,861
Subsequent year's budget	142,657	-	142,657
Endowments	-	352,170	352,170
Unreserved- reported in:			
General fund	13,126,236	-	13,126,236
Special revenue funds	-	7,811,743	7,811,743
Capital projects	-	1,468,304	1,468,304
Debt service	-	153,133	153,133
Total fund balances	24,593,495	13,547,772	38,141,267
Total liabilities and fund balances	\$ 93,169,870	\$ 24,289,066	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	69,444,335
The net assets of the internal service fund are not reported in the governmental funds	7,976,007
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the fund statements.	3,212,267
Some liabilities, including bonds payable, are not due and payable in the current period therefore are not reportable in the funds.	(36,888,246)
Net assets of governmental activities	\$ 81,885,630

The accompanying notes are an integral part of this statement.

COUNTY OF RACINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

Exhibit 4

	General	Other Governmental Funds	Total Governmental Funds
REVENUES :			
Property taxes	\$ 39,128,500	\$ 7,959,485	\$ 47,087,985
Intergovernmental	64,934,797	9,334,394	74,269,191
Fines and fees	6,334,437	-	6,334,437
Interest income	2,659,632	62,243	2,721,875
Other	2,333,002	1,139,811	3,472,813
Total revenues	<u>115,390,368</u>	<u>18,495,933</u>	<u>133,886,301</u>
EXPENDITURES :			
Current			
General governmental	19,462,898	-	19,462,898
Public safety	23,858,590	-	23,858,590
Health and social service	62,388,001	-	62,388,001
Education and recreation	4,200,800	12,066,299	16,267,099
Development	5,719,504	-	5,719,504
Highway and streets	-	5,452,607	5,452,607
Capital projects	655,090	4,637,960	5,293,050
Bond issue costs	23,435	47,201	70,636
Debt service principal	-	2,448,191	2,448,191
Debt service interest	-	1,205,322	1,205,322
Total expenditures	<u>116,308,318</u>	<u>25,857,580</u>	<u>142,165,898</u>
Revenues over (under) expenditures	<u>(917,950)</u>	<u>(7,361,647)</u>	<u>(8,279,597)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	527,155	5,814,567	6,341,722
Transfers out	(4,979,114)	(3,315,039)	(8,294,153)
Unfunded pension liability payment	(10,338,148)	-	(10,338,148)
Bond anticipation notes issued	10,365,023	-	10,365,023
Proceeds of general obligation debt	-	5,159,558	5,159,558
Proceeds of refunding bond issue	-	10,325,141	10,325,141
Payment to refunded bond escrow agent	-	(10,340,000)	(10,340,000)
Total other financing sources (uses)	<u>(4,425,084)</u>	<u>7,644,227</u>	<u>3,219,143</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(5,343,034)</u>	<u>282,580</u>	<u>(5,060,454)</u>
FUND BALANCES:			
Beginning of year	<u>29,936,529</u>	<u>13,265,192</u>	<u>43,201,721</u>
End of year	<u>\$ 24,593,495</u>	<u>\$ 13,547,772</u>	<u>\$ 38,141,267</u>

The accompanying notes are an integral part of this statement.

COUNTY OF RACINE
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, 2003

Exhibit 5

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds (exhibit 4)	\$	(5,060,454)
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 outlays exceeded depreciation in the current period.		4,016,964
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, retirements, and trade-ins) is to increase net assets.		(103,295)
The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities		(1,274,053)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund statements.		24,011
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of the issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.		(2,697,126)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		843,805
Changes in net assets of the governmental activities (Exhibit 2)	<u>\$</u>	<u>(4,250,148)</u>

The accompanying notes are an integral part of this statement.

**COUNTY OF RACINE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUALS
For the Year Ended December 31, 2003**

Exhibit 6

	<u>Budgeted Amount</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES :				
Property taxes	\$ 39,042,803	\$ 39,042,803	\$ 39,128,500	\$ 85,697
Intergovernmental	61,582,105	69,936,685	64,934,797	(5,001,888)
Fines and fees	5,730,581	6,006,545	6,334,437	327,892
Interest income	3,282,348	3,281,451	2,659,632	(621,819)
Other	1,860,364	2,009,244	2,333,002	323,758
Total revenues	<u>111,498,201</u>	<u>120,276,728</u>	<u>115,390,368</u>	<u>(4,886,360)</u>
EXPENDITURES :				
Current:				
General government	16,342,920	19,960,418	19,462,898	497,520
Public safety	23,946,800	24,541,118	23,858,590	682,528
Health and social service	61,463,271	64,937,863	62,388,001	2,549,862
Education and recreation	4,188,853	4,228,551	4,200,800	27,751
Development	1,765,426	7,167,049	5,719,504	1,447,545
Capital projects	514,400	666,444	655,090	11,354
Bond issue costs	-	-	23,435	(23,435)
Total expenditures	<u>108,221,670</u>	<u>121,501,443</u>	<u>116,308,318</u>	<u>5,193,125</u>
Revenues over (under) expenditures	<u>3,276,531</u>	<u>(1,224,715)</u>	<u>(917,950)</u>	<u>306,765</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,814,513	527,155	(1,287,358)
Transfers out	-	(6,870,441)	(4,979,114)	1,891,327
Unfunded pension liability payment	-	-	(10,338,148)	(10,338,148)
Bond anticipation notes issued	-	-	10,365,023	10,365,023
Total other financing sources (uses)	<u>-</u>	<u>(5,055,928)</u>	<u>(4,425,084)</u>	<u>630,844</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>3,276,531</u>	<u>(6,280,643)</u>	<u>(5,343,034)</u>	<u>937,609</u>
FUND BALANCES:				
Beginning of year	<u>29,936,529</u>	<u>29,936,529</u>	<u>29,936,529</u>	<u>-</u>
End of year	<u>\$ 33,213,060</u>	<u>\$ 23,655,886</u>	<u>\$ 24,593,495</u>	<u>\$ 937,609</u>

The accompanying notes are an integral part of this statement.

