

WINNEBAGO COUNTY, WISCONSIN

Management's Discussion and Analysis

December 31, 2018

As management of Winnebago County, Wisconsin, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of Winnebago County, Wisconsin for the fiscal year ended December 31, 2018. 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 8-11 of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$313,390,546 (*net position*). Of this amount, \$82,499,699 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$3,670,280. Several factors contributed to the overall increase as follows:

Description	Amount
Long term debt repaid and long term debt issued are reflected on the fund financial statements as revenues and expenses. They are not revenues or expenses in the statement of net assets.	
Long term debt repaid.	\$ 7,561,460
Long term debt issued.	(7,975,000)
Capital asset acquisitions are reported as expenditures in governmental funds however they are not expensed in the statement of activities. 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 of capital acquisitions recorded in governmental funds, which is recorded as expense in the fund statements but capitalized and depreciated in the statement of net activities.	10,483,107
Net book value of capital asset disposals is an expense in the statement of activities.	(1,851,073)
Depreciation of capital assets is an expense in the statement of activities, yet there is no tax or other revenue to offset this expense because it is not a cash outflow. The effect of this is a reduction of net position.	(5,581,243)
The net revenues for certain activities of internal service funds are reported with governmental activities. This is the amount by which the increase in net position (\$1,359,304) decreased by the amount allocated to business-type activities (\$262,074).	1,097,230
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net pension liabilities (assets) at the end of year (\$7,952,884) is lower than deferred expenditures and net pension liabilities (assets) at the beginning of the year (\$8,948,523).	(995,639)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net WRS Life liabilities (assets) at the end of year (\$1,913,602) is lower than deferred expenditures and net WRS Life liabilities (assets) at the beginning of the year (\$1,705,032).	(208,570)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred outflows and net OPEB liabilities (assets) at the end of year (\$4,734,874) is lower than deferred outflows and net OPEB liabilities (assets) at the beginning of the year (\$4,697,810).	(37,064)
Revenues that are currently not available are deferred in the fund statements. This is the amount by which deferred revenue at the end of year (\$4,418,827) is lower than deferred revenue at the beginning of the year (\$4,533,061).	(114,232)
Governmental funds surplus generated during 2018 represents an increase in net position on the statement of net position.	3,589,717
The County has adopted GASB Statements No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i> for the year ended December 31, 2017. In the current year, the Local Retiree Life Insurance Fund (LRLIF), a multi-employer defined benefit OPEB plan, completed an actuarial study under GASB Statement No. 74, <i>Financial Reporting for Postemployment Benefit Plans</i> , which identified a net OPEB liability for the Plan. The County recorded its proportionate share of this liability as of December 31, 2016 as a cumulative effect of change in accounting principle in the 2018 government-wide financial statements. Financial statements for the year ended December 31, 2017 have not been restated.	(2,453,789)
Governmental funds do not recognize expenses that do not require the use of current financial resources. These are generally long-term liabilities. The statement of activities does include these expenses.	169,737

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- As of the close of the current year, the County's governmental activities reported combined ending net position of \$200,824,577. Approximately 20.8% of this total amount, \$41,713,134, is available for spending at the County's discretion (*unrestricted net position*).
- At the end of the current year, unassigned fund balance for the general fund was \$28,848,798, or approximately 49.3% of total general fund expenditures.
- The County's total general-obligation debt increased by \$413,541, or 1.3%, during the current year. There were no refinancing transactions done during 2018.
- There were new general obligation notes of \$8,075,000 issued on November 6, 2018 to finance capital projects including building improvements, remodeling, mental health crisis center, department relocation, CAD system, and road resurfacing projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is designed to be an introduction to the Winnebago County, Wisconsin's basic financial statements. The County's basic financial statements comprise three components: 1) the 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 the County's finances, in a manner similar to a private-sector business. The government-wide statements are made up of the statement of net position and the statement of activities.

The statement of net position presents information on all of the County's assets, liabilities and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This means, some 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, earned but unused vacation leave and unused sick leave that is paid out upon termination or retirement).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities (those supported by taxes and intergovernmental revenues) of the County include general government; public safety; health and human services; culture, education, and recreation; and conservation and development. The business-type activities (those supported by user fees) of the County include an airport, a solid waste facility, a nursing home, and a highway operation.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate component unit known as the 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 pages 38-40 of this report.

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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. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the 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 as governmental activities in the government-wide financial statements; however, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a 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. This comparison may help readers better understand the long-term impact of a 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.

The County maintains four 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 balance for the general fund and human services fund, both of which are considered major funds. Data from the other two funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found elsewhere in this report.

The County adopts annual appropriation budgets for all of its governmental type funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 41-46 of this report.

Proprietary funds: The 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. The County maintains enterprise funds for its airport, solid waste facility, nursing home, and highway operations. Internal service funds are used to accumulate and allocate costs internally among various functions. The County uses internal service funds to account for its general services operations and its self-funded insurance for worker's compensation, property and liability, and health and dental insurance. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 47-52 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 these funds are not available to support the County's own programs. The accounting used in fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 53 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 54-111 of this report.

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Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding budget to actual data. Required supplementary information can be found on pages 112-123 of this report.

The combining statements referred to in connection with non-major governmental funds; individual enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 124-199 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As discussed earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by \$313,390,546 at the close of 2018. See table on next page.

