



Johnson & Block
AND COMPANY, INC.

Certified Public Accountants

**EAST WISCONSIN COUNTIES
RAILROAD CONSORTIUM**

**FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**

For The Year Ended December 31, 2010

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East Wisconsin Counties Railroad Consortium

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Certified Public Accountants

Quality service through our commitment to clients and staff

Millard W. Johnson ▲ James L. Block ▲ Alan L. Brey ▲ Joseph G. Mohlmann ▲ Kevin P. Krysinski ▲ Janice L. Froelich

INDEPENDENT AUDITOR'S REPORT

April 22, 2011

East Wisconsin Counties Railroad Consortium
Juneau, Wisconsin

We have audited the accompanying financial statements of the governmental activities and each major fund of the East Wisconsin Counties Railroad Consortium as of and for the year ended December 31, 2010, which collectively comprise the Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Consortium and its management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Consortium and 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 and each major fund of the East Wisconsin Counties Railroad Consortium as of December 31, 2010 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 4, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Consortium. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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.

A handwritten signature in black ink, appearing to read 'Johnson Block & Co. Inc.', is written over the printed name of the firm.

Johnson Block & Company, Inc.
Madison, Wisconsin

East Wisconsin Counties Railroad Consortium
Management's Discussion and Analysis
For the Year Ended December 31, 2010

Purpose of the Consortium

The Consortium was created for the purpose of facilitating the continuance of rail service on the Northern Division of the Milwaukee Road and the preservation of the facilities for the continuing of such service. In carrying out these purposes the Consortium has acquired this branch line and leased the facilities to a railroad operator.

In cooperation with the State of Wisconsin and the railroad operating company, the Consortium has funded the rehabilitation of the rail lines.

Financial highlights

On an accrual basis of accounting, net assets of the Consortium increased by \$173,244 in 2010. Revenues were \$218,959 in 2010, as compared to 2009 revenues of \$244,063. Revenues were lower in 2010 because of a decrease in county contributions.

On the modified accrual basis of accounting, revenues exceeded expenditures by \$180,432 in 2010. This was due to delays in starting rail projects.

**Government-Wide and Governmental Fund
Financial Statements**

Under generally accepted accounting principles, the Consortium presents two sets of financial statements, one on the accrual basis of accounting and the other on the modified accrual basis of accounting. The accrual basis financial statements or the Government-Wide financial statements consist of the statement of net assets and the statement of activities and are presented on an aggregated basis. The modified accrual basis financial statements or the Governmental Fund financial statements consist of the balance sheet and the statement of revenues, expenditures and fund balance and are presented on a fund accounting basis. The Governmental Fund financial statements do not include any long-term assets, such as fixed assets, and long-term liabilities, such as long-term debt.

Comparison of Revenues and Expenses

Revenues for fiscal 2010 were lower than those of 2009. County contributions were \$200,000 in 2010 and \$225,000 in 2009. Rent stayed at \$18,760.

Administrative expenses were \$11,320 in 2010 which was an increase of \$2,309 over 2009.

Railroad rehabilitation expenditures were \$27,207 in 2010 and zero in 2009.

Comparison of Assets, Liabilities and Net Assets

Current Assets and Liabilities

Cash and investments increased by \$196,428 because limited expenditures were made on rehabilitation projects in 2010.

Accounts payable were higher at the end of 2010 than in 2009. Accounts payable at the end of 2010 consisted of administrative and rehabilitation costs.

Non-Current Assets and Liabilities

An analysis of capital assets for the 2010 year is as follows:

	January 1, 2010	Additions	Reductions	Dec 31 2010
Rail improve- ments, net	\$ 826,418	\$ 27,207	\$ 34,395	\$ 819,230

The Consortium had no long-term debt.

Changes in Fund Balances

	<u>Years Ended December 31, _____</u>		
	<u>2009</u>	<u>2010</u>	<u>Increase</u>
Fund Balances	<u>\$ 295,736</u>	<u>\$ 476,168</u>	<u>\$ 180,432</u>

The increase in the overall fund balances resulted from low rehabilitation expenditures due to delays in projects. The Consortium expects to spend the remaining 2009 contributions on rail projects in 2011. The general fund balance increased by \$7,639 in 2010.

EAST WISCONSIN COUNTIES RAILROAD CONSORTIUM
Statement of Net Assets
December 31, 2010

	<u>Governmental Activities</u>
Assets	
Current assets:	
Cash	\$ 1,000
Investments	497,500
Accounts receivable	14,070
Total current assets	<u>512,570</u>
Noncurrent assets:	
Capital assets	1,057,711
Less: Accumulated Depreciation	<u>(238,481)</u>
Total noncurrent assets	<u>819,230</u>
Total Assets	<u><u>\$ 1,331,800</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 36,402
Total current liabilities	<u>36,402</u>
Net Assets	
Investment in capital assets, net of related debt	819,230
Unrestricted	<u>476,168</u>
Total Net Assets	<u>1,295,398</u>
Total Liabilities and Net Assets	<u><u>\$ 1,331,800</u></u>

The accompanying notes are an integral part of this statement.