**COUNTY OF RACINE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2003**

Exhibit 7

**Business-type Activities -
Enterprise Funds**

	Ridgewood Healthcare Center Current Year	Ridgewood Healthcare Center Prior Year	Golf Courses Current Year	Golf Courses Prior Year	Totals Current Year	Governmental Activities- Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,000	\$ 1,000	\$ 561,340	\$ 510,918	\$ 562,340	\$ 700
Receivables (net of allowance for uncollectibles)	1,672,402	1,052,498	-	3,772	1,672,402	10,301
Due from other governments	-	-	-	-	-	1,029,532
Due from other funds	-	112,950	246,206	392,515	246,206	1,174,157
Inventories	50,235	64,201	-	-	50,235	473,853
Prepays	180	1,265	-	-	180	1,607
Deferred charges	167,223	177,337	-	-	167,223	-
Non-current assets:						
Restricted assets:						
Cash and cash equivalents	155,053	142,491	-	-	155,053	-
Capital assets (net of accumulated depreciation):						
Land	-	-	1,131,761	1,131,761	1,131,761	-
Buildings and system	4,327,280	4,464,312	894,140	917,697	5,221,420	1,286,425
Improvements other than buildings	46,017	54,820	1,906,853	1,688,580	1,952,870	1,222,349
Machinery and equipment	1,201,570	1,045,651	-	-	1,201,570	3,423,381
Construction in progress	-	-	-	1,092	-	-
Total assets	<u>7,620,960</u>	<u>7,116,525</u>	<u>4,740,300</u>	<u>4,646,335</u>	<u>12,361,260</u>	<u>8,622,305</u>
LIABILITIES						
Current liabilities:						
Accounts payable and other current liabilities	608,172	1,175,322	14,700	11,092	622,872	646,298
Accrued interest payable	18,651	19,340	-	-	18,651	-
Due to other funds	1,832,747	564,795	-	59,404	1,832,747	-
Agency Deposits	89,969	81,789	-	-	89,969	-
Noncurrent liabilities:						
Due within one year	589,154	190,000	-	-	589,154	-
Due in more than one year	4,325,000	4,520,000	-	-	4,325,000	-
Total liabilities	<u>7,463,693</u>	<u>6,551,246</u>	<u>14,700</u>	<u>70,496</u>	<u>7,478,393</u>	<u>646,298</u>
NET ASSETS						
Invested in capital assets, net of related debt	1,054,867	978,243	3,932,754	3,739,130	4,987,621	5,932,155
Restricted	162,901	-	-	-	162,901	-
Unrestricted	(1,060,501)	(412,964)	792,846	836,709	(267,655)	2,043,852
Total net assets	<u>\$ 157,267</u>	<u>\$ 565,279</u>	<u>\$ 4,725,600</u>	<u>\$ 4,575,839</u>	<u>\$ 4,882,867</u>	<u>\$ 7,976,007</u>

The accompanying notes are an integral part of this statement.

COUNTY OF RACINE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2003

Exhibit 8

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Services Fund
	Ridgewood Healthcare Center Current Year	Ridgewood Healthcare Center Prior Year	Golf Courses Current Year	Golf Courses Prior Year	
OPERATING REVENUES :					
Resident charges for services, net	\$ 10,302,480	\$ 10,168,660	\$ -	\$ -	\$ 10,302,480
Highway charges and fees					
Other	21,872	32,092	371,084	365,147	392,956
Total operating revenues	10,324,352	10,200,752	371,084	365,147	10,695,436
OPERATING EXPENSES :					
Resident services	6,135,677	6,051,471	-	-	6,135,677
Operations and maintenance	2,289,223	2,211,279	181,354	118,680	2,470,577
Administration	4,409,757	3,881,268	-	-	4,409,757
Highway maintenance	-	-	-	-	-
Other	597,179	621,294	-	59,404	597,179
Total operating expenses	13,431,836	12,765,312	181,354	178,084	13,613,190
Operating (loss) income	(3,107,484)	(2,564,560)	189,730	187,063	(2,917,754)
NON-OPERATING REVENUE (EXPENSE) :					
Interest expense	(227,261)	(235,270)	-	-	(227,261)
Interest income	-	-	627	7,802	627
Other	(10,114)	(10,114)	-	-	(10,114)
Loss on disposal of fixed assets	(14,971)	-	-	-	(14,971)
Total non-operating revenue (expense)	(252,346)	(245,384)	627	7,802	(251,719)
Income (loss) before transfers	(3,359,830)	(2,809,944)	190,357	194,865	(3,169,473)
Transfers in	3,001,451	2,916,866	59,404	-	3,060,855
Transfers out	(49,633)	(106,922)	(100,000)	(100,001)	(149,633)
Total net transfers	2,951,818	2,809,944	(40,596)	(100,001)	2,911,222
Change in net assets	(408,012)	-	149,761	94,864	(258,251)
FUND NET ASSETS :					
Beginning of year	565,279	565,279	4,575,839	4,480,975	5,141,118
End of year	\$ 157,267	\$ 565,279	\$ 4,725,600	\$ 4,575,839	\$ 4,882,867
					\$ 7,976,007

The accompanying notes are an integral part of the statement.

**COUNTY OF RACINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003**

Exhibit 9

	Business-type Activities - Enterprise Funds			Governmental Activities- Internal Services Fund
	Ridgewood Healthcare Center	Golf Courses	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES :				
Receipts from customers and users	\$ 11,085,350	\$ 374,856	\$ 11,460,206	\$ 3,207,237
Receipts from interfund services provided	-	-	-	8,896,587
Payments to suppliers	(3,086,232)	(13,529)	(3,099,761)	(3,574,530)
Payments to employees	(10,106,204)	-	(10,106,204)	(6,514,908)
Net cash provided (used) by operating activities	(2,107,086)	361,327	(1,745,759)	2,014,386
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES :				
Transfers	2,951,818	(40,596)	2,911,222	(958,791)
Net cash provided (used) by noncapital financing activities	2,951,818	(40,596)	2,911,222	(958,791)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES :				
Purchases of capital assets	(418,221)	(270,936)	(689,157)	(1,055,595)
Proceeds from sale of capital assets	4,000	-	4,000	-
Payment of debt	(190,000)	-	(190,000)	-
Interest paid on debt	(227,949)	-	(227,949)	-
Net cash used in capital and related financing activities	(832,170)	(270,936)	(1,103,106)	(1,055,595)
CASH FLOWS FROM INVESTING ACTIVITIES :				
Interest income	-	627	627	-
Net cash provided by investing activities	-	627	627	-
Net increase in cash and cash equivalents	12,562	50,422	62,984	-
Cash and cash equivalents :				
Beginning of year	143,491	510,918	654,409	700
End of year	\$ 156,053	\$ 561,340	\$ 717,393	\$ 700
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating (loss) income	\$ (3,107,484)	\$ 189,730	\$ (2,917,754)	\$ (315,262)
Adjustments to reconcile to net cash provided (used) in operating activities :				
Depreciation	389,165	164,217	553,382	520,980
Loss (gain) on disposal of fixed assets	-	-	-	-
Bad debt expense	61,705	-	61,705	-
Changes in assets and liabilities:				
Receivables	(681,609)	3,772	(677,837)	(536,128)
Due from other funds	112,950	-	112,950	2,023,019
Inventories	13,967	-	13,967	49,117
Prepaid expenses	1,085	-	1,085	250,029
Due to other funds	1,267,952	-	1,267,952	-
Accounts payable	(249,567)	3,608	(245,959)	-
Other liabilities	84,750	-	84,750	22,631
Net cash provided (used) by operating activities	\$ (2,107,086)	\$ 361,327	\$ (1,745,759)	\$ 2,014,386

The accompanying notes are an integral part of this statement.

COUNTY OF RACINE
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
As of December 31, 2003

Exhibit 10

	<u>Private Purpose Trust Fund Unclaimed Funds</u>	<u>Agency Funds Other</u>	<u>Agency Funds Taxes</u>	<u>Total Fiduciary Funds</u>
ASSETS:				
CASH AND CASH EQUIVALENTS	\$ -	\$ 2,457,622	\$ -	\$ 2,457,622
RECEIVABLES :				
Property taxes:				
Delinquent	-	-	88,565	88,565
Due from other funds	244,410	-	-	244,410
Interest and penalties	-	10	-	10
	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>
Total assets	<u>\$ 244,410</u>	<u>\$ 2,457,632</u>	<u>\$ 88,565</u>	<u>\$ 2,790,607</u>
LIABILITIES:				
Due to other funds	\$ -	\$ 1,734	\$ -	\$ 1,734
Payable from restricted assets:				
Agency deposits	-	2,455,898	88,565	2,544,463
Total liabilities	<u>-</u>	<u>2,457,632</u>	<u>88,565</u>	<u>2,546,197</u>
NET ASSETS				
Held in trust for others	<u>\$ 244,410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,410</u>

The accompanying notes are an integral part of this statement.