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Winnebago County's Net Position
(Amounts Expressed in \$1,000's)

	Governmental		Business-Type	
	Activities	Activities	Total	Total
	2018	2018	2018	2017
Assets				
Current and other assets	\$ 145,594	\$ 68,562	\$ 214,156	\$ 198,336
Capital assets	179,045	69,328	248,373	246,463
<i>Total assets</i>	<u>324,639</u>	<u>137,890</u>	<u>462,529</u>	<u>444,799</u>
<u>Deferred outflows of resources:</u>				
Deferred outflow related to pensions	16,692	4,879	21,571	24,944
Deferred outflow related to WRS life	228	100	328	-
Deferred outflow related to OPEB	387	199	586	534
<i>Total deferred outflows of resources</i>	<u>17,308</u>	<u>5,178</u>	<u>22,486</u>	<u>25,478</u>
Total assets and deferred outflows of resources	\$ 341,947	\$ 143,068	\$ 485,015	\$ 470,277
Liabilities				
Long-term liabilities outstanding	33,523	21,182	54,705	55,881
Current liabilities	21,077	3,877	24,954	27,204
<i>Total liabilities</i>	<u>54,600</u>	<u>25,058</u>	<u>79,658</u>	<u>83,085</u>
<u>Deferred inflows of resources:</u>				
Deferred inflow related to pensions	17,743	5,260	23,003	10,129
Deferred inflow related to WRS life	31	14	45	-
Deferred inflow related to OPEB	526	170	696	-
Deferred property tax revenue	68,222	-	68,222	67,343
<i>Total deferred inflows of resources</i>	<u>86,522</u>	<u>5,444</u>	<u>91,966</u>	<u>77,472</u>
Net position				
Net investment in capital assets	147,966	68,144	216,111	214,792
Restricted	11,145	3,635	14,780	3,788
Unrestricted	41,713	40,787	82,500	91,140
<i>Total net position</i>	<u>\$ 200,825</u>	<u>\$ 112,566</u>	<u>\$ 313,391</u>	<u>\$ 309,720</u>
Total liabilities, deferred inflows of resources and net position	\$ 341,947	\$ 143,068	\$ 485,015	\$ 470,277

By far, the largest portion of the County's net position, 69%, reflects its investment in capital assets (E.g., land, buildings, improvements, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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.

An additional portion of the County's net position, 4.7%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$82,499,699, may be used to meet the government's ongoing obligations to citizens and creditors.

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Winnebago County's Changes in Net Position (Amounts Expressed in \$1,000)

	Governmental Activities 2018	Business-type Activities 2018	Total 2018	Total 2017
Revenues:				
Program revenues:				
Charges for services	\$ 11,242	\$ 37,772	\$ 49,014	\$ 51,915
Operating grants and contributions	26,428	17	26,445	25,089
Capital grants and contributions	-	-	-	35
General revenues:				
Property taxes	67,400	-	67,400	65,982
Other taxes	1,334	-	1,334	1,347
Grants and contributions not restricted to specific programs	11,117	2,851	13,968	12,662
Unrestricted investment earnings	1,772	694	2,466	1,401
Miscellaneous	431	225	656	615
Total revenues	119,724	41,559	161,283	159,046
Expenses:				
General Government	18,830	-	18,830	17,468
Public Safety	31,095	-	31,095	31,893
Public Works	3,528	-	3,528	3,911
Health and Human Services	49,940	-	49,940	49,652
Culture, Education, and Recreation	3,812	-	3,812	3,211
Conservation and Development	2,991	-	2,991	3,006
Interest on Long Term Debt	584	-	584	505
Airport	-	3,187	3,187	3,265
Solid Waste Management	-	9,099	9,099	10,551
Park View	-	17,404	17,404	17,674
Highway	-	14,688	14,688	13,297
Total expenses	110,780	44,378	155,158	154,433
Increase (decrease) in net position before transfers and special item	8,944	(2,819)	6,125	4,613
Transfers	(2,797)	2,797	-	-
Increase (decrease) in net position	6,147	(22)	6,125	4,613
Net position - Beginning of Year	196,383	113,337	309,720	307,474
Cumulative effect of change in accounting principle	(1,705)	(749)	(2,454)	(2,367)
Net position - Beginning of Year, restated	194,678	112,588	307,266	305,107
Net position - End of Year	\$ 200,825	\$ 112,566	\$ 313,391	\$ 309,720

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

Governmental activities: Governmental activities increased the County's net position by \$4,441,594. Key elements of the increase exclusive of the prior period adjustment are as follows:

The amount levied for principal payment on governmental activity debt reflected in property tax revenue is reflected in the statement of activities as a revenue. The funds were used for payment of principal on debt which would not appear on the statement of activities. This would have the effect of increasing net position on the statement of activities.	\$ 7,561,460
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Depreciation expense for governmental activities is reflected on the statement of activities. This is an expense without a cash outflow so there is not offsetting revenue (tax levy) reflected on the statement of activities. This would have the effect of reducing net position on the statement of activities.	(5,581,243)
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Governmental funds do not recognize expenses that do not require the use of current financial resources. These are generally long-term liabilities. The statement of activities does include these expenses.	169,737
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Reduction in net book value of capital assets reflected in the statement of activities are not reflected in the fund statements	(1,851,073)
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Net reduction in OPEB, pension and WRS Life assets, liabilities, deferred outflows and deferred inflows reflected in the statement of activities are not reflected in the fund statements	1,241,273
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Capital outlay reported in governmental funds is capitalized on the statement of activities	(10,483,107)
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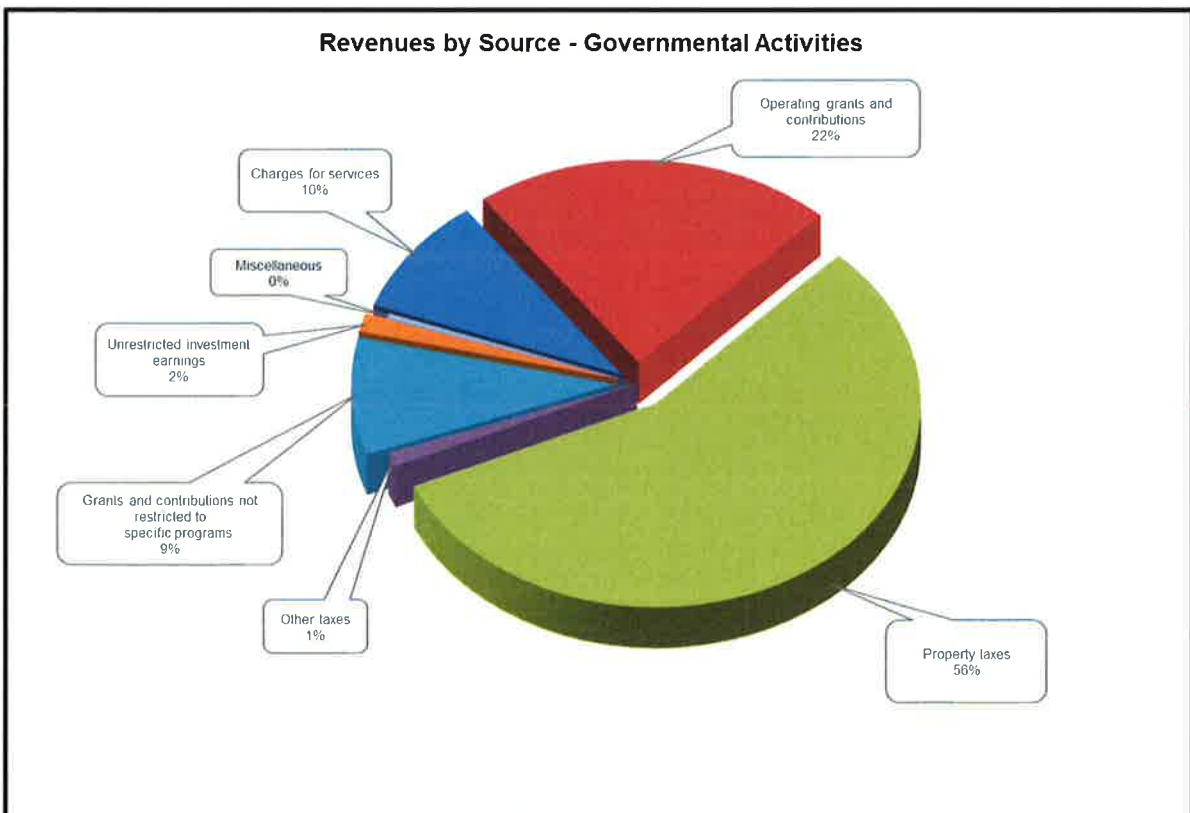
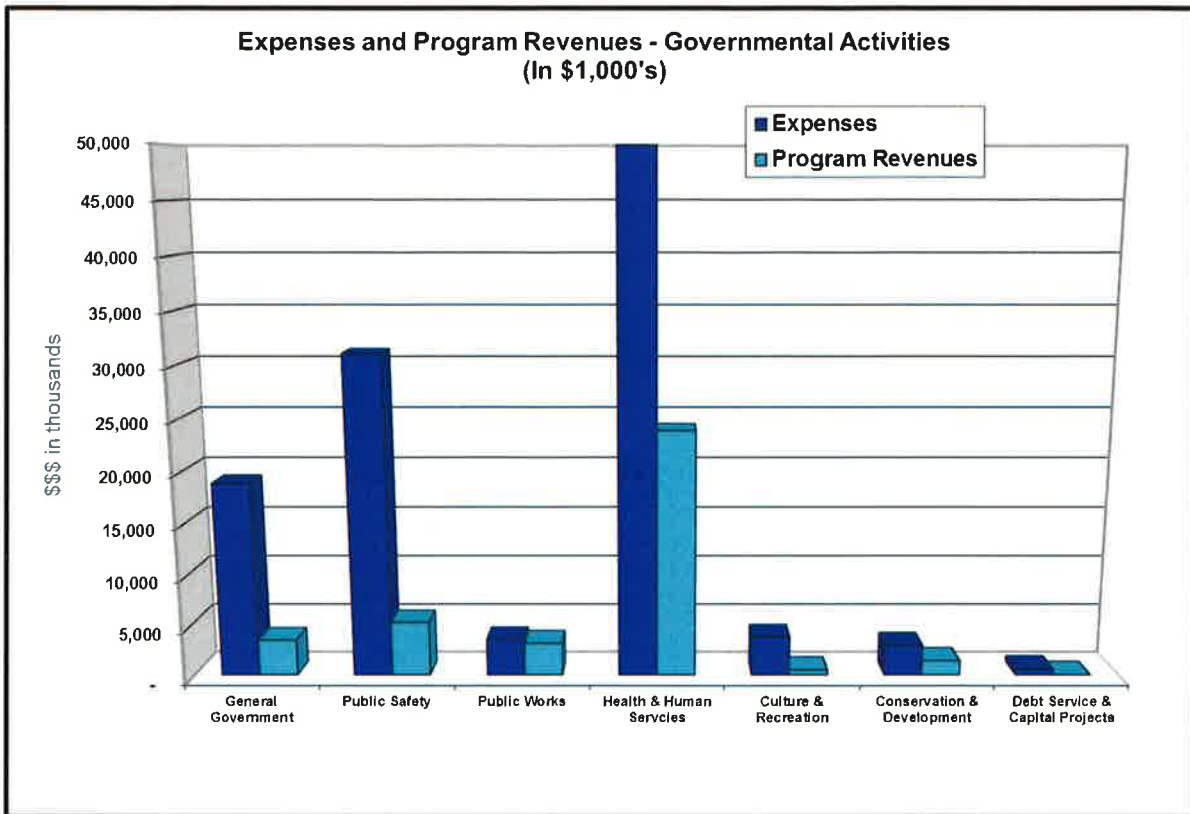
Revenues that are currently not available are deferred in the fund statements. They are current period revenues in the statement of activities.	1,097,230
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Governmental funds operating surplus generated	3,589,717
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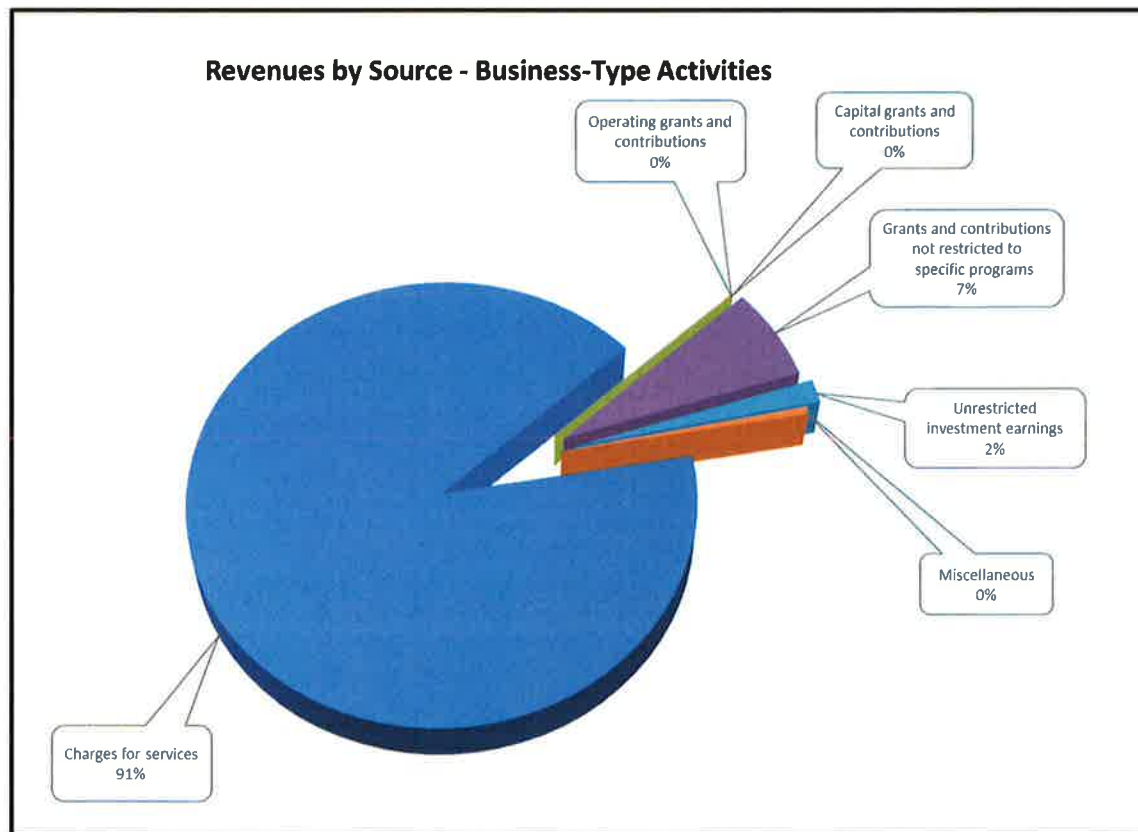
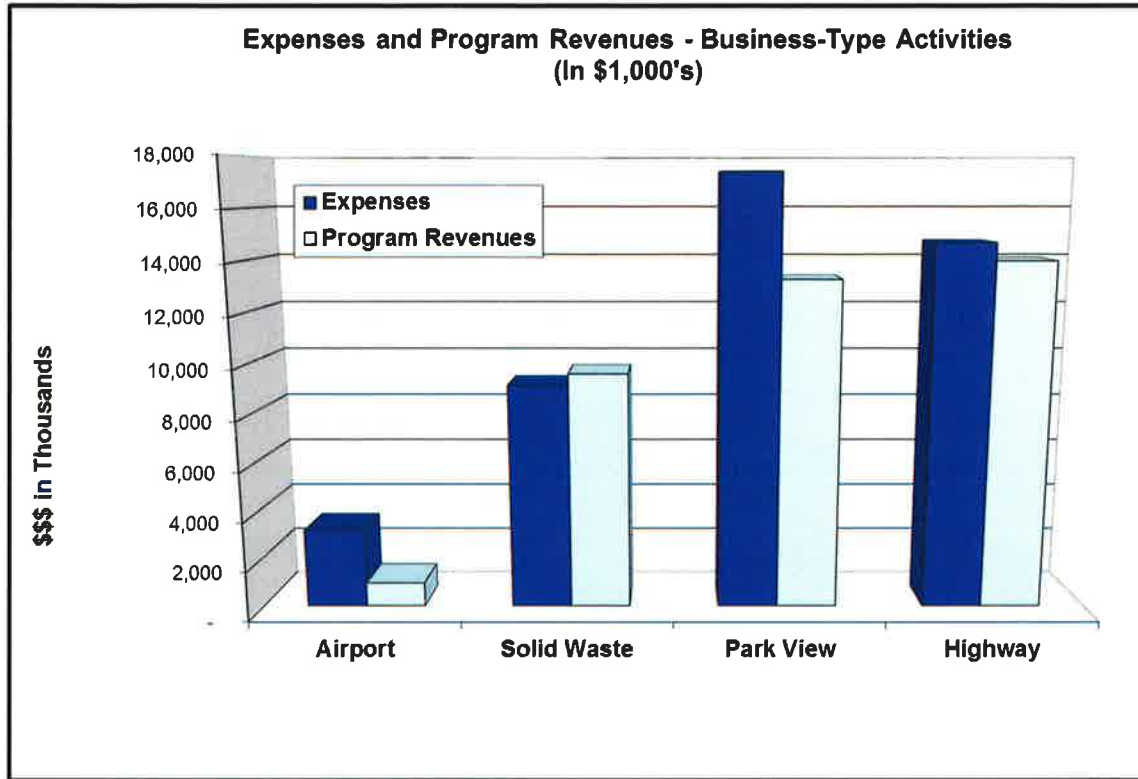
Business-type activities: Business-type activities decreased the County's net position by \$771,314. Key elements of this increase are as follows:

- The Airport Fund's net position decreased by \$1,426,180. A deficit of \$1,494,850 was budgeted for the year. The fund performed very close to budget.
- The Solid Waste Fund net position increased by \$1,201,484. A surplus of \$569,126 was budgeted for the year. The large difference is due to revenues far exceeding budget for the year from the Tri-County waste and recycling programs. Revenues were approximately \$930,000 over budget. In addition, there were savings of over \$500,000 in labor, repairs, utilities and contractual services.
- Park View Health Center's net position increased by \$100,606. A deficit of \$2,467,961 was budgeted for the year. Revenues came in higher than expected with operating revenues exceeding budget by \$426,000 due to private pay census being up over prior years. In addition, an unbudgeted one-time Certified Public Expenditure (CPE) grant was received in the amount of \$1,023,570. The other large difference was due to a total savings of \$1,400,000 in labor and fringes from vacancies, turnover and benefit elections.
- The Highway Department's net position decreased \$909,298. A surplus of \$77,535 was budgeted for the year. The majority of this difference was due to a state contracted project to build a salt storage facility at USH "10". Approximately \$1,000,000 of the expenditures occurred in 2018 for this project, however the state reimburses for the expenditures after completion - which will be in 2019.
- The remaining amount of the change in net position \$262,074 is the amount of internal service funds activity that is reflected in the enterprise funds.