EAST WISCONSIN COUNTIES RAILROAD CONSORTIUM
Statement of Activities
For the Year Ended December 31, 2010

	<u>Governmental Activities</u>
<u>Operating Revenues</u>	
County contributions	\$ 200,000
Rent	18,760
Total Revenues	<u>218,760</u>
 <u>Operating Expenses</u>	
Administration	11,320
Depreciation	34,395
Total Expenses	<u>45,715</u>
Operating income(loss)	173,045
 <u>Nonoperating Income</u>	
Interest Revenue	199
Total Nonoperating Income(Expense)	<u>199</u>
Change in Net Assets	173,244
Net Assets-Beginning of year	<u>1,122,154</u>
Net Assets-End of year	<u><u>\$ 1,295,398</u></u>

The accompanying notes are an integral part of this statement.

EAST WISCONSIN COUNTIES RAILROAD CONSORTIUM

**Balance Sheet
Governmental Funds
December 31, 2010**

	General Fund	Special Revenue	Totals
<u>Assets:</u>			
Cash in the Bank	\$ 1,000	\$ -	\$ 1,000
Investments	49,680	447,820	497,500
Rent Receivable	14,070	-	14,070
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 64,750</u>	<u>\$ 447,820</u>	<u>\$ 512,570</u>
<u>Liabilities:</u>			
Accounts Payable	\$ 9,195	\$ 27,207	\$ 36,402
	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>9,195</u>	<u>27,207</u>	<u>36,402</u>
<u>Equity:</u>			
Fund Balance:			
Unreserved:			
Designated	-	420,613	420,613
Undesignated	55,555	-	55,555
	<hr/>	<hr/>	<hr/>
Total Fund Equity	<u>55,555</u>	<u>420,613</u>	<u>476,168</u>
Total Liabilities and Fund Equity	<u>\$ 64,750</u>	<u>\$ 447,820</u>	<u>\$ 512,570</u>

**Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Assets**

Total fund balances - governmental funds:	\$	476,168
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds:		
Capital assets		1,057,711
Accumulated depreciation		<u>(238,481)</u>
Total net assets - governmental activities	\$	<u>1,295,398</u>

The accompanying notes are an integral part of this statement.

EAST WISCONSIN COUNTIES RAILROAD CONSORTIUM
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2010

	General Fund	Special Revenue	Totals
<u>Revenues:</u>			
County contributions	\$ -	\$ 200,000	\$ 200,000
Rent	18,760	-	18,760
Interest from Investments	199	-	199
	18,959	200,000	218,959
<u>Expenditures:</u>			
Railroad Rehabilitation	-	27,207	27,207
Legal Charges	8,870	-	8,870
Accounting Charges	2,450	-	2,450
	11,320	27,207	38,527
Excess of Revenues Over (Under) Expenditures	7,639	172,793	180,432
Fund Balance beginning of year	47,916	247,820	295,736
Fund Balance end of year	\$ 55,555	\$ 420,613	\$ 476,168

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances with the Statement of Activities**

Net change in fund balances-total governmental funds \$ 180,432

The acquisition of capital assets is reported in the governmental funds as expenditures. However, those costs are capitalized on the statement of net assets and depreciated over their estimated useful lives in the statement of activities.

Capital outlay reported in governmental fund statements	27,207	
Depreciation expenses reported in the statement of activities	(34,395)	
		(7,188)
Change in net assets-governmental activities		\$ 173,244

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
East Wisconsin Counties Railroad Consortium
December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consortium prepares its financial statements in conformity with accounting principles generally accepted in the United States of America 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.

A. FINANCIAL REPORTING ENTITY

The Consortium was organized in 1980 to acquire and rehabilitate rail lines. It was organized by six counties under State Statute 66.30 and now includes nine counties. The member counties are: Columbia, Dodge, Fond du Lac, Green Lake, Milwaukee, Ozaukee, Sheboygan, Washington, and Winnebago. The Consortium is governed by two representatives from each member county. It is a joint venture of the member counties and is not a component unit of any county.

The Consortium is considered to be a "stand-alone government" as defined by GASB. The financial reporting entity of the Consortium is defined by GASB to consist of (a) the stand-alone government, (b) organizations for which the stand-alone government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the stand-alone government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The basic financial statements of the Consortium consist solely of the stand-alone government. No other organizations were identified for inclusion in the financial reporting entity of the Consortium.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all activities of the reporting entity.

Fund Financial Statements

Separate financial statements are provided for the governmental funds. The Consortium reports the following major governmental funds:

General Fund - The general fund is used to account for all financial resources which are not required to be accounted for in another fund.

Special Revenue Fund – The special revenue fund is used to segregate railroad infrastructure improvements funds from the general consortium funds.

NOTES TO FINANCIAL STATEMENTS
East Wisconsin Counties Railroad Consortium
December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

D. BUDGETARY ACCOUNTING

The Consortium does not prepare an annual operating budget. The Consortium controls expenditures through special revenue project budgets which do not coincide with its fiscal year.

