

# WINNEBAGO COUNTY, WISCONSIN

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# WINNEBAGO COUNTY, WISCONSIN

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# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of Winnebago County, Wisconsin conform to generally accepted accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### **A. REPORTING ENTITY**

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

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. This report does not contain any blended component units.

#### **DISCRETELY PRESENTED COMPONENT UNIT**

##### *Winnebago County Housing Authority*

The government-wide financial statements include the Winnebago County Housing Authority ("Housing Authority") as a component unit. The Housing Authority is a legally separate organization. The board of the Housing Authority is appointed by the county board. Wisconsin Statutes provide for circumstances whereby the county can impose its will on the Housing Authority, and also create a potential financial benefit to or burden on the county. See Note IV J. As a component unit, the Housing Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended June 30, 2006. Separately issued financial statements of the Winnebago County Housing Authority may be obtained from the Housing Authority's office.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### ***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units 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. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

##### ***FUND FINANCIAL STATEMENTS***

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

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

Funds are organized as major funds or non-major funds within the governmental, proprietary, and fiduciary funds statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**WINNEBAGO COUNTY, WISCONSIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

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

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

**FUND FINANCIAL STATEMENTS (cont.)**

- c. In addition, any other governmental or enterprise fund that the County believes is particularly important to financial statement users may be reported as a major fund.

The County reports the following major governmental funds:

*Major Governmental Funds*

General Fund – accounts for the County’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Human Services Special Revenue Fund – accounts for resources legally restricted to supporting expenditures for the Human Services program.

The County reports the following major enterprise funds:

*Major Enterprise Funds*

Airport – accounts for operations of the regional airport.

Solid Waste Management – accounts for operations of the landfill and recycling operations.

Park View Health Center – accounts for operations of the County nursing home.

Highway Fund – accounts for highway maintenance operations.

The County reports the following non-major governmental funds:

*Non-Major Governmental Funds*

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.

*Capital Projects Funds*

Shower/Restroom Expansion-Expo

Courthouse Ramp

County Highway K

County Highway Y

County Highway JJ

County Highway Bridge E

County Highway Bridge D

County Highway E

Public Safety System

Radio System Upgrade

Asphalt Replacement Program

Roof Replacement Projects

Courtroom Video Conferencing

Air Condition Human Services Bldg

Courthouse Security

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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

##### **FUND FINANCIAL STATEMENTS (cont.)**

##### Capital Projects Funds (cont.)

- Tower Modifications
- County Highway AP
- County Highway P
- County Highway FF – Zoar Road
- County Highway II to STH 110
- County Highway S to STH 110
- County Highway II to STH 150
- County Highway A – CTH Y to Indian Pt Road
- County Highway M
- County Highway M Bridge- Rat River
- County Highway M Bridge- Arrowhead River
- Computer System Infrastructure

In addition, Winnebago County reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of Winnebago County, or to other governmental units, on a cost-reimbursement basis.

Self-Insurance – accounts for the risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees.

General Services - accounts for the central printing, mailroom and microfilming services to all County departments.

Agency funds are used to account for assets held by Winnebago County in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Litigant's Deposits- accounts for the receipt and disbursement of funds held by the County for individuals who are scheduled for court appearances.

Patient Fund- accounts for the receipt and disbursement of monies held for the benefit of patients at Park View Health Center.

Burial Trust Fund- accounts for collections and payment of funds deposited with the county treasurer for burial expense.

Other Trust Funds- accounts for the receipt and disbursement of funds for small items such as drainage districts, etc.

MEG Unit- accounts for the receipt and disbursement of funds for the Lake Winnebago Area Metropolitan Enforcement Group.

**WINNEBAGO COUNTY, WISCONSIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

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

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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 Winnebago County's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**FUND FINANCIAL STATEMENTS**

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

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

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

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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

##### **FUND FINANCIAL STATEMENTS (cont.)**

Delinquent special assessments being held for collection by the county are reported as receivables and reserved fund balance in the general fund.

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

Winnebago County reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before Winnebago County has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when Winnebago County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The 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 proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### **ALL FINANCIAL STATEMENTS**

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

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

##### **1. DEPOSITS AND INVESTMENTS**

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

Investment of Winnebago County funds is restricted by state statutes. Available investments are limited to:

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

Winnebago County has adopted an investment policy. That policy contains the following guidelines for allowable investments.

#### ***Custodial Credit Risk***

The County requires that investments in excess of \$500,000 in any bank as a County depository may be subject to collateralization (i.e., a surety bond or other security being required for the amount of the deposit) unless minimum standards are met. These standards include certain capitalization and deposit ratios, earnings and quality of assets criteria. At December 31, 2006 the County was not in compliance with the custodial credit risk policy.

#### ***Credit Risk***

The county has no formal credit risk policy.

#### ***Concentration of Credit Risk***

The county has no formal concentration of credit risk policy.

#### ***Interest Rate Risk***

The county has no formal interest rate risk policy.

**WINNEBAGO COUNTY, WISCONSIN**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

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

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**  
**1. DEPOSITS AND INVESTMENTS (cont.)**

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2006, the fair value of the Winnebago County's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

**2. RECEIVABLES**

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for Winnebago County, taxes are collected for and remitted to the state as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying fund balance sheet and in the governmental activities column on the statement of net assets.