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FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds

The focus on the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. Note how unassigned 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 December 31, 2018, the County's governmental funds reported combined ending fund balances of \$48,648,955, an increase of \$3,589,717 in comparison with the prior year. More than half of this total - \$28,653,274 - constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows:

- 1) Non-liquid delinquent property taxes and special assessments: \$3,708,450,
- 2) Prepayments that benefit periods beyond the end of the current year: \$474,341,
- 3) Non-liquid industrial development loans receivable: \$135,547,
- 4) Unspent bond proceeds: \$4,803,256,
- 5) For other restricted purposes: \$261,290,
- 6) To pay debt service: \$746,751,
- 7) For prior year commitments: \$509,853,
- 8) For Economic Development: \$681,898,
- 9) Assigned to special projects, economic development, subsequent year's expenditures and prior years appropriations: \$8,674,295.

General Fund: The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$28,848,798, while total fund balance is \$43,054,914. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to expenditures. Unassigned fund balance represents 49.3% of total general fund expenditures, while total fund balance represents 73.5% of that same amount. The fund balance of the county's general fund increased by \$3,635,048 during the current fiscal year. This represents an increase of 9.2%. Reasons for the net increase in fund balance are as follows:

The Human Services Fund needed \$2.9 million less of tax levy than was budgeted. As a result, these funds remained in the General Fund at the end of the year. This accounts for a much of the change to the General Fund balance.

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Some departments spending was significantly under budget in 2018 helping to contribute to the surplus:

- **Facilities** - \$670,770 under budget. Labor costs were under budget by approximately \$146,000 primarily due to several vacancies for an extended period of time and seasonal employees working fewer hours than estimated. Capital outlay was under budget by approximately \$131,000. This was mainly due to a project to build a violent sex offender residential facility not being completed in 2018 and carried over to 2019 in the amount of \$100,000. In addition, the actual expenses for several pieces of capital equipment received favorable bid prices, resulting in a savings of approximately \$31,000 for two vehicles and one lawn mower. Several other operating expenses including building, equipment and grounds maintenance, building repairs, professional services, and snow removal were considerably under budget by approximately \$391,000. In some cases projects were not completed by the end of the year and were carried over to 2019. In others, the costs came in lower than expected. Heat and power were considerably less than estimated by \$120,000.
- **Sheriff** - \$1,059,893 under budget. Labor costs were under budget by approximately \$605,000 which resulted primarily from lower than anticipated fringe benefit rates. Travel expenses were down by almost \$13,000 due to less overnight and out-of-town training, as well as no commercial travel. Capital outlay was under budget by approximately \$207,000 due to budget carryovers for the jail integrator replacement and radio tower climbs which were subsequently completed in 2019. Several other operating expenses including telephone, uniform tools allowance, professional supplies, vehicle repairs, equipment repairs, professional services and other contract services were under budget by approximately \$235,000. Some explanations are as follows: the recent jail camera system replacement resulted in less repairs, saving approximately \$22,000. Vehicle repair costs were down by over \$22,000 due to lower than anticipated repair costs because there were fewer major squad crashes needing major repairs. Professional services was down by nearly \$24,000 due to a reduced contract rate for the electronic monitoring equipment. Other contract services are under by approximately \$74,000 due to savings realized from the dissolution of the FOXCOMM public safety consortium.

Human Services (Special Revenue) Fund: The Human Services Fund has a total fund balance of \$98,958. Of this amount, \$14,375 (or 14.5%) represents prepayments that benefit periods beyond the end of the current year. The balance of \$84,583 represents assigned fund balance. Total fund balance of the Human Services Fund decreased by \$517,319 from the prior year.

Winnebago County's practice is to maintain a minimal fund balance in the Human Services Fund because of its need for tax levy support. As a result, most of the tax levy that is not needed is left in the General Fund at the end of the year. In 2017 the Human Services Fund had a surplus of about \$3,600,000, but only \$3,100,000 of that was transferred to the general fund in 2017 to keep the fund balance as close to zero as possible. The remaining \$600,000 was transferred to the general fund in 2018, thus creating a decrease in fund balance for the current year.

Proprietary funds

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

Unrestricted net position for these funds can be seen in the following table on the next page. Also displayed in this table is the total growth in unrestricted net position for the current year.