E. CASH AND INVESTMENTS

The Consortium is required to invest its funds in accordance with Section 66.04(2) of the Wisconsin Statutes. Cash is on deposit at a local bank. Investments are held in the custody of the Dodge County Treasurer. Investments are stated at fair market value.

F. ACCOUNTS RECEIVABLE

Accounts receivable are recorded at the gross amount. No loss for uncollectible accounts is expected.

G. CAPITAL ASSETS

Government-wide Statements

Capital assets, which consist of rail improvements, are reported in the government-wide financial statements. Capital assets are recorded at cost. Only the Consortium's share of rail rehabilitation costs are reported in the financial statements. Equity in the improvements is shared among the Consortium, the state and the railroad company in proportion to each entity's contribution to the costs. Depreciation of the rail improvements is being recorded over estimated service lives of 30 years using the straight-line method.

Fund Financial Statements

In the fund financial statements, capital assets are reported as expenditures of the governmental fund upon acquisition.

NOTES TO FINANCIAL STATEMENTS
East Wisconsin Counties Railroad Consortium
December 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

H. NET ASSETS

Government-Wide Statements

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

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation.

I. USE OF ESTIMATES

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

2. CASH AND INVESTMENTS

The Consortium deposits excess funds with the Dodge County Treasurer, who further deposits them in an interest bearing account with AIM Mutual Funds. This fund’s portfolio is in US Treasury bills and US Government Agency Funds. The account is completely liquid with the ability to withdraw funds upon request. Earned interest is reinvested and held for Consortium purposes, along with the principal. Designation of earned interest revenues is not established by the Consortium. Investments in the mutual funds are not insured.

The Consortium does not have formal policies regarding custodial credit risk, credit risk or interest rate risk.

NOTES TO FINANCIAL STATEMENTS
East Wisconsin Counties Railroad Consortium
December 31, 2010

3. ACCOUNTS RECEIVABLE/RENT REVENUES

The operating agreement between the Consortium and the railroad operator provides for the payment of rent for the use of the land corridor and rail facilities. The annual rental rate is \$100 per mile of track operated. Rental income in 2010 was \$18,760. Rent is to be paid to the Consortium quarterly.

4. CAPITAL ASSETS

A summary of fixed assets at December 31, 2010 follows:

	Balance 01/01/10	Additions	Retirements	Balance 12/31/10
Rail Improvements	\$ 1,030,504	\$ 27,207	\$ -	\$ 1,057,711
Accumulated Depreciation	204,086	34,395	-	238,481
Totals	\$ 826,418	\$ (7,188)	\$ 0	\$ 819,230

5. FUND BALANCES

The fund balance in the special revenue fund is the total of unexpended county contributions from prior years' projects. The unexpended amounts from each year were as follows:

1998-2001	\$ 1,742
2004	21,078
2009	197,793
2010	200,000
	<u>\$ 420,613</u>

6. RISK MANAGEMENT

The Consortium is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and error and omissions. Risks are covered through the operating agreement with the railroad operating company. The operating company has purchased commercial insurance to indemnify the Consortium. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Consortium.

7. COMMITMENTS

The Consortium has agreed to match 10% of rehabilitation project costs approved in 2010. The Consortium's share of the costs was \$250,000. Costs incurred in 2010 amounted to \$27,207. The remaining share of project costs, amounting to \$222,793, will be funded from the special revenue fund balances for 2009 and 2010 as listed in Note 5.

SUPPLEMENTARY INFORMATION

**EAST WISCONSIN COUNTIES RAILROAD CONSORTIUM
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUND BY PROJECT YEAR
 December 31, 2010**

	1998 - 2008	2009	2010	Totals
<u>Assets:</u>				
Cash	\$ 22,820	\$ 225,000	\$ 200,000	\$ 447,820
Total Assets	\$ 22,820	\$ 225,000	\$ 200,000	\$ 447,820
<u>Liabilities:</u>				
	\$ -	\$ 27,207	\$ -	\$ 27,207
Fund Balances	22,820	197,793	200,000	420,613
Total Liabilities and Fund Balance	\$ 22,820	\$ 225,000	\$ 200,000	\$ 447,820

**EAST WISCONSIN COUNTIES RAILROAD CONSORTIUM
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - SPECIAL REVENUE FUND BY PROJECT YEAR
 Year Ended December 31, 2010**

	1998- 2008	2009	2010	Totals
<u>Revenues:</u>				
Counties	\$ -	\$ -	\$ 200,000	\$ 200,000
Total Revenues	-	-	200,000	200,000
<u>Expenditures:</u>				
Project Costs	-	27,207	-	27,207
Total Expenditures	-	27,207	-	27,207
Excess of Revenues Over (Under) Expenditures	-	(27,207)	200,000	172,793
Fund Balance beginning of year	22,820	225,000	-	247,820
Fund Balance end of year	<u>\$ 22,820</u>	<u>\$ 197,793</u>	<u>\$ 200,000</u>	<u>\$ 420,613</u>