Property tax calendar – 2006 tax roll:

Lien date and levy date	December 2006
Tax bills mailed	December 2006
Payment in full, or	January 31, 2007
First installment due	January 31, 2007
Second installment due	July 31, 2007
Personal property taxes in full	January 31, 2007
Tax sale – 2006 delinquent real estate taxes	October 2008

Property taxes are due, in the year subsequent to levy, on the last day of January, and collected by local treasurers through that date, at which time unpaid taxes are assigned to the County and appropriate receivables and payables are recorded. Tax collections become the responsibility of the County and taxes receivable include unpaid taxes levied for all taxing entities within the County. The County makes restitution to local districts in August for payables recorded at the settlement date without regard to collected funds. A lien is placed on all properties for which a

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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

##### ***2. RECEIVABLES (cont.)***

portion of the current tax levy remains unpaid as of September 1. The interest and penalties on taxes not paid within 60 days of the end of the current fiscal period is shown as deferred revenue until it is received in cash.

Accounts receivable have been shown net of an allowance for uncollectible accounts. No allowance for uncollectible delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the applicable property.

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

Winnebago County has received federal and state grant funds for economic development loan programs to various businesses and individuals. Winnebago County records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development loans receivable has been reduced by an allowance for uncollectible accounts of \$0.

It is Winnebago County's policy to record revenue when the initial loan is made from the federal and state grant funds. The net amount of the loan receivable balance is offset by a reserve for loans receivable. As loans are repaid, the reserve for loans receivable is reduced and the designated fund balance is increased. When new loans are made from loan repayments, the reserve for loans receivable is increased and the designated fund balance is decreased. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the governmental fund balance sheet.

##### ***3. INVENTORIES AND PREPAID ITEMS***

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the consumption method of accounting. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

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

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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

##### **GOVERNMENT – WIDE STATEMENTS (cont.)**

#### **4. RESTRICTED ASSETS**

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

#### **5. CAPITAL ASSETS**

##### **GOVERNMENT – WIDE STATEMENTS**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for road and \$25,000 for bridge infrastructure assets. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Winnebago County has retroactively reported all network infrastructure acquired by its governmental fund types.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. \$0 of net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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

#### **5. CAPITAL ASSETS (cont.)**

##### **GOVERNMENT – WIDE STATEMENTS (cont.)**

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

Buildings	10-60 Years
Land Improvements	3-60 Years
Machinery and Equipment	3-35 Years
Leachate system	20 Years
Infrastructure	40-100 Years

##### **FUND FINANCIAL STATEMENTS**

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

#### **6. OTHER ASSETS**

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

#### **7. COMPENSATED ABSENCES**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2006 are determined on the basis of current salary rates and include salary-related payments, except for non represented employees the liabilities are calculated based on rates of pay and sick leave balances at December 31, 2005.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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#### **ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **8. LONG-TERM OBLIGATIONS/ CONDUIT DEBT**

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face values of debt (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

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

The County does not engage in conduit debt transactions.

##### **9. CLAIMS AND JUDGMENTS**

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

##### **10. EQUITY CLASSIFICATIONS**

###### **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 less any unspent debt proceeds.
- 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.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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#### *ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)*

##### **10. EQUITY CLASSIFICATIONS (cont.)**

- 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.”

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

#### **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. Proprietary fund equity is classified the same as in the government-wide statements.

##### **11. COMPARATIVE DATA/RECLASSIFICATIONS**

Comparative total data for the prior year have been presented for all funds in the financial statements in order to provide an understanding of the changes in the financial positions and operations of these funds. However, comparative data by fund has not been presented in all statements since their inclusion would make the statements unduly complex and difficult to read.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### A. BUDGETARY INFORMATION

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

A budget has been adopted for the general fund, special revenue fund, debt service fund, capital projects funds, enterprise funds (except Solid Waste Fund) and internal service funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

The County uses the following procedures when establishing budgetary data reflected in the financial statements:

1. Prior to September 1, the department heads submit to the County Executive a proposed operating budget for the fiscal year which commences the following January. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held concerning the proposed budget.
3. Prior to November 15, the budget is legally enacted through approval by the County Board.

County policy requires that budgeted revenues and appropriations for the ensuing year be established on a modified accrual basis of accounting and approved by the County Board of Supervisors. Budget is defined as the originally approved budget plus or minus approved revisions and/or carryforwards of revenues and expenditures. Individual amendments throughout the year were not material in relation to the original appropriation. A cost center can be a fund, program, department or other activity for which control of expenditures is considered desirable.

The governing body has established four broad expenditure categories including labor and fringes, travel and meetings, capital outlay and other operating expenses. Management has the authority to make budget transfers between line items as long as they remain within the same category. All transfers between categories, regardless of the amount, require approval of the governing body.

The Personnel and Finance Committee must approve transfers between categories or transfers of \$3,000 or less from the contingency fund. All other budget transfers require two-thirds approval by the County Board.

Formal budgetary integration is employed as a management control device for the general fund, special revenue funds, debt service fund and capital projects funds. Management control of the budgetary process has been established through the use of cost centers. A cost center is a department listed in the schedule of expenditures and other financing uses in the general fund and an individual fund in the special revenue, debt service, and capital projects funds.

A comparison of budget and actual is included in the accompanying financial statements for the aforementioned governmental fund types with budgets. The budgeted amounts presented include any amendments made.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### A. BUDGETARY INFORMATION (cont.)

Unexpended appropriations, net of anticipated revenues, carried forward to 2007, aggregating \$403,726 at December 31, 2006, have been classified on the governmental funds balance sheet as fund balance designated for prior year's appropriations.

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Winnebago County had no non-major funds with an excess of actual expenditures over appropriations for the year ended December 31, 2006.

Winnebago County controls expenditures at the object level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in Winnebago County's year-end budget to actual report.

#### C. DEFICIT BALANCES

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

As of December 31, 2006, the following individual fund held a deficit balance:

Capital Project Funds	
County Highway AP	<u>\$ 479</u>

The fund deficit is anticipated to be funded with future long-term borrowing.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### **NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)**

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

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

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

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

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

The county is in compliance with the limitation.