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	<u>Airport</u>	<u>Solid Waste</u>	<u>Park View</u>	<u>Highway</u>
Unrestricted Net Position - 2017	\$ 1,104,034	\$ 27,513,390	\$ 10,539,510	\$ 2,309,126
Unrestricted Net Position - 2018	393,650	28,441,086	9,298,297	324,324
Total Growth(Decline) in Unrestricted Net Position	\$ (710,384)	\$ 927,696	\$ (1,241,213)	\$ (1,984,802)

The Airport Fund's unrestricted net position decreased by \$710,384. There was a net loss of \$1,426,180 for 2018. The main reason for the net loss was that approximately \$1,500,000 was received from the City of Oshkosh for the Taxiway B reconstruction in 2017, and the majority of the expenditures occurred in 2018. The remainder of the decrease in unrestricted net position can be attributed to an accounting reclassification reserving an amount relating to pension in the amount of \$79,412. The Wisconsin Retirement System (WRS) was over 100% funded this year, this created a net pension asset. When there is a net pension asset, there is a corresponding restriction of net position. Last year there was a net pension liability, so there was not a restriction on the net position.

The Solid Waste Fund's unrestricted net position increased by \$927,696. The large difference is due to revenues received from the Tri-County waste and recycling programs far exceeding budget for the year by approximately \$930,000.

Park View Health Center's unrestricted net position decreased \$1,241,213. The facility had a net income of \$100,606. Revenues came in higher than expected with operating revenues exceeding budget by \$426,000 due to private pay census being up over prior years. The main reason for the decrease in unrestricted net position can be attributed to an accounting reserving an amount relating to WRS Life in the amount of \$1,752,460. The Wisconsin Retirement System (WRS) was over 100% funded this year, this created a net pension asset. When there is a net pension asset, there is a corresponding restriction of net position. Last year there was a net pension liability, so there was not a restriction on the net position.

The Highway Department's unrestricted net position decreased by \$1,984,802. There was a net loss of \$909,298 for 2018. The majority of this difference was due to a state contracted project to build a salt storage facility at USH "10". Approximately \$1,000,000 of the expenditures occurred in 2018 for this project, however the state reimburses for the expenditures after completion - which will be in 2019. There is approximately \$675,000 of the net position restricted for open purchase orders for these expenditures. The remainder of the decrease in unrestricted net position can be attributed to an accounting reclassification reserving an amount relating to pensions in the amount of \$691,595. The Wisconsin Retirement System (WRS) was over 100% funded this year, this created a net pension asset. When there is a net pension asset, there is a corresponding restriction of net position. Last year there was a net pension liability, so there was not a restriction on the net position.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget amounted to a net increase in appropriations of approximately \$1,479,551 and can be briefly summarized as follows:

- \$753,553 carryovers of prior year appropriations
- \$220,597 additional appropriations needed for capital projects applied from general fund balance.
- \$175,000 for Parks department to purchase additional land (Netzer property).
- \$50,000 for Parks department to rebuild soccer shelter lost in fire.

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- \$186,900 for Sheriff's Office to update Commander Control Station at jail.
- \$100,000 for Facilities department to build a violent sex offender residential facility.
- (\$6,499) miscellaneous reduction adjustment.

Revenues were over budgetary estimates – explanation:

During this year, revenues were over budget by \$225,110. This represents a variance of 0.3% from budget. A few items to note are as follows:

- Intergovernmental revenues were under budget by almost \$582,000. The largest areas include Land and Water Conservation and Child Support. In the Land and Water area, many of these grants are reimbursement programs. If we don't spend the money, we don't get the reimbursement grant revenue. Some projects were not done in 2018 and were carried over to 2019, which is why the Land and Water grant money was not received.
- Investment income was over budget by approximately \$601,000. Higher interest rates obtained in the stronger market this year accounted for almost \$147,000 of this. The remaining overage can be attributed to the Clerk of Courts new collections process. In 2017, the Clerk of Courts wanted to hone in on all the outstanding receivables that were owed to the County and State regardless of age of the receivable. The Clerk of Courts began restructuring the office so there were more financial employees to begin an anticipated multi-year collection project working with the State Debt Collection (SDC) and canceling their contract with the collection agency who was entitled to keep 19% of what they were collecting. SDC has several avenues to collect including tax intercept, bank levy and garnishment of wages. In order to do this transition, there were notices sent out to over 80,000 debts that were owed to the County and State and intensive manual input to get these in the SDC system. These efforts have paid off, and collections have increased exponentially. This increase in collections of the past due debt has brought in approximately \$454,000 of interest revenue. This is the interest that judgments accrue during non-payment of court-ordered fines and fees owed to the County and State.

Expenditures were less than budgetary estimates – explanation:

Actual operating expenditures were less than budget by \$5,233,966. Some of the main reasons include:

General Government –\$1,531,556 under budget

A breakdown by department with large variances follows:

Information Systems – \$273,115 under budget: Labor costs are under budget by approximately \$83,000 due to an extended vacancy after adding a Cybersecurity Architect position to the Table of Organization. Other operating expenditures are down by a little over \$158,000. This difference was mainly due to the shuffle in staffing which created an enormous learning curve and on-boarding, thus causing a drain on productivity. A total of 5 staff (approximately 28% of the department) were involved in learning new tasks, training other staff on old tasks, as well as doing their required daily work. This led to not completing some of the 2018 planned expenditures..

Facilities – \$670,770 under budget: Labor costs were under budget by approximately \$146,000 primarily due to several vacancies for an extended period of time and seasonal employees working fewer hours than estimated. Capital outlay was under budget by approximately \$131,000. This was mainly due to a project to build a violent sex offender residential facility not being completed in 2018 and carried over to 2019 in the amount of \$100,000. In addition, the actual expenses for several pieces of capital equipment received favorable bid prices, resulting in a savings of approximately \$31,000 for two vehicles and one lawn mower. Several other operating expenses including building, equipment and grounds maintenance, building repairs, professional services, and snow removal

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were considerably under budget by approximately \$391,000. In some cases projects were not completed by the end of the year and were carried over to 2019. In others, the costs came in lower than expected. Heat and power were considerably less than estimated by \$120,000.