COUNTY OF RACINE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2003

Exhibit 11

	Private Purpose Trust Fund - Unclaimed Funds
ADDITIONS	
Contributions	\$ -
Interest Earnings	-
Net increase in the fair market value of investments	-
Other	-
Total revenues	-
DEDUCTIONS :	
Other	9,555
Total deductions	9,555
Change in net assets	(9,555)
NET ASSETS :	
Beginning of year	253,965
End of year	\$ 244,410

The accompanying notes are an integral part of this statement.

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies utilized by the County.

A. Reporting Entity

The County of Racine is a municipal corporation under the laws of the State of Wisconsin and is governed by an elected County Executive and twenty-three member Board of Supervisors. The accompanying financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize the legal separation from the County. The County has no blended component units.

Discretely Presented Component Unit

The Racine County Housing Authority is responsible for providing affordable housing to low to moderate-income families in Racine County. The members of its governing board are appointed by and are responsible to the County Executive. The Housing Authority is presented as a proprietary fund type.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The *Ridgewood Healthcare Center fund* accounts for the activities of the government's nursing home operations.

The *golf operations fund* accounts for the activities of the two County owned golf courses.

Additionally, the government reports the following fund types:

Special revenue fund - The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Debt service fund - The debt service fund accounts for the resources accumulated for principal and interest on the long-term general obligation debt of governmental funds.

Capital projects fund - The capital projects funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Internal service funds account for fringe benefit, highway operations and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

The *private-purpose trust fund* is used to account for resources legally held in trust. All resources of the fund, including any earnings on invested resources, may be used to support the purpose of the trust.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 enterprise funds and of the County's internal service funds are charges to customers for services. Operating expenses for enterprise funds and the internal service fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

D. Assets, liabilities and net assets or equity

1. Cash and investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the state Treasurer's investment pool. County ordinances further limit investments to obligations in not more than 182 days, in any bank, trust company or savings and loan association which is authorized to conduct business in Wisconsin and, with prior County Finance Committee approval, any investment permissible under Wisconsin Statutes.

Investments for the County, as well as its components units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Wisconsin cities, villages and towns are charged with the responsibility of assessing taxable property, collecting taxes and making distribution to the state, county, school districts and other taxing jurisdictions. Property of Manufacturing establishments and utilities is assessed by the State Department of Revenue. All assessments are made as of January 1.

Taxes on real estate and personal property are levied in December (for the County the levy date is the second Tuesday of November) of each year by each municipality within the County for each taxing jurisdiction in amounts that, when collected in the ensuing year, are sufficient to cover operating expenses, debt service and other expenditures of the said taxing jurisdiction.

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

In all taxation districts, except the city of Racine, real property taxes must either be paid in full by January 31 to the taxation district treasurer, or paid in two or more installments with the first installment paid by January 31 and the balance due by July 31. Amounts paid after January 31 is paid to the County Treasurer. On or about February 20, all tax rolls are turned over to the County Treasurer who then continues to collect all delinquent and postponed taxes. The City of Racine collects property taxes through July 31. Personal property taxes, special assessments, special charges and special taxes must be paid in full by January 31.

On or before January 15 and February 20, the taxation district treasurer settles with other taxing jurisdictions for all collections through the preceding month. On or before August 20, the County Treasurer must settle in full with the underlying taxing jurisdictions for all real estate and special taxes (except special assessments). The County may then recover any tax delinquencies by enforcing the lien on the property (which commences on September 1) and retain any penalties or interest on the delinquencies for which it has settled.

Collection of delinquent personal property taxes is the duty of the taxation district treasurer. However, if they remain uncollected after one year, each taxing jurisdiction may be billed their proportionate amount.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Certain investments of the Ridgewood Health Care enterprise fund are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited for the benefit of patients. Restricted assets of the general fund include the Bushnell endowment and related income which is restricted for use in Bushnell Park.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Machinery and equipment	10
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation, casual time and sick pay benefits. There is a liability for unpaid accumulated sick leave and casual time since the government does have a policy to pay partial amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

7. Self-funded insurance

The County is self-insured for its health, worker's compensation, public liability and automobile claims. The claim costs are accounted for in the general fund. A private administrator calculates the contribution per employee for health and workers' compensation insurance, which is used to charge other departments and funds. An excess liability policy is carried for health insurance and workers compensation insurance. Estimated claims incurred but not reported, other than claims for health insurance, are recorded as a liability in the statement of net assets. An estimated liability for health insurance claims incurred but not reported has been accrued in the general fund.

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line method basis. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

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

10. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for the individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$36,888,246 difference are as follows:

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Bonds payable	<u>\$ 29,629,100</u>
Less: Deferred issuance premium costs (to be amortized over life of debt)	(98,524)
Accrued interest payable	200,221
Claims and judgements	2,980,380
Compensated absences	<u>4,177,069</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$ 36,888,246</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 explains that "Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$4,016,964 difference are as follows:

Capital outlay	\$ 6,444,785
Depreciation expense	<u>(2,427,821)</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 4,016,964</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this \$(103,295) difference are as follows:

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in assets differs from the change in fund balance by the total value of the capital assets sold. \$ (69,600)

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. (33,695)

Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities* \$ (103,295)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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 \$(2,697,126) difference are as follows:

Debt issued or incurred:	
Issuance of general refunding notes	\$ (10,325,141)
Issuance of general obligation bonds and notes	(15,524,581)
Less bond issuance costs	70,635
Add bond premiums	(44,378)
Principal repayments:	
General obligation debt	2,448,191
Payment to escrow agent for refunding	10,340,000
Payment for unfunded pension liability	<u>10,338,148</u>
Net adjustments 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>\$ (2,697,126)</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 \$843,805 difference are as follows:

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Notes payable		
Less: Deferred issuance and premium costs (to be amortized over life of debt)	\$	(43,190)
Accrued interest payable		125,674
Compensated absences		<u>761,321</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$	<u><u>843,805</u></u>

III. Stewardship, compliance and accountability

A. Budgets and budgetary accounting

County departments are required to submit their annual budget requests for the ensuing year to the County Executive’s Office by early August. The County Executive’s Office reviews the requests in detail with the departments. After all of the requests have been reviewed, the proposed budget is submitted to the Board of Supervisors by early October. The Board of Supervisors complete their review and adopt the budget on or before December 1. Annual budgets are legally adopted by the Board of Supervisors for all governmental funds except capital projects funds, for which multi-year budgets are adopted.

The County amends the adopted budget for funds encumbered for specific purposes from previous periods. These funds are authorized for specific purposes as restricted by County Board resolution or grantor agency regulation. The County’s 2003 adopted general fund budget was increased \$1,004,769, equal to the amount reserved at year-end 2002 in the Carryovers and Encumbrances Reserve account.