#### ***E. LIMITATIONS ON THE COUNTY'S TAX LEVY***

As part of Wisconsin's Act 25 (2005), new legislation was passed that limits the county's future tax levies. Generally, the county is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the county's equalized value due to new construction, or 2%. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit begins with the 2005 levy collected in 2006 and is set to expire after the 2006 levy.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE III – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

Total cash and investments of the County consists of the following:

	Carrying Value	Institution Balance	Associated Risk
Demand deposits and cash on hand	\$ 33,566,513	\$ 35,500,313	Custodial
U.S. Government securities	5,889,074	5,983,557	Interest rate, custodial
U.S. Agencies- explicitly guaranteed	1,784,286	1,774,637	Interest rate, custodial
U.S. Agencies- implicitly guaranteed	23,149,854	23,451,973	Credit, interest rate, custodial, concentration of credit
Repurchase agreements	8,594,688	8,594,688	Credit, interest rate, custodial, concentration of credit
Corporate bonds	349,456	349,594	Credit, interest rate, custodial, concentration of credit
LGIP	3,375	3,375	Interest rate, credit
Mutual Funds	1,719,629	1,719,629	Interest rate, credit
Money Markets	7,897,621	7,897,621	Custodial
Total Cash and Investments	<u>\$ 82,954,496</u>	<u>\$ 85,275,387</u>	
Reconciliation to the financial statements			
Per statement of net assets-			
Unrestricted Cash and Investments	\$ 45,432,917		
Restricted Cash and Investments- Current	21,787,692		
Restricted Cash and Investments- Noncurrent	14,452,766		
Per statement of net assets – Fiduciary Funds	<u>1,281,121</u>		
Total	<u>\$ 82,954,496</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

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

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

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government).

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### A. DEPOSITS AND INVESTMENTS (cont.)

##### Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to the County.

As of December 31, 2006, \$14,111,830 of the County's bank balance of \$35,500,313 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 14,111,830</u>
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Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2006, the County's investments were exposed to custodial credit risk as follows:

##### U. S. Government Treasury Securities

Neither insured nor registered and held by counterparty's trust department or agent not in the County's name	<u>\$ 5,983,557</u>
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##### U. S. Agency Explicitly Guaranteed Securities

Neither insured nor registered and held by counterparty's trust department or agent not in the County's name	<u>\$ 217,581</u>
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##### U. S. Agency Implicitly Guaranteed Securities

Neither insured nor registered and held by counterparty's trust department or agent not in the County's name	<u>\$ 22,011,405</u>
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Included in the U.S. Agency Implicitly Guaranteed Securities are the County's repurchase agreements in the amount of \$8,594,688.

##### Corporate Bonds

Neither insured nor registered and held by counterparty's trust department or agent not in the County's name	<u>\$ 349,594</u>
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# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### A. DEPOSITS AND INVESTMENTS (cont.)

##### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2006, the County's investments were rated as follows:

Investment Type	Standard & Poor's	Moody's Investor Service
U.S. Agencies- Implicitly guaranteed	AAA	AAA
Mutual Fund	AAA	AAA
Repurchase Agreements	AAA	AAA

The County also had an investment in the following external pool that was not rated.  
Local Government Investment Pool

##### Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2006, the County's investments were rated as follows:

Investment Type	Fair Value	Investment Maturities(in years)			
		Less Than 1	1-5	6-10	More Than 10
LGIP	\$ 3,375	\$ 3,375	\$ -	\$ -	-
U.S. Government securities	5,889,074	300,092	2,484,715	2,552,658	551,609
U.S. Agencies- explicitly guaranteed	1,784,286	-	-	77,595	1,706,691
U.S. Agencies- Implicitly guaranteed	23,149,854	134,908	14,694,461	1,925,331	6,395,154
Corporate Bonds	349,456	-	349,456	-	-
Mutual Fund	1,719,629	1,719,629	-	-	-
Repurchase Agreements	8,594,688	-	-	-	8,594,688
<b>Totals</b>	<b>\$ 41,490,362</b>	<b>\$ 2,158,004</b>	<b>\$ 17,528,632</b>	<b>\$ 4,555,584</b>	<b>\$ 17,248,142</b>

##### Concentration of Credit Risk

The County places no limit on the amount the County may invest in any one issuer. At December 31, 2006 the County had more than 5 percent of the County's investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments are 9%, 33%, and 20%, respectively, of the County's total investments.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### NOTE III- DETAILED NOTES ON ALL FUNDS (cont.)

#### B. RECEIVABLES

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

	General	Human Services Fund	Nonmajor and Other Funds	Internal Service Funds	Total
Receivables:					
Property Taxes	\$ 60,722,364	\$ -	\$ -	\$ -	\$ 60,722,364
Delinquent Taxes	4,726,370	-	-	-	4,726,370
Taxes levied for other governments	1,910,384	-	-	-	1,910,384
Accounts	540,100	998,665	-	2,351	1,541,116
Interest	327,772	-	37,204	53,781	418,757
Intergovernmental	760,326	3,895,863	80,000	-	4,736,189
Gross receivables	68,987,316	4,894,528	117,204	56,132	74,055,180
Less: Allowance for Uncollectibles	(211,423)	(10,141)	(-)	(-)	(221,564)
Net Total Receivables	\$ 68,775,893	\$ 4,884,387	\$ 117,204	\$ 56,132	\$ 73,833,616
Amount not expected to be collected in one year	\$ 5,000,000	\$ -	\$ -	\$ -	\$ 5,000,000

Revenues of the enterprise funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to Airport Fund	\$ 267
Uncollectibles related to Solid Waste Fund	80,785
Uncollectibles related to Park View Health Center	8,869
Total Uncollectibles of the Current Fiscal Year	\$ 89,921

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### B. RECEIVABLES (cont.)