Public Safety - \$1,542,501 under budget

Sheriff – \$1,059,893 under budget. Labor costs were under budget by approximately \$605,000 which resulted primarily from lower than anticipated fringe benefit rates. Travel expenses were down by almost \$13,000 due to less overnight and out-of-town training, as well as no commercial travel. Capital outlay was under budget by approximately \$207,000 due to budget carryovers for the jail integrator replacement and radio tower climbs which were subsequently completed in 2019. Several other operating expenses including telephone, uniform tools allowance, professional supplies, vehicle repairs, equipment repairs, professional services and other contract services were under budget by approximately \$235,000. Some explanations are as follows: the recent jail camera system replacement resulted in less repairs, saving approximately \$22,000. Vehicle repair costs were down by over \$22,000 due to lower than anticipated repair costs because there were fewer major squad crashes needing major repairs. Professional services was down by nearly \$24,000 due to a reduced contract rate for the electronic monitoring equipment. Other contract services are under by approximately \$74,000 due to savings realized from the dissolution of the FOXCOMM public safety consortium.

Courts – \$326,995 under budget: Labor costs were under budget by approximately \$69,000, this is mainly due to the reduction of a court reporter position. Capital outlay was under budget by approximately \$99,000 due to the video conferencing project being delayed with the courthouse department relocation project. This has been carried over to 2019. Other Operating expenses came in under budget by approximately \$152,000, the majority of this was due to the fact that in 2018 there were approximately 50% less trials than in past years, which resulted in lower jury costs and legal fees. The reduction in trials in 2018 was an anomaly, and is unlikely to be a trend.

Public Works – \$765,236 under budget

This area consists of county road maintenance, which accounts for all of the variance. Maintenance expenditures were lower primarily because they were offset by an increase in work load resulting from capital projects, project and maintenance requests from the Wisconsin Department of Transportation, and local governments. As workload increases for the department, resources are re-directed to provide requested services to customers and completing capital projects. Maintenance work completed was prioritized to focus on needs that are at an elevated level of importance and lower priority maintenance activities were postponed to be completed later.

Health & Human Services - \$520,751 under budget

Public Health – \$291,542 under budget: Labor costs were under budget approximately \$210,000 due to considerable turnover in staff in 2018, to include medical leaves, retirements and vacancies. In addition, other operating expenditures were down by about \$72,000 due to pass-through grants that are complex to estimate because of the timing of state or federal fiscal calendar versus calendar year. These grants included Region 6 Hospital Emergency Readiness Coalition, Healthy Wisconsin Partnership Program/NEW Mental Health Connection and the Regional Trauma Advisory Council.

Child Support – \$228,899 under budget: The largest area was wages and benefits which were under budget approximately \$223,000. This was due to staff vacancies.

Veterans Services had small favorable variances from budget adding to the total amount the division was under budget.

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Culture, Education and Recreation - \$414,119 under budget

Parks Department - \$159,251 under budget: The largest area was capital outlay, which was under budget by approximately \$158,000. This variance was due to approximately \$93,000 for the Neenah Dog Park and \$50,000 for the rebuild of the Soccer Shelter being carried over from 2018 to 2019.

UW Fox Valley - \$108,516 under budget: Capital outlay was under budget by approximately \$46,000 due to favorable bid prices, resulting in a savings for many of the projects, such as the circulation desk renovation, science lab station relocation and the green house door and slab. In addition, other operating expenditures were down by about \$62,000 due to turnover in the facilities staff there, thus not all projects were able to be worked on.

University Extension - \$117,217 under budget: Other operating expenditures were down by approximately \$111,000 due to staff vacancies in the areas of Agriculture, 4-H Program Coordinator, and Community Development Educator. This resulted in a lower than budgeted contracted services payment which then had a ripple effect throughout the travel and operational categories such as programming supplies, postage, printing and vehicle maintenance.

Conservation and Development - \$459,803 under budget

Land and Water Conservation - \$328,644 under budget: Other operating expenditures are under budget by approximately \$324,000. This is due to approximately \$220,000 being carried over to the 2019 budget. In addition, there were larger grants not yet received that expenditures were budgeted for.

Planning, Land Records and Property Lister consist of small variances that accounted for the remaining amounts under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The County's investment in capital assets for its governmental and business type activities as of December 31, 2018 amounts to \$248,373,231 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, highways, and bridges. The total increase in the government's investment in capital assets for the current fiscal year was \$1,910,593, or 0.78%, which is a 1.76% increase for governmental activities and a 1.62% decrease for business-type activities. Major capital asset events during the current fiscal year included the following:

Governmental Activities:

The total change in capital assets for the governmental activities was an increase of \$3,050,791.

Major assets placed in service during 2018:

- Information Services added new servers and more data storage for \$197,796.
- The Facilities department finished the renovation for courthouse security for \$2,238,686, completed the department relocation project for approximately \$6,675,583, replaced the boiler and cooling units at UW-Fox Valley for approximately \$281,844, purchased two vehicles for \$55,294 and completed the courthouse roof/parapet project for \$383,777.
- The Parks department purchased land adjacent to the expo center for expansion in the amount of \$175,028 and \$197,363 for the concert arena. In addition, a trailer, bobcat, truck and zero turn mower were purchased for \$71,113.

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- The Sheriff's office purchased eleven fleet vehicles for \$426,322 and upgraded the video surveillance system for \$55,000.
- The courts purchased a filing system for \$113,442 and a video conference system with AV updates for \$139,752.

Major assets retired during 2018:

- There were no major dispositions during the year.
- Total dispositions were a little over \$573,000, consisting mostly of old vehicles, lawn mowing tractors and related equipment. Most of these vehicles and equipment were fully depreciated and at the end of their useful lives.