The Health and Human Services Department’s adopted budget is based on an amount for revenues and expenditures that is the maximum amount obtainable from the State of Wisconsin Department of Health and Family Services. These amounts are by definition the absolute maximum. Racine County provides services for these contracts consistent with the needs of its citizens. As in the previous years, the variances for the revenues and expenditures are reflective of these practices. Accordingly the budget revenues and expenditures presented in the amended budgets on exhibits 7 through 9 reflect the legally adopted budget, and are not reflective of the County’s best estimate of expected revenues and expenditures for the year.

B. Excess of expenditures over appropriations

The following funds had expenditures in excess of budget appropriations for the year ended December 31, 2003:

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Function

Debt service fund

Debt service principal	(175,000)
Debt service interest	(363,821)

The debt service fund experienced excess expenditures in principal and interest costs associated with refunding notes issued during 2003 to pay-off the unfunded pension liability which was not budgeted. In addition, debt service issue costs appear as unbudgeted expenditures in the fund statements. The budget for issue costs is included in the net debt proceeds revenue budget.

The capital projects fund experienced transfers out in excess of the budgeted amount due to residual amounts from completed projects transferred to the debt service fund.

IV. Detailed notes on all funds

A. Cash and investments

At year-end, the carrying amount of the County's cash deposits was \$12,626,167 and the bank balance was \$12,669,063. Of the bank balance, \$12,669,063 was insured by the Federal Deposit Insurance Corporation (FDIC), the State Deposit Guarantee Fund, general depository agreements with banks, or collateralized.

The carrying amount of cash deposits for the Housing Authority, a discretely presented component unit was \$821,850 and the bank balance was \$837,672. Of the bank balance, \$540,393 was insured by the Federal Deposit Insurance Corporation (FDIC), the State Deposit Guarantee Fund, general depository agreements with banks, or collateralized.

At certain times during the year, particularly when property tax receipts are deposited, the County's uninsured and uncollateralized deposits may be substantially higher than the year-end level. The County's other investments are categorized as either (1) insured or registered securities held by the County or its agent in the County's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name or (3) uninsured and unregistered for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. No other types of investments were held during the year. Investments held at December 31, 2003 are categorized as follows:

	Categories			Cost	Market Value
	1	2	3		
U.S. Gov't and agency securities	\$ -	\$ 17,774,130	\$ -	\$ 17,774,130	\$ 17,754,173
Corporate Securities	-	2,784,388	-	2,784,388	2,776,140
Temporary Investments	-	-	167,784	167,784	167,784
Trust and Other	-	347,984	-	347,984	353,317
Sub-total	\$ -	\$ 20,906,502	\$ 167,784	21,074,286	21,051,414
Investment in local gov't investment pool				5,796,404	5,796,404
Total				\$ 26,870,690	\$ 26,847,818

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Cash and investments:	
County deposits	\$ 12,626,167
Housing Authority deposits	821,850
Investments	<u>26,847,818</u>
	<u>\$ 40,295,835</u>

Presented in the State of Net Assets as follows:	
Cash and cash equivalents - primary government	\$ 15,942,310
Housing Authority	821,850
Investments	20,530,313
Restricted cash and equivalents	190,423
Restricted investments	353,317
Cash and equivalents - fiduciary funds	<u>2,457,622</u>
	<u>\$ 40,295,835</u>

Protection in addition to FDIC in case of losses caused by failure of public depositories is provided by the State Deposit Guarantee Fund up to \$400,000 for each depository subject to the availability of funds in the Fund.

The Local Government Investment Pool (LGIP) is a State of Wisconsin run and operated investment fund. Governmental entities including counties, municipalities and school districts may deposit money in the LGIP which holds investments in U.S. Government securities, certificate of deposits, commercial papers, corporate notes and repurchase agreements. Participants in the fund may withdraw or add to their account balances at par at any time. The annual interest rate on the LGIP was 1.00% for the month of December 2003.

B. Receivables and Payables

Receivables as of year-end for the government's individual major funds and non-major funds, internal service, fiduciary funds and enterprise funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Non-Major and Other Funds</u>	<u>Ridgewood Healthcare Facility</u>	<u>Fiduciary</u>	<u>Total</u>
Receivables:					
Taxes current year levy	\$ 39,878,408	\$ 8,855,699	\$ -	\$ -	\$ 48,734,107
Taxes delinquent	6,623,872	-	-	88,565	6,623,872
Interest	2,433,527	10	-	-	2,433,537
Patient accounts	-	-	1,822,402	-	1,822,402
Intergovernmental	4,796,736	5,868,386	-	-	10,665,122
Other	2,087,628	415,438	-	-	2,503,066
Gross receivables	<u>55,820,171</u>	<u>15,139,533</u>	<u>1,822,402</u>	<u>88,565</u>	<u>72,782,106</u>
Less: allowance for uncollectibles	(200,000)	-	(150,000)	-	(350,000)
Net total receivables	<u>\$ 55,620,171</u>	<u>\$ 15,139,533</u>	<u>\$ 1,672,402</u>	<u>\$ 88,565</u>	<u>\$ 72,432,106</u>

**COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

Discretely presented component unit

Receivables as of year-end for the Housing Authority, a discretely presented component unit, including the applicable allowances for uncollectible accounts, is as follows:

Receivables :	
Notes receivable-current	\$ 11,280
Note receivable-non current	353,689
Other	12,995
	<u>377,964</u>
Less: Allowance for Uncollectibles	<u>(500)</u>
Net Total Receivables	<u>\$ 377,464</u>

Patient Accounts

Receivables from patients are shown net of an allowance for uncollectible accounts of approximately \$150,000 at December 31, 2003. Patient services revenues are recorded as services are rendered. Private pay patient rates are determined by management. Medicaid and Medicare rates are determined by the Wisconsin Department of Health and Family Services.

Loan to the Town of Yorkville

In February 1995, the County loaned the Water Utility District #1 Town of Yorkville \$400,000 for water utility construction at the Wispark Business Park site. The note is for a 15-year term at 0% interest, or becomes payable upon the sale by Wispark of 75% of the lots in the Business Park. The note is renewable for a second term of 15 years. As of December 31, 2003 Wispark had sold 55% of the lots.

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

	<u>Unavailable</u>	<u>Unearned</u>
Current year property tax levy	\$ 48,734,107	\$ -
Delinquent property taxes	3,212,267	-
Other deferred revenue	394,052	-
Grant advances	-	60,056
Total deferred/unearned revenue for governmental funds	<u>\$ 52,340,426</u>	<u>\$ 60,056</u>

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

C. Capital assets

Capital asset activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 19,745,794	\$ -	\$ -	\$ 19,745,794
Construction in progress	7,162,067	188,416	(3,259,703)	4,090,780
Total capital assets, not being depreciated	<u>26,907,861</u>	<u>188,416</u>	<u>(3,259,703)</u>	<u>23,836,574</u>
Capital assets, being depreciated:				
Buildings	39,340,942	2,307,313	-	41,648,255
Improvements other than buildings	4,267,741	2,774,645	-	7,042,386
Machinery and equipment	21,069,566	3,261,522	(1,052,301)	23,278,787
Infrastructure	9,120,681	2,280,692	-	11,401,373
Total capital assets, being depreciated	<u>73,798,930</u>	<u>10,624,172</u>	<u>(1,052,301)</u>	<u>83,370,801</u>
Less accumulated depreciation for:				
Buildings	(12,318,104)	(1,016,688)	-	(13,334,792)
Improvements other than buildings	(1,431,964)	(269,830)	-	(1,701,794)
Machinery and equipment	(12,164,948)	(1,241,376)	896,502	(12,509,822)
Infrastructure	(3,863,570)	(420,907)	-	(4,284,477)
Total accumulated depreciation	<u>(29,778,586)</u>	<u>(2,948,801)</u>	<u>896,502</u>	<u>(31,830,885)</u>
Total capital assets, being depreciated, net	<u>44,020,344</u>	<u>7,675,371</u>	<u>(155,799)</u>	<u>51,539,916</u>
Governmental activities capital assets, net	<u>\$ 70,928,205</u>	<u>\$ 7,863,787</u>	<u>\$ (3,415,502)</u>	<u>\$ 75,376,490</u>