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. Property taxes levied for the subsequent year are not earned and cannot be used 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:

	Unavailable	Unearned
Property taxes receivable	\$ -	\$ 60,721,880
Delinquent property taxes receivable	-	1,029,083
Grant and other receivables	1,322,077	-
Total Deferred/Unearned Revenue for Governmental Funds	\$ 1,322,077	\$ 61,750,963

Delinquent property taxes purchased from other taxing authorities are reflected as reservations of fund balance at year-end. Delinquent property taxes collected within sixty days subsequent to year-end are considered to be available for current expenditures and are therefore excluded for the reservation of fund balances. For the year ended December 31, 2006, such collections aggregated \$655,621 of which \$165,355 was levied by the County. Delinquent property taxes levied by the County are reflected as deferred revenue and are excluded from the fund balance until collected. At December 31, 2006, delinquent property taxes by year levied consists of the following:

	Total	County Levied	County Purchased
Tax Certificates			
2005	\$ 3,060,266	\$ 777,308	\$ 2,282,958
2004	1,198,263	297,169	901,094
2003	243,544	59,473	184,071
2002	20,453	4,978	15,475
2001 and prior	45,519	10,148	35,371
Tax Deeds	158,325	40,215	118,110
Total Delinquent Property Taxes Receivable	\$ 4,726,370	\$ 1,189,291	\$ 3,537,079

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### **NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **B. RECEIVABLES (cont.)**

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

At December 31, 2006, Winnebago County has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

#### **C. RESTRICTED ASSETS**

Restricted assets of the park view health center fund as of December 31, 2006, were \$22,047,105, including accrued interest of \$259,413, which represent borrowed money that has not been spent as of December 31, 2006.

Restricted assets of the solid waste management fund as of December 31, 2006, were \$14,630,589, including accrued interest of \$177,823, cash and cash equivalents of \$1,318,261 and noncurrent investments of \$13,312,328 which represent escrow amounts required by the Wisconsin Department of Natural Resources for \$14,630,589 as of December 31, 2006.

#### **D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,843,755	\$ -	\$ -	\$ 2,843,755
Construction in progress	10,027,410	3,014,069	11,793,523	1,247,956
Total Capital Assets Not Being Depreciated	<u>12,871,165</u>	<u>3,014,069</u>	<u>11,793,523</u>	<u>4,091,711</u>
Capital Assets Being Depreciated:				
Buildings	65,584,007	655,451	-	66,239,458
Improvements other than buildings	8,534,523	662,748	-	9,197,271
Machinery and equipment	20,580,428	5,570,440	232,423	25,918,445
Infrastructure	56,777,067	5,774,661	1,773,404	60,778,324
Total Capital Assets Being Depreciated	<u>151,476,025</u>	<u>12,663,300</u>	<u>2,005,827</u>	<u>162,133,498</u>

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Less: Accumulated Depreciation for:				
Buildings	\$ (12,959,407)	\$ (1,638,102)	\$ -	\$ (14,597,509)
Improvements other than buildings	(3,388,266)	(432,863)	-	(3,821,129)
Machinery and equipment	(11,177,973)	(1,402,306)	58,400	(12,521,879)
Infrastructure	(3,990,458)	(382,902)	214,714	(4,158,646)
Total Accumulated Depreciation	(31,516,104)	(3,856,173)	273,114	(35,099,163)
Net Capital Assets being Depreciated	119,959,921	8,807,127	1,732,713	127,034,335
Total Governmental Activities Capital Assets, Net of Depreciation	\$ 132,831,086	\$ 11,821,196	\$ 13,526,236	\$ 131,126,046

Depreciation expense was charged to functions as follows:

#### Governmental Activities

General government	\$ 895,854
Public safety	1,198,626
Public works, which includes the depreciation of infrastructure	382,902
Human services	208,245
Leisure activities	937,991
Community development	232,555

Total Governmental Activities Depreciation Expense \$ 3,856,173

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 8,413,388	\$ 1,558,961	\$ 600	\$ 9,971,749
Construction in progress	862,280	6,377,369	54,308	7,185,341
Total Capital Assets Not Being Depreciated	9,275,668	7,936,330	54,908	17,157,090
Other Capital Assets				
Buildings	25,219,036	-	54,630	25,164,406
Land improvements	39,676,525	90,304	1,558,961	38,207,868
Machinery and equipment	22,600,454	1,528,957	868,392	23,261,019
Total Capital Assets Being Depreciated	87,496,015	1,619,261	2,481,983	86,633,293

**WINNEBAGO COUNTY, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Ending Balance
Less: Accumulated depreciation for:				
Buildings	\$(15,302,397)	\$ (694,044)	\$ 44,626	\$(15,951,815)
Land improvements	(26,715,272)	(2,222,386)	-	(28,937,658)
Machinery and equipment	(12,903,771)	(1,466,097)	432,305	(13,937,563)
Total Accumulated Depreciation	<u>(54,921,440)</u>	<u>(4,382,527)</u>	<u>476,931</u>	<u>(58,827,036)</u>
Net Capital Assets Being Depreciated	<u>32,574,575</u>	<u>(2,763,266)</u>	<u>2,005,052</u>	<u>27,806,257</u>
Total Business-type Activities Capital Assets, net of Depreciation	<u>\$ 41,850,243</u>	<u>\$ 5,173,064</u>	<u>\$ 2,059,960</u>	<u>\$ 44,963,347</u>

Depreciation expense was charged to functions as follows:

**Business-Type Activities**

Airport	\$ 1,029,791
Solid Waste Management	2,096,617
Park View Health Care Center	275,067
Highway	<u>981,052</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 4,382,527</u>

**E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

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

Receivable Fund	Payable Fund	Amount	Amount Not Due Within One Year
General Fund	Special Revenue Fund		
	Human Services	\$ 10,000	\$ -
General Fund	Capital Project Funds		
	County Highway P	77,408	-
General Fund	Internal Service Fund		
	General Services	<u>66,500</u>	<u>-</u>
	Total	<u>\$ 153,908</u>	<u>\$ -</u>

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### *E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)*

The principal purpose of these interfunds is to fund negative cash balances. All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated. In the current year, all of the \$153,908 was eliminated because they were all governmental activities. The internal balance amount of \$998,309 is the amount of internal service funds allocated to the business-type activities.