Other changes to capital assets:

- Many of the assets placed in service during 2018 were from construction in process from prior years. Thus, the increase to the capital asset has a partial decrease to construction in process. They offset each other so don't effect the total change to capital assets.
- The change in accumulated depreciation during the year would usually reduce total capital assets as it is part of total capital assets above.

Business Type Activities:

The total change in capital assets for the business type activities was an increase of \$1,140,198.

Major assets placed in service during 2018:

- The Airport purchased a new snowplow for \$583,055.
- The Solid Waste Department built the Ken Robl Conservation Park for \$1,047,874, purchased an engine generator for \$253,092 and a roll off truck with attachments for \$163,029.
- Park View health care center updated the parking lot, sidewalks and landscaping for \$310,689 and replaced 8 bathtubs for \$116,768.
- The Highway Department annually replaces road maintenance vehicles, construction and snow plowing vehicles and other road maintenance equipment costing around \$1 million per year as part of an equipment rotation program. Approximately \$1 million of old vehicles are traded in or sold.

Other changes to capital assets:

- Many of the assets placed in service during 2018 were from construction in process from prior years. This results in a shift from construction in process to a capital asset category such as buildings, equipment, improvements and other. The result is that there may not be a large overall changes to capital assets in total.
- The change in accumulated depreciation during the year would usually reduce total capital assets as it is part of total capital assets.

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Winnebago County's Capital Assets (net of accumulated depreciation) (Amounts Expressed in \$1,000's)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 3,934	\$ 3,561	\$ 9,833	\$ 9,461	\$ 13,767	\$ 13,022
Buildings	45,498	46,855	29,318	29,534	74,816	76,389
Improvements other than buildings	14,124	7,703	13,606	14,298	27,730	22,001
Machinery, equipment and vehicles	13,826	14,419	12,134	11,625	25,960	26,044
Infrastructure	93,094	93,206	-	-	93,094	93,206
Construction in progress	8,569	10,250	4,437	5,551	13,006	15,801
Total	\$ 179,045	\$ 175,994	\$ 69,328	\$ 70,469	\$ 248,373	\$ 246,463

Additional information on the County's capital assets can be found in the footnotes on pages 78-80 of this report.

Long-term debt: At the end of the current fiscal year, the County had total bonded debt outstanding of \$34,040,236 backed by the full faith and credit of the County.

Winnebago County's Outstanding Debt

General Obligation Debt (Amounts Expressed in \$1,000's)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation notes	\$ 31,612	\$ 30,679	\$ 1,513	\$ 1,800	\$ 33,125	\$ 32,479
General obligation bonds	638	1,158	277	502	915	1,660
Total	\$ 32,251	\$ 31,837	\$ 1,789	\$ 2,302	\$ 34,040	\$ 34,139

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The County's total general-obligation debt decreased by \$98,597, or 0.3%, during the current year. There was a new borrowing during 2018 totaling \$8,075,000. The notes were issued to finance the following projects:

Project	Proceeds
Road resurface and reconstruction	\$ 3,877,000
Mental health crisis service center architect and engineering	2,088,000
CAD system	1,102,000
Department relocation	693,000
Human Service lot resurface	150,000
Highway material storage bins	100,000
Debt issue costs and discounts	55,000
Sheriff Lobby Window replacement	10,000
Total 2018 Bonding	\$ 8,075,000

Winnebago County maintains an Aa1 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 equalized valuation. The current debt limitation for the County is \$673,774,000, which is significantly in excess of its outstanding general obligation debt of \$34,040,236. The County has a debt service fund balance of \$746,751.

Additional information on the County's long-term debt can be found in the footnotes on pages 82-85 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- At the end of 2018 the US unemployment rate was 3.9%, Wisconsin's rate was 3.0% and Winnebago County's rate was 2.4%.
- Winnebago County continues to be a very affordable area to live with median home prices at \$148,100 compared to the Wisconsin average of \$155,900 and US average of \$254,700.
- Home sales in Winnebago County increased from 2,545 in 2017 to 2,730 in 2018.
- The labor force in Winnebago County remains stable at around 92,200 persons.
- Non-farm employment increased slightly at around 99,000 jobs.
- Areas with the highest concentration of jobs are in manufacturing, trade, transportation and utilities, professional and business services, education and health care, and government.
- Growth in net new construction has remained slow at around 1.3% which limits increases in spending.

These factors were considered in preparing the County's budget for the 2019 fiscal year.

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Section 66.0602 Local Levy Limits:

1. Except as provided in subs. (3), (4), and (5), no political subdivision may increase its levy in any year by a percentage that exceeds the political subdivision's valuation factor. The valuation factor is equal to the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current year.

2. Debt service continues to be exempt from the levy limit freeze for all debt issued prior to July 1, 2005. Debt issued after July 1, 2005 will also be exempt if certain conditions are met. One of those is that the governing body can approve the bond issue by a $\frac{3}{4}$ vote. Winnebago County has used this provision to exceed rate limits in the past and will likely continue to do so.

3. Penalties will be imposed upon any governing body that exceeds these levy limits.

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

The debt service tax rate limit was frozen at \$0.31. The debt service rate that was adopted with the 2018 budget is \$0.69. We have been able to exceed the limit by using the 2nd exception listed below:

Generally, referendum approval is required to issue unlimited tax general obligation debt, with the following exceptions:

- Refunding debt issues
- Approval by the County Board by a vote of $\frac{3}{4}$ ths of the full board.
- A reasonable expectation that the new debt can be accommodated within the existing tax rate
- Other exceptions as listed in State Statutes Section 67.045

The 2018 tax levy and rate are within the limitations contained in state laws.

Requests for Information

This financial report is designed to provide a general overview of Winnebago County, Wisconsin'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, 112 Otter Avenue, P.O. Box 2808, Oshkosh, WI 54903-2808.