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

	Beginning Balance	Additions	Deductions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,131,761	\$ -	\$ -	\$ 1,131,761
Construction in progress	1,092	-	(1,092)	-
Total capital assets, not being depreciated	<u>1,132,853</u>		<u>(1,092)</u>	<u>1,131,761</u>
Capital assets, being depreciated:				
Buildings	9,138,231	96,986	-	9,235,217
Improvements other than buildings	2,393,129	358,933	-	2,752,062
Machinery and equipment	2,253,262	321,234	(42,157)	2,532,339
Total capital assets, being depreciated	<u>13,784,622</u>	<u>777,153</u>	<u>(42,157)</u>	<u>14,519,618</u>
Less accumulated depreciation for:				
Buildings	(3,756,222)	(257,575)	-	(4,013,797)
Improvements other than buildings	(649,729)	(149,463)	-	(799,192)
Machinery and equipment	(1,207,611)	(146,345)	23,187	(1,330,769)
Total accumulated depreciation	<u>(5,613,562)</u>	<u>(553,383)</u>	<u>23,187</u>	<u>(6,143,758)</u>
Total capital assets, being depreciated, net	<u>8,171,060</u>	<u>223,770</u>	<u>(18,970)</u>	<u>8,375,860</u>
Governmental activities capital assets, net	<u>\$ 9,303,913</u>	<u>\$ 223,770</u>	<u>\$ (20,062)</u>	<u>\$ 9,507,621</u>

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

Governmental Activities:	
General government	\$ 389,637
Public safety	942,475
Health and social services	328,518
Education and recreation	328,942
Development	17,342
Highways and streets	420,907
Internal service capital assets	<u>520,980</u>
Total depreciation expenses - governmental activities	<u>\$2,948,801</u>
Business-type Activities:	
Nursing home	\$ 389,165
Golf	<u>164,218</u>
Total depreciation expenses - business-type activities	<u>\$ 553,383</u>

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Discretely presented component unit

Activity for the Housing Authority for the year ended December 31, 2003, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 101,000	\$ -	\$ -	\$ 101,000
Construction in progress	113,702	578,340	(448,026)	244,016
Total capital assets, not being depreciated	<u>214,702</u>	<u>578,340</u>	<u>(448,026)</u>	<u>345,016</u>
Capital assets, being depreciated:				
Buildings	1,584,142	258,358	(39,032)	1,803,468
Improvements other than buildings	105,702	32,398	-	138,100
Machinery and equipment	122,204	-	-	122,204
Total capital assets being depreciated	<u>1,812,048</u>	<u>290,756</u>	<u>(39,032)</u>	<u>2,063,772</u>
Less accumulated depreciation for:				
Buildings	(677,279)	(63,112)	20,830	(719,561)
Improvements other than buildings	(40,622)	(7,261)	-	(47,883)
Machinery and equipment	(99,144)	(8,765)	-	(107,909)
Total accumulated depreciation	<u>(817,045)</u>	<u>(79,138)</u>	<u>20,830</u>	<u>(875,353)</u>
Total capital assets, being depreciated, net	<u>995,003</u>	<u>211,618</u>	<u>(18,202)</u>	<u>1,188,419</u>
Housing authority capital assets, net	<u>\$ 1,209,705</u>	<u>\$ 789,958</u>	<u>\$ (466,228)</u>	<u>\$ 1,533,435</u>

**COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

D. Interfund receivables, payables, and transfers

Transfers to and from other funds represent transfers of financial resources between funds. Total transfers to equal transfers from in the statement of activities.

The composition of interfund balances as of December 31, 2003, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ridgewood Health Care	\$ 1,832,747
Trust and agency	General	242,676
Internal service fund	General	1,174,157
Non-major fund	General	7,136,112
Golf courses	General	<u>246,206</u>
Total		<u>\$10,631,898</u>

Transfer In

Interfund Transfers:

<u>Transfer Out</u>	<u>General Fund</u>	<u>Internal Service Fund</u>	<u>Non-Major Governmental</u>	<u>Ridgewood Health Care</u>	<u>Golf Course</u>	<u>Total</u>
General Fund	\$ -	\$ 13,000	\$ 1,832,186	\$ 2,706,773	\$ -	\$4,551,959
Internal service fund	-	-	971,791	-	-	971,791
Non-major governmental	-	-	-	245,045	59,404	304,449
Golf course	100,000	-	-	-	-	100,000
	<u>\$ 100,000</u>	<u>\$ 13,000</u>	<u>\$ 2,803,977</u>	<u>\$ 2,951,818</u>	<u>\$ 59,404</u>	<u>\$5,928,199</u>

E. Long-term debt

Wisconsin Statutes limit direct general obligation borrowing in the amount equivalent to 5% of the equalized valuation of taxable property. At December 31 2003, 5% of the equalized value of taxable property approximated \$493 million.

Racine County issues general obligation debt to provide funds for the construction and renovation of buildings and acquisition of equipment and payment of its unfunded pension obligation. General obligation debt has been issued for both governmental and business-type activities. The original amount of general obligation debt issued in prior years was \$29,196,216. During the year, taxable note anticipation notes and general obligation notes and state trust fund loans of \$10,340,000, \$4,900,000, and \$184,100, respectively, were issued to pay the County's unfunded pension obligation and purchase machinery equipment. Taxable general obligation notes totaling \$10,470,000 were subsequently issued to refund the taxable note anticipation notes.

General obligation debt are direct obligation and pledge the full faith and credit of the County.

**COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

General obligation debts currently outstanding are as follows:

Government	2.75-5.0%	\$ 13,834,100
Governmental activities-refunding	2.50-5.7%	15,795,000
Business-type activities-refunding	3.80-5.2%	<u>4,520,000</u>
		<u>\$ 34,149,100</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2004	\$ 2,791,021	\$ 1,309,749	\$ 195,000	\$ 219,479
2005	2,425,563	1,128,595	205,000	210,476
2006	2,456,262	1,039,388	215,000	200,813
2007	2,376,994	949,534	225,000	190,528
2008	2,487,744	857,920	235,000	179,659
2009-2013	9,246,516	2,846,271	1,340,000	712,015
2014-2018	3,390,000	1,715,889	1,710,000	331,059
2019-2022	4,455,000	533,470	395,000	10,270
Total	<u>\$ 29,629,100</u>	<u>\$ 10,380,816</u>	<u>\$ 4,520,000</u>	<u>\$ 2,054,299</u>

Change in long-term liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
General obligation debt:					
Bonds payable	\$ 4,175,000	\$ -	\$ 245,000	\$ 3,930,000	\$ 250,000
Notes payable	12,348,191	4,900,000	2,028,191	15,220,000	2,455,000
State trust fund loans	-	184,100	-	184,100	16,021
Taxable bonds payable	-	20,810,000	10,515,000	10,295,000	70,000
Total general obligation debt	16,523,191	25,894,100	12,788,191	29,629,100	2,791,021
Compensated absences	4,054,770	122,299	-	4,177,069	3,792,315
Claims and judgments	3,908,255	-	927,875	2,980,380	514,591
Governmental activity Long-term liabilities	<u>\$ 24,486,216</u>	<u>\$ 26,016,399</u>	<u>\$ 13,716,066</u>	<u>\$ 36,786,549</u>	<u>\$ 7,097,927</u>
Business-type activities:					
General obligations bonds payable	\$ 4,710,000	\$ -	\$ 190,000	\$ 4,520,000	\$ 195,000
Compensated absences	-	394,154	-	394,154	394,154
Business-type activity Long-term liabilities	<u>\$ 4,710,000</u>	<u>\$ 394,154</u>	<u>\$ 190,000</u>	<u>\$ 4,914,154</u>	<u>\$ 589,154</u>

**COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

V. Other information

A. Claims and Other Legal Proceedings

The County is routinely involved in litigation defending and prosecuting cases over a wide range of possible situations. An amount has been recorded in the agency-wide statement of net assets for estimated liability resulting from existing claims and judgments.

B. Intergovernmental Grants

Federal and state grants in aid received by the County are subject to audit and adjustment by grantor agencies. If grant revenues are received for expenditures, which are subsequently disallowed, the County may be required to repay the revenues. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material.

C. Risk Management

The County is self-insured for its health, workers' compensation, public liability and automobile claims. The liability for claims and judgments other than health insurance is reported in the agency-wide statement of net assets. Changes in the claims liabilities for the year are as follows:

	<u>2003</u>	<u>2002</u>
Unpaid	\$ 3,908,255	\$ 3,605,696
Increase (decrease) of claims estimates	(66,613)	959,628
Claims paid	<u>(861,292)</u>	<u>(657,069)</u>
Unpaid claims-ending	<u>\$ 2,980,350</u>	<u>\$ 3,908,255</u>

D. Defined Benefit Pension Plans

All eligible County employees participate in the Wisconsin Retirement System (System); a cost-sharing multiple-employer defined public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the System. Covered employees in the General/Teacher category are required by statute to contribute 5.4% of their salary (2.6% for Executives and Elected Officials, 4.0% for protective Occupations with Social Security, and 2.4% for Protective Occupations without Social Security), to the plan. Employers may take these contributions to the plan on behalf of the employees. Employees 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, 2003 was approximately \$49,049,616; the employer's total payroll was approximately \$50,121,497. The total required contribution for the year ended December 31, 2003 was approximately \$4,796,760, which consisted of \$2,307,399 from the employer and \$2,489,361 from employees. Total contributions for the years ending December 31, 2002 and 2001 were approximately \$5,132,977 and \$4,937,422, respectively, equal to the required contributions for each year.

COUNTY OF RACINE
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

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 year's earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, are immediately vested.

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

E. Other Post Retirement Benefits

The County provides post-retirement health care and life insurance benefits, in accordance with union contracts and the County's personnel policy, to all retirees who are eligible to receive a monthly annuity from the System. Approximately 584 retirees meet these eligibility requirements for life insurance and approximately 523 meet the requirements for health insurance at December 31, 2003.

The County reimburses between 50% and 95% of the health insurance premiums as determined by the years of service provided by the retiree. Expenditures for post-retirement benefits are recognized on a pay-as-you-go basis. Post-retirement benefits paid during the year ended December 31, 2003 totaled approximately \$5,978,136.

F. Change in Accounting Methods

Effective January 1, 2003, the County recognized its retroactive capitalization of infrastructure assets. This resulted in an increase in governmental activities capital assets and net assets in the amount of \$9,297,498. In addition, the County recognized its unfunded pension liability with the Wisconsin Retirement payments as pension related debt effective January 1, 2003. This resulted in an increase in long-term debt payable and a decrease to net assets. This debt was subsequently refunded in 2003 with taxable general obligation funds.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

COUNTY OF RACINE
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 As of December 31, 2003

Exhibit 12

	Debt Service	Special Revenue			County Bridge Aids	Capital Projects	Permanent Fund			Total Nonmajor Government Funds
		County Handicapped Education	Road Maintenance				Bushnell	Other	Total	
ASSETS										
ASSETS:										
CASH AND CASH EQUIVALENTS										
Cash and cash equivalents	\$ 1,896,319	\$ 100	\$ -	\$ -	\$ 100	\$ -	\$ -	\$ 56,682	\$ -	\$ 1,953,101
RESTRICTED										
Investments	-	-	-	-	-	-	35,370	-	-	35,370
Property taxes:										
Current year levy	2,693,241	6,162,458	-	-	6,162,458	-	-	-	-	8,855,699
Delinquent	-	-	-	-	-	-	-	-	-	-
Due from other governments	-	4,838,854	-	-	4,838,854	-	-	-	-	4,838,854
Due from other funds	-	-	3,385,888	278,888	3,664,776	4,145,858	-	31,241	-	7,841,875
Other	-	5,137	-	-	5,137	400,000	-	-	-	405,137
PREPAID EXPENSES										
Total assets	\$ 4,589,560	\$ 11,006,549	\$ 3,385,888	\$ 284,601	\$ 14,677,038	\$ 4,545,858	\$ 388,687	\$ 87,923	\$ 476,610	\$ 24,289,066
LIABILITIES AND FUND BALANCES										
LIABILITIES:										
Accounts payable	\$ 3,372	\$ 141,184	\$ -	\$ 26,072	\$ 167,256	\$ 743,554	\$ -	\$ -	\$ -	\$ 914,182
Accrued liabilities	-	256,541	-	-	256,541	-	-	-	-	256,541
Due to other funds	487,844	93,479	-	-	93,479	-	124,440	-	124,440	705,763
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Current year property tax levy	2,693,241	6,162,458	-	-	6,162,458	-	-	-	-	8,855,699
Other	9,109	-	-	-	-	-	-	-	-	9,109
Total liabilities	\$ 3,193,566	\$ 6,653,662	\$ -	\$ 26,072	\$ 6,679,734	\$ 743,554	\$ 124,440	\$ -	\$ 124,440	\$ 10,741,294
FUND BALANCES										
Fund balances:										
Reserved for:										
Inventories and prepaid expenses	-	-	-	5,713	5,713	-	-	-	-	5,713
Carryovers and encumbrances	1,242,861	179,848	-	-	1,79,848	2,334,000	-	-	-	2,513,848
Debt retirement	-	-	-	-	-	-	-	-	-	1,242,861
Endowments	-	-	-	-	-	-	-	-	-	-
Unreserved	153,133	4,173,039	3,385,888	252,816	7,811,743	1,468,304	264,247	87,923	352,170	9,433,180
Total fund balances	\$ 1,395,994	\$ 4,332,887	\$ 3,385,888	\$ 258,529	\$ 7,997,304	\$ 3,802,304	\$ 264,247	\$ 87,923	\$ 352,170	\$ 13,547,772
Total liabilities and fund balances	\$ 4,589,560	\$ 11,006,549	\$ 3,385,888	\$ 284,601	\$ 14,677,038	\$ 4,545,858	\$ 388,687	\$ 87,923	\$ 476,610	\$ 24,289,066