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Highway Fund	\$ 227,000	Operating Transfer
	Self Insurance Fund	118,619	Operating Transfer
Human Services Nonmajor Funds	General Fund	15,135,955	Tax Levy Allocation
	General Fund	10,062,582	Tax Levy Allocation
	General Fund	95,000	Operating Transfer
	Nonmajor Funds	500,265	Operating Transfer
General Services Funds	General Fund	3,504	Tax Levy Allocation
	General Fund	9,000	Operating Transfer
Airport Fund	General Fund	419,784	Tax Levy Allocation
Park View Health Center Fund	General Fund	<u>4,887,300</u>	Tax Levy Allocation
Total Transfers		\$ 31,459,009	
Elimination of interfund governmental activities		<u>(26,378,925)</u>	
Total transfers after eliminations		<u>\$ 5,080,084</u>	

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

	Transfer In	Transfer Out	Net Transfers – Statement of Activities
Governmental activities	\$ 227,000	\$ (5,307,084)	\$ (5,080,084)
Business-type activities	5,307,084	(227,000)	5,080,084
 Totals	<u>\$ 5,534,084</u>	<u>\$ (5,534,084)</u>	<u>\$ -</u>

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

#### F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable:					
General obligation debt	\$ 52,401,568	\$ 1,721,000	\$ 8,134,811	\$ 45,987,757	\$ 8,459,863
Add/(Subtract) Deferred Amounts For:					
(Discounts)/Premiums	8,958	21,379	21,410	8,927	22,318
Advance Refunding – Gain/ (Losses)	(56,992)	-	(17,536)	(39,456)	(17,535)
Sub-total	<u>52,353,534</u>	<u>1,742,379</u>	<u>8,138,685</u>	<u>45,957,228</u>	<u>8,464,646</u>
 Other Liabilities					
Vested compensated absences	5,690,060	3,338,623	3,009,657	6,019,026	3,000,000
Total Other Liabilities	<u>5,690,060</u>	<u>3,338,623</u>	<u>3,009,657</u>	<u>6,019,026</u>	<u>3,000,000</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 58,043,594</u>	<u>\$ 5,081,002</u>	<u>\$ 11,148,342</u>	<u>\$ 51,976,254</u>	<u>\$11,464,646</u>

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS(cont.)

##### GENERAL OBLIGATION DEBT (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-Type Activities</b>					
Bonds Payable:					
General obligation debt	\$ 4,653,432	\$ 22,889,000	\$ 980,189	\$ 26,562,243	\$ 1,807,594
Add/(Subtract) Deferred Amounts For:					
(Discounts)/Premiums	5,256	178,525	1,617	182,164	28,271
Advance Refunding Gains/ (Losses)	(30,850)	-	(9,492)	(21,358)	(9,492)
Sub-total	4,627,838	23,067,525	972,314	26,723,049	1,826,373
Other Liabilities:					
Vested compensated absences	1,352,756	1,108,514	1,116,115	1,345,155	1,100,000
Landfill closure and long-term care	15,370,481	1,383,634	-	16,754,115	-
Total Other Liabilities	16,723,237	2,492,148	1,116,115	18,099,270	1,100,000
Total Business-Type Activities					
Long-Term Liabilities	\$ 21,351,075	\$ 25,559,673	\$ 2,088,429	\$ 44,822,319	\$ 2,926,373

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of Winnebago County may not exceed five percent of the equalized value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2006, was \$557,818,770. Total general obligation debt outstanding at year end was \$72,550,000.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### **NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **F. LONG-TERM OBLIGATIONS (cont.)**

##### **GENERAL OBLIGATION DEBT (cont.)**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-2006</u>
Governmental Activities					
General Obligation Debt					
Series 2000 A	2000	2010	4.55%-4.85%	\$ 2,710,000	\$ 1,210,000
Series 2001 A	2001	2011	3.25% -4.0%	8,957,000	6,602,497
Series 2002 A	2002	2012	3.0%-4.375%	26,705,000	21,626,617
Series 2003 B	2003	2019	2.875%- 5.5%	868,637	784,913
Series 2003 D	2003	2013	2.0%- 3.35%	2,937,255	2,492,064
Series 2004 A	2004	2014	2.0%	3,430,000	1,115,000
Series 2004 B	2004	2020	3.5%- 5.0%	3,544,316	3,471,058
Series 2004 C	2004	2009	2.0%- 3.0%	2,076,160	2,017,768
Series 2005 A	2005	2008	2.0%	4,840,000	3,215,000
Series 2005 B	2005	2015	3.5%- 5.0%	1,890,000	1,731,840
Series 2006 A	2006	2016	4.55%- 4.85%	1,721,000	1,721,000
Total Governmental Activities – General Obligation Debt					<u>\$ 45,987,757</u>

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-2006</u>
Business-Type Activities					
General Obligation Debt					
Airport Fund 2001 Series A Notes	2001	2011	3.25%- 4.0%	\$ 78,000	\$ 57,503
Airport Fund 2002 Series A Notes	2002	2012	3.0% - 4.375%	160,000	138,383
Airport Fund 2003 Series B Notes	2003	2019	2.875%- 5.5%	9,586	8,662
Solid Waste Management Fund 2003 Series B Notes	2003	2019	2.875%- 5.5%	28,510	25,762
Park View Health Center Fund 2003 Series B Notes	2003	2019	2.875%- 5.5%	255,848	231,188
Highway Fund 2003 Series B Notes	2003	2019	2.875%- 5.5%	82,419	74,475
Park View Health Center Fund 2003 Series D Notes	2003	2013	2.0%- 3.35%	97,748	82,936
Airport Fund 2004 Series B Notes	2004	2020	3.5%- 5.0%	39,116	38,308
Solid Waste Management Fund 2004 Series B Notes	2004	2020	3.5%- 5.0%	116,332	113,927
Park View Health Center Fund 2004 Series B Notes	2004	2020	3.5%- 5.0%	1,043,940	1,022,362

## WINNEBAGO COUNTY, WISCONSIN

### NOTES TO FINANCIAL STATEMENTS December 31, 2006

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-2006
Business-Type Activities General Obligation Debt (cont.)					
Highway Fund 2004 Series B Notes	2004	2020	3.5%- 5.0%	\$ 336,296	\$ 329,345
Solid Waste Management Fund 2004 Series C Notes	2004	2009	2.0%- 3.0%	1,123,840	1,092,232
Park View Health Center Fund 2005 Series B Notes	2005	2015	3.0%- 3.4%	500,000	458,160
Park View Health Center Fund 2006 Series A Notes	2006	2015	3.0%- 3.4%	22,889,000	22,889,000
Total Business-Type Activities General Obligation Debt					<u>\$ 26,562,243</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-Type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2007	\$ 8,459,863	\$ 1,661,697	\$ 1,807,594	\$ 1,118,149
2008	7,867,296	1,366,127	2,492,706	967,983
2009	6,792,224	1,088,825	3,367,776	852,863
2010	6,398,992	825,576	2,511,008	734,314
2011	6,431,638	563,234	3,248,363	616,009
2012 – 2016	8,381,654	895,602	12,418,349	1,505,141
2017 – 2020	1,653,546	137,602	716,447	59,620
Totals	<u>\$ 45,987,757</u>	<u>\$ 6,538,663</u>	<u>\$ 26,562,243</u>	<u>\$ 5,854,079</u>

#### OTHER DEBT INFORMATION

Estimated payments of compensated absences, landfill closure and long-term care, and unearned revenue are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general or special revenue fund. The landfill closure and long-term care cost will be liquidated primarily with the restricted cash and investments in the solid waste management fund. The unearned revenues will be liquidated when the cost pool at the highway has more cost than reimbursements.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### F. LONG-TERM OBLIGATIONS (cont.)

On October 19, 2004, the County board issued \$3,200,000 in general obligation bonds with an average interest rate of 2.707 percent to advance refund \$3,075,000 of outstanding general obligation debt with an average interest rate of 4.82 percent. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the general obligation promissory notes dated October 1, 1999. As a result, the general obligation promissory notes dated October 1, 1999 are considered to be defeased and the liability for those bonds has been removed from these financial statements. The bonds were called on April 1, 2006.

#### G. LEASE DISCLOSURES

##### LESSOR – OPERATING LEASES

The County is the lessor of hangar, parking, office and related building space at its airport under various operating leases for periods ranging from 2006 through 2090. Revenues and related expenses for these leases are recorded in the Airport fund. The cost, accumulated depreciation and book value of leased property is \$7,724,790, \$4,964,632 and \$2,760,158 respectively.

Non-cancelable operating leases at December 31, 2006, provide for the following future minimum lease revenues (excluding any contingent rentals):

2007	\$	364,651	2041-2045	\$	133,875
2008		298,195	2046-2050		133,875
2009		288,056	2051-2055		133,875
2010		282,532	2056-2060		133,875
2011		248,756	2061-2065		133,875
2012-2015		988,995	2066-2070		133,875
2016-2020		924,786	2071-2075		133,875
2021-2025		607,480	2076-2080		133,875
2026-2030		222,215	2081-2085		133,875
2031-2035		192,390	2086-2090		125,039
2036-2040		161,182			
			Total	\$	<u>5,909,152</u>

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### G. LEASE DISCLOSURES (cont.)

##### LESSOR/ LESSEE – CAPITAL LEASES

The County has no material outstanding sales-type or direct financing leases.

##### LESSEE – OPERATING LEASES

The County leases several group homes under operating agreements with the Wisconsin Housing Authority for periods ranging from 2007 through 2009. Expenditures for these leases are recorded in the human services fund. These expenditures amount to \$128,676. Future minimum lease payments for these leases are as follows:

2007	\$ 96,776
2008	59,616
2009	<u>17,941</u>
Total	<u>\$ 174,333</u>

#### H. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the Snell Road landfill site and the Sunnyview landfill site for the years after closure. The Snell Road landfill site was closed in 1991 and the Sunnyview landfill site expects to be closed in the year 2020. Although postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$16.8 million reported as landfill postclosure care liability at December 31, 2006, represents the cumulative amount reported to date based on the use of 60.9 percent of the estimated capacity of the Sunnyview landfill site and 100 percent of the capacity at the Snell Road landfill site. The County will recognize the remaining estimated cost of postclosure care of \$7.3 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all postclosure care in 2006. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and, at December 31, 2006, cash and investments of \$14,630,589 are held for these purposes. These are reported as restricted assets on the statement of net assets. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by charges to future landfill users or from tax revenue.