COUNTY OF RACINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

Exhibit 13

	Special Revenue				Capital Projects	Permanent Funds			Totals Nonmajor Governmental Funds
	County Handicapped Education	Road Maintenance	County Bridge Aids	Total		Bushnell	Other	Total	
REVENUES :									
Property taxes	\$ 2,303,692	\$ -	\$ 50,747	\$ 5,655,793	\$ -	\$ -	\$ -	\$ -	\$ 7,959,485
Intergovernmental	-	3,018,858	-	9,334,394	-	-	-	-	9,334,394
Interest income	21,358	35,118	-	35,118	-	5,128	639	5,767	62,243
Other	1,066,506	380	-	380	-	5,128	72,925	72,925	1,139,811
Total operating revenues	3,391,556	3,018,858	50,747	15,025,685	-	5,128	73,564	78,692	18,495,933
EXPENDITURES :									
Current									
Education and recreation	-	11,986,636	-	11,986,636	-	11,913	67,750	79,663	12,066,299
Highway and streets	-	-	118,140	5,452,607	-	-	-	-	5,452,607
Capital Projects	-	1,502	-	1,502	4,636,458	-	-	-	4,637,960
Bond issue costs	32,153	-	-	-	15,048	-	-	-	47,201
Debt service principal	2,448,191	-	-	-	-	-	-	-	2,448,191
Debt service interest	1,205,322	-	-	-	-	-	-	-	1,205,322
Total expenditures	3,685,666	11,988,138	118,140	17,440,745	4,651,506	11,913	67,750	79,663	25,857,580
Excess (deficiency) of revenues over (under) expenditures	(294,110)	(32,058)	(67,393)	(2,415,060)	(4,651,506)	(6,785)	5,814	(971)	(7,361,647)
OTHER FINANCING SOURCES (USES):									
Transfers in	133,082	-	-	5,286,220	395,265	-	-	-	5,814,567
Transfers out	-	-	-	(421,235)	(2,893,804)	-	-	-	(3,315,039)
Proceeds of general obligation debt	-	-	-	-	5,159,558	-	-	-	5,159,558
Proceeds of refunding bond issue	10,325,141	-	-	-	-	-	-	-	10,325,141
Payment to refunded bond escrow agent	(10,340,000)	-	-	-	-	-	-	-	(10,340,000)
Total other financing sources (uses)	118,223	4,864,985	-	4,864,985	2,661,019	-	-	-	7,644,227
Net change in fund balances	(175,887)	(32,058)	(67,393)	2,449,925	(1,990,487)	(6,785)	5,814	(971)	282,580
FUND BALANCES :									
Beginning of year	1,571,881	4,384,945	325,922	5,547,379	5,792,791	271,032	82,109	353,141	13,265,192
End of year	\$ 1,395,994	\$ 4,352,887	\$ 3,385,888	\$ 7,997,304	\$ 3,802,304	\$ 264,247	\$ 87,923	\$ 352,170	\$ 13,547,772

**COUNTY OF RACINE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUALS
For the Year Ended December 31, 2003**

Exhibit 14

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES :				
Property taxes	\$ 2,303,692	\$ 2,303,692	\$ 2,303,692	\$ -
Interest income	-	-	21,358	21,358
Other	511,000	511,000	1,066,506	555,506
Total revenues	<u>2,814,692</u>	<u>2,814,692</u>	<u>3,391,556</u>	<u>576,864</u>
EXPENDITURES :				
Current	-	-	-	-
Bond issue costs	-	-	32,153	(32,153)
Debt service principal	2,273,191	2,273,191	2,448,191	(175,000)
Debt service interest	841,501	841,501	1,205,322	(363,821)
Total expenditures	<u>3,114,692</u>	<u>3,114,692</u>	<u>3,685,666</u>	<u>(570,974)</u>
Revenues over (under) expenditures	<u>(300,000)</u>	<u>(300,000)</u>	<u>(294,110)</u>	<u>5,890</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	50,378	133,082	82,704
Refunding bonds issued	-	-	10,325,141	10,325,141
Payment to refunded bond escrow agent	-	-	(10,340,000)	(10,340,000)
Total other financing sources (uses)	<u>-</u>	<u>50,378</u>	<u>118,223</u>	<u>67,845</u>
Net change in fund balances	<u>(300,000)</u>	<u>(249,622)</u>	<u>(175,887)</u>	<u>73,735</u>
FUND BALANCES:				
Beginning of year	<u>1,571,881</u>	<u>1,571,881</u>	<u>1,571,881</u>	<u>-</u>
End of year	<u>\$ 1,271,881</u>	<u>\$ 1,322,259</u>	<u>\$ 1,395,994</u>	<u>\$ 73,735</u>

COUNTY OF RACINE
COUNTY HANDICAPPED EDUCATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUALS
For the Year Ended December 31, 2003

Exhibit 15

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES :				
Property taxes	\$ 5,605,046	\$ 5,605,046	\$ 5,605,046	\$ -
Intergovernmental	6,329,815	6,329,987	6,315,536	(14,451)
Interest income	118,594	118,594	35,118	(83,476)
Other	500	500	380	(120)
Total revenues	<u>12,053,955</u>	<u>12,054,127</u>	<u>11,956,080</u>	<u>(98,047)</u>
EXPENDITURES :				
Current				
Education and recreation	12,053,955	12,081,510	11,986,636	94,874
Capital projects	73,200	1,501	1,502	(1)
Total expenditures	<u>12,127,155</u>	<u>12,083,011</u>	<u>11,988,138</u>	<u>94,873</u>
Excess (Deficiency) of Revenues over (under) expenditures	<u>(73,200)</u>	<u>(28,884)</u>	<u>(32,058)</u>	<u>(3,174)</u>
FUND BALANCES:				
Beginning of year	<u>4,384,945</u>	<u>4,384,945</u>	<u>4,384,945</u>	<u>-</u>
End of year	<u>\$ 4,311,745</u>	<u>\$ 4,356,061</u>	<u>\$ 4,352,887</u>	<u>\$ (3,174)</u>

**COUNTY OF RACINE
COUNTY ROAD MAINTENANCE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUALS
For the Year Ended December 31, 2003**

Exhibit 16

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES :				
Intergovernmental	\$ 1,918,650	\$ 1,918,650	\$ 3,018,858	\$ 1,100,208
EXPENDITURES :				
Current				
Highway and streets	4,953,445	5,878,467	5,334,467	544,000
Excess (deficiency) of revenues over (under) expenditures	(3,034,795)	(3,959,817)	(2,315,609)	1,644,208
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,314,794	5,286,220	2,971,426
Transfers out	-	(122,365)	(421,235)	(298,870)
Total other financing sources (uses)	-	2,192,429	4,864,985	2,672,556
Net change in fund balances	(3,034,795)	(1,767,388)	2,549,376	4,316,764
FUND BALANCES:				
Beginning of year	836,512	836,512	836,512	-
End of year	<u>\$ (2,198,283)</u>	<u>\$ (930,876)</u>	<u>\$ 3,385,888</u>	<u>\$ 4,316,764</u>