**WINNEBAGO COUNTY, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**I. NET ASSETS/FUND BALANCES**

Net assets reported on the government wide statement of net assets at December 31, 2006 includes the following:

<b>GOVERNMENTAL ACTIVITIES</b>	
Invested in capital assets, net of related debt	
Land	\$ 2,843,755
Construction in progress	1,247,956
Other capital assets, net of accumulated depreciation	127,034,335
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>( 41,600,037)</u>
Total Invested in Capital Assets	89,526,009
Restricted	
Externally imposed by creditors	1,915,446
Debt service	1,027,358
Unrestricted	<u>15,140,504</u>
Total Governmental Activities Net Assets	<u>\$ 107,609,317</u>

Restrictions listed as other activities include amounts for loans receivable and the scholarship program.

Governmental fund balances reported on the fund financial statements at December 31, 2006 include the following:

<b>Reserved</b>	
Major Funds	
General Fund	
Delinquent property taxes	\$ 3,061,932
Advance payments	88,768
Capital outlay	254,351
Loans receivable	1,887,785
Public Safety	200,148
Scholarship program	27,661
Prior year commitments	163,563
Special Revenue Fund	
Advance payments	421,369
Nonmajor Funds	
Debt Service	1,027,358
Capital outlay	<u>2,645,484</u>
Total	<u>\$ 9,778,419</u>

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### I. NET ASSETS/FUND BALANCES (cont.)

##### Unreserved (designated)

###### Major Funds

###### General fund

Designated for subsequent years expenditures	\$ 424,000
Designated for prior year appropriations	403,726
Designated for special projects	<u>1,652,331</u>

Total \$ 2,480,057

##### Unreserved (undesignated)

###### Major Funds

###### General fund

\$ 13,493,206

Special revenue fund 55,466

###### Non Major Fund

Capital project fund (deficit) (479)

Total \$ 13,548,193

##### Business-Type Activities

###### Invested in capital assets, net of related debt

Land \$ 9,971,749

Construction in progress 7,185,341

Other capital assets, net of accumulated depreciation 27,806,257

Less: related long-term debt outstanding (excluding unspent capital related debt proceeds) (4,040,396)

Total Invested in Capital Assets, Net of Related Debt 40,922,951

###### Unrestricted

15,502,847

Total Business-Type Activities Net Assets \$ 56,425,798

**WINNEBAGO COUNTY, WISCONSIN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

**J. COMPONENT UNIT**

This report contains the Winnebago County Housing Authority (Authority), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

**1. BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

The housing authority follows the full accrual basis of accounting and the flow of economic resources measurement focus.

**2. DEPOSITS AND INVESTMENTS**

The Authority's investments are categorized in the following categories based on the descriptions used in Note IV. A.

	Category			Totals	Carrying Amount/ Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>		
Total cash and investments	<u>\$ 752,538</u>	<u>\$ 1,078,321</u>	<u>\$ -</u>	<u>\$ 1,830,859</u>	<u>\$ 1,832,587</u>
Per statement of net assets-					
Cash and investments - unrestricted					\$ 1,146,765
Cash and investments - restricted					650,580
Tenant security deposits					<u>35,242</u>
Total					<u>\$ 1,832,587</u>

**3. CASH AND CASH EQUIVALENTS**

The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### J. COMPONENT UNIT (cont.)

#### 4. CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance	Useful Lives (Years)
Land	\$ 747,052	\$ -	\$ (20,010)	\$ 727,042	N/A
Construction in Progress	50,189	97,740	-	147,929	N/A
Buildings & Equipment	8,636,759	52,580	(130)	8,689,209	5-40
Total Capital Assets	\$ 9,434,000	\$ 150,320	\$ (20,140)	\$ 9,564,180	
Less: Accumulated Depreciation	(3,977,954)	(283,473)	677	(4,260,750)	
Net Capital Assets	\$ 5,456,046	\$ (133,153)	\$ (19,463)	\$ 5,303,430	

Depreciation expense was charged to functions as follows:

Low Rent Public Housing	\$ 180,097
Voucher Program	184
N/C S/R Section 8	73,801
Business Activities	29,391
Total Depreciation Expense	\$ 283,473

#### 5. LONG-TERM OBLIGATIONS

The Housing Authority notes payable are secured by a first pledge of the annual contributions payable to the Housing Authority, pursuant to an Annual Contributions Contract between the Housing Authority and United States and by a lien on all revenues of the Housing Authority's Low Income Housing Program. The Housing Authority notes are not general obligations of Winnebago County nor are they guaranteed by Winnebago County.

## WINNEBAGO COUNTY, WISCONSIN

### NOTES TO FINANCIAL STATEMENTS December 31, 2006

#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### J. COMPONENT UNIT (cont.)

#### 5. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance 7-1-05	Increases	Decreases	Ending Balance 6-30-06
First Mortgage Revenue Bond				
-Series 1994, interest at 6.8-7.2% due in installments through 2010	\$ 600,000	\$ -	\$ 105,000	\$ 495,000
-Series 1992A, interest at 5.0-7.125% due in installments through 2012	535,000	-	15,000	520,000
Notes Payable				
-WHEDA, interest at 4% due in installments through 2025	155,406	-	5,340	150,066
-WHEDA, interest at 4% due in installments through 2004	35,776	35,776	35,776	35,776
Total	<u>\$ 1,326,182</u>	<u>\$ 35,776</u>	<u>\$ 161,116</u>	<u>\$ 1,200,842</u>

Debt service requirements to maturity are as follows:

	Principal	Interest		Principal	Interest
2007	\$ 176,335	\$ 67,946	2011	\$ 31,521	\$ 34,948
2008	145,785	58,325	2012 – 2016	186,814	141,222
2009	151,021	49,823	2017 – 2021	254,950	70,064
2010	166,266	40,719	2022 – 2025	88,150	4,641
			Totals	<u>\$ 1,200,842</u>	<u>\$ 467,688</u>

#### 6. RESTATEMENT OF NET ASSETS

Net assets have been restated due to the adjustment of prior year HUD receivables for 6/30/2005 and an adjustment of the 6/30/2005 accounts receivable balance.

Net Assets- June 30, 2005	\$ 5,706,145
HUD receivables	(83,163)
Other receivables	(1,423)
Net Assets- June 30, 2005 as restated	<u>\$ 5,621,559</u>

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### NOTE IV – OTHER INFORMATION

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#### **A. EMPLOYEES' RETIREMENT SYSTEM**

All eligible Winnebago County employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.9% of their salary (2.9% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Winnebago County employees covered by the system for the year ended December 31, 2006 was \$44,491,049; the employer's total payroll was \$43,801,665. The total required contribution for the year ended December 31, 2006 was \$5,189,104 or 11.0 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2005 and 2004 were \$5,071,041 and \$4,730,838, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are 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 for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report, which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

#### **B. RISK MANAGEMENT**

Winnebago County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. Winnebago County purchases commercial insurance to provide coverage for losses from: property, equipment, landfill pollution, airport liability and employee healthcare hospital liability.

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – OTHER INFORMATION (cont.)

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#### **B. RISK MANAGEMENT (cont.)**

Winnebago County participates in a public entity risk pool called Wisconsin County Mutual Insurance Company (WCMIC) to provide coverage for losses from liability, bodily and personal injury, and errors and omissions coverage.

However, other risks, such workers compensation, health care, and dental care of its employees are accounted for and financed by Winnebago County in an internal service fund – the self insurance internal service fund.

#### **SELF INSURANCE**

The uninsured risk of loss for worker's compensation is \$300,000 per incident with no aggregate coverage for a policy year. The County has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

The uninsured risk of loss for health insurance is \$75,000 per covered person or an aggregate of \$4,575,000 or 100% of the first monthly aggregate deductible for a benefit year multiplied by 12. The County has purchased commercial insurance for claims in excess of those amounts.

The uninsured risk of loss for dental insurance is \$1,000 per person per coverage year with no aggregate coverage for a policy year. The County has purchased commercial insurance for claims in excess of those amounts.

All funds of Winnebago County participate in the risk management program. Amounts payable to the self insurance fund is based on budgeted estimates of the amounts necessary to pay prior and current year claims and to establish a reserve for catastrophic losses. The reserve at year end was \$2,470,993; this amount was designated for that reserve at year end, and is included in unreserved net assets of the internal service fund.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The County does not allocate overhead costs or other nonincremental costs to the claims liability.

#### **CLAIMS LIABILITY**

	<u>Current Year</u>	<u>Prior Year</u>
Unpaid claims – Beginning of Year	\$ 1,981,448	\$ 1,887,092
Current year claims and changes in estimates	4,748,050	5,327,553
Claim payments	<u>(4,648,974)</u>	<u>(5,233,197)</u>
Unpaid claims – End of Year	<u>\$ 2,080,524</u>	<u>\$ 1,981,448</u>

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – OTHER INFORMATION (cont.)

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#### **B. RISK MANAGEMENT (cont.)**

##### **PUBLIC ENTITY RISK POOL (cont.)**

##### **WISCONSIN COUNTY MUTUAL INSURANCE COMPANY (WCMIC)**

During 1987, the County, together with other counties in the State of Wisconsin, created the Wisconsin County Mutual Insurance Company (WCMIC) to provide liability insurance to its members. WCMIC also provides bodily and personal injury, and errors and omissions coverage for the County. WCMIC is governed by one entity-one vote and includes counties of varying size. Only member entities participate in governing WCMIC. The actuary for WCMIC determines the charge per \$1,000 of ratable governmental expenditures acquired to pay the expected losses and loss adjustment expenses on which premiums are based. The County's self-insured retention limit is \$50,000 for each occurrence, \$250,000 aggregate. Estimated claims payable at year-end are \$250,000 and IBNR's are estimated to be immaterial. These amounts are included in the claims liability table in the previous section.

#### **C. COMMITMENTS AND CONTINGENCIES**

From time to time, Winnebago County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and Winnebago County's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on Winnebago County's financial position or results of operations.

Winnebago County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

During 2006, Winnebago County borrowed \$24,610,000 for the purpose of making various capital improvements. These monies, as well as other revenue sources, are reflected in the capital project funds and enterprise funds. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The balance of contract amounts plus open purchase orders is \$17,901,600 at year end and will be paid out of the reserved fund balance in the capital project funds.

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

# WINNEBAGO COUNTY, WISCONSIN

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE IV – OTHER INFORMATION (cont.)

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#### ***D. JOINT VENTURES***

The Counties of Calumet, Fond du Lac, Outagamie, and Winnebago, the Town of Menasha, the Cities of Menasha, Appleton, Oshkosh, Neenah, Chilton, and Fond du Lac jointly operate the local drug enforcement unit, which is called the MEG Unit and provides drug enforcement services. The MEG Unit does not issue separate financial statements. The governing body is made up of the Chief of Police, Sheriff, or the designee of the participating agencies. Financial information of the MEG Unit as of year end is available directly from the Task Force Coordinator. The MEG Unit receives its funding from Federal and State Grants and contributions from participating agencies. The County maintains the financial records for the MEG Unit. The amounts are shown as an agency fund. Each of the Counties provides personnel to staff the unit. The participating agencies made payments to the MEG Unit that totaled \$74,056. The County believes that the unit will continue to provide services in the future at similar rates.

#### ***E. ECONOMIC DEPENDENCY***

##### **SOLID WASTE MANAGEMENT FUND**

The Solid Waste Management Fund has one significant customer who was responsible for 20% of operating revenues in 2006.

##### **HIGHWAY FUND**

The Highway Fund has one significant customer who was responsible for 22% of operating revenues in 2006.