**COUNTY OF RACINE
COUNTY BRIDGE AIDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUALS
For the Year Ended December 31, 2003**

Exhibit 17

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES :				
Property Taxes	\$ 50,747	\$ 50,747	\$ 50,747	\$ -
EXPENDITURES :				
Current				
Highway and streets	50,747	416,789	118,140	298,649
Excess (Deficiency) of Revenues over (under) expenditures	-	(366,042)	(67,393)	298,649
FUND BALANCES:				
Beginning of year	325,922	325,922	325,922	-
End of year	<u>\$ 325,922</u>	<u>\$ (40,120)</u>	<u>\$ 258,529</u>	<u>\$ 298,649</u>

**COUNTY OF RACINE
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUALS
For the Year Ended December 31, 2003**

Exhibit 18

	<u>Budgeted Amount</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES :				
Property taxes	\$ 12,000	\$ 12,000	\$ -	\$ (12,000)
Intergovernmental	-	575,244	-	(575,244)
Total revenues	<u>12,000</u>	<u>587,244</u>	<u>-</u>	<u>(587,244)</u>
EXPENDITURES :				
Capital projects	1,224,262	8,215,344	4,636,458	3,578,886
Bond issue costs	-	-	15,048	(15,048)
	<u>1,224,262</u>	<u>8,215,344</u>	<u>4,651,506</u>	<u>3,563,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,212,262)</u>	<u>(7,628,100)</u>	<u>(4,651,506)</u>	<u>2,976,594</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	(244,718)	395,265	639,983
Transfers out	-	(78,885)	(2,893,804)	(2,814,919)
Proceeds of general obligation debt	<u>570,577</u>	<u>4,093,077</u>	<u>5,159,558</u>	<u>1,066,481</u>
Total other financing sources (uses)	<u>570,577</u>	<u>3,769,474</u>	<u>2,661,019</u>	<u>(1,108,455)</u>
Net change in fund balances	(641,685)	(3,858,626)	(1,990,487)	1,868,139
FUND BALANCES:				
Beginning of year	<u>5,792,791</u>	<u>5,792,791</u>	<u>5,792,791</u>	<u>-</u>
End of year	<u>\$ 5,151,106</u>	<u>\$ 1,934,165</u>	<u>\$ 3,802,304</u>	<u>\$ 1,868,139</u>

COUNTY OF RACINE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE (1)
December 31, 2003 and 2002

Exhibit 19

	2003	2002
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	\$ 19,745,794	\$ 19,745,794
Improvements other than buildings	5,278,843	2,558,208
Building	38,589,134	36,503,056
Machinery and equipment	15,097,935	13,371,539
Infrastructure	11,401,373	13,023,045
Construction in progress	4,090,780	3,259,703
Total governmental funds capital assets	\$ 94,203,859	\$ 88,461,345
 INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General fund	\$ 76,930,616	\$ 73,675,021
Special revenue fund	17,273,243	14,786,324
Total governmental funds capital assets	\$ 94,203,859	\$ 88,461,345

(1) This schedule present only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

COUNTY OF RACINE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY (1)
For the Year Ended December 31, 2003

Exhibit 20

FUNCTION AND ACTIVITY	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	January 1, 2003	Additions	Deductions	December 31, 2003
General government	\$ 9,026,538	\$ 496,599	\$ 147,006	\$ 9,376,131
Public Safety	20,393,794	3,725,261	387,107	23,731,948
Health and social service	18,606,364	-	156,193	18,450,171
Education and recreation	25,924,883	684,866	11,965	26,597,784
Highway and streets	14,092,117	1,538,059	-	15,630,176
Development	417,649	-	-	417,649
Total governmental funds capital assets	\$ 88,461,345	\$ 6,444,785	\$ 702,271	\$ 94,203,859

(1) This schedule present only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

COUNTY OF RACINE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (1)
For the Year Ended December 31, 2003

Exhibit 21

FUNCTION AND ACTIVITY	Land	Improvements Other Than Buildings	Buildings	Machinery and Equipment	Infrastructure	Construction In Progress	Total
General government	\$ 211,970	-	\$ 4,528,709	\$ 4,635,452		\$ 9,376,131	
Public safety	1,521,429	-	14,453,845	7,756,674		23,731,948	
Health and social service	345,803	-	16,257,697	1,846,671		18,450,171	
Education and recreation	17,329,919	5,278,843	3,301,053	687,969		26,597,784	
Highway and streets	138,023	-	-	-	11,401,373	4,090,780	15,630,176
Development	198,650	-	47,830	171,169		417,649	
Total governmental funds capital assets	\$ 19,745,794	\$ 5,278,843	\$ 38,589,134	\$ 15,097,935	\$ 11,401,373	\$ 4,090,780	\$ 94,203,859

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

**COUNTY OF RACINE, WISCONSIN
INDEBTEDNESS OF THE COUNTY
December 31, 2003**

Table 1

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2004	\$ 2,986,021	\$ 1,529,228	\$ 4,515,249
2005	2,630,563	1,339,071	3,969,634
2006	2,671,262	1,240,201	3,911,463
2007	2,601,994	1,140,062	3,742,056
2008	2,722,744	1,037,579	3,760,323
2009	2,863,557	928,017	3,791,574
2010	3,024,392	805,016	3,829,408
2011	2,535,265	681,883	3,217,148
2012	1,386,172	595,701	1,981,873
2013	777,130	547,669	1,324,799
2014	835,000	507,646	1,342,646
2015	920,000	463,951	1,383,951
2016	1,010,000	415,031	1,425,031
2017	1,115,000	360,481	1,475,481
2018	1,220,000	299,839	1,519,839
2019	1,340,000	232,123	1,572,123
2020	1,050,000	167,988	1,217,988
2021	1,165,000	106,726	1,271,726
2022	1,295,000	36,903	1,331,903
Total	<u>\$ 34,149,100</u>	<u>\$ 12,435,115</u>	<u>\$ 46,584,215</u>

COUNTY OF RACINE, WISCONSIN
EQUALIZED VALUES, TAX LEVIES, RATES AND COLLECTIONS
 December 31, 2003

Table 2

Equalized Valuation (TID-IN)	Equalized Valuation (TID-OUT)	Collection Year	County Levy	County Tax Rate	Total County-wide Levy	Uncollected Taxes as of December 31, 2002	Percent Of Levy Collected
\$6,842,391,400	\$ 6,754,300,650	1996	\$ 32,624,162	\$ 4.83	\$ 198,514,773	\$ 48,683	99.98%
7,290,310,800	7,192,774,450	1997	33,891,480	4.71	176,138,938	60,777	99.97%
7,599,774,700	7,483,805,350	1998	35,060,470	4.68	186,030,828	61,330	99.97%
8,098,836,300	7,938,519,650	1999	36,754,750	4.63	192,410,618	146,346	99.92%
8,602,738,400	8,405,154,250	2000	38,706,708	4.61	198,107,514	230,637	99.88%
9,020,937,100	8,771,917,950	2001	41,418,826	4.72	212,489,221	547,732	99.74%
10,170,481,400	9,254,040,050	2002	44,052,480	4.76	221,444,059	1,318,584	99.40%
10,965,780,800	9,869,518,950	2003	47,002,288	4.76	224,378,130	2,922,066	98.70%