

# WINNEBAGO COUNTY, WISCONSIN

## Management's Discussion and Analysis

December 31, 2011

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 the Winnebago County, Wisconsin for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent year by \$ 243,697,126 (*net assets*). Of this amount, \$ 56,211,929 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$ 23,823,111. Several factors contributed to the overall increase as follows:

Description	Amount
Long term debt issued and long term debt paid represent revenues and expenses on the fund financial statements but are not considered revenues or expenses in the statement of activities. Therefore, the amount by which debt paid exceeds debt issued would represent a net increase to net assets on the statement of net assets.	\$ 4,591,640
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 assets.	(4,520,555)
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 during 2011 excluding infrastructure, which is recorded as expense in the fund statements but capitalized and depreciated in the statement of net activities.	11,013,656
Park View Health Center and Airport - proprietary funds: Both funds have depreciation expense in excess of capital outlay purchases. Because both enterprises are tax levy supported, taxes are not levied for depreciation which is a non cash flow item. Tax is levied for capital outlay because it does require cash expenditures, however it is not an expense for accounting purposes. The net effect of total depreciation for these two enterprises exceeding capital expenditures has the effect of reducing net assets because there is no offsetting revenue.	(1,746,646)
Revenues that are not available within 60 days after year end are not recorded in the fund statements, however they are in the statement of activities. This amount represents revenue that was recorded in the fund statements this year. It had already been recognized as revenue in the Statement of Activities the year before.	453,096
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.	185,466
General fund surplus generated during 2011 resulting from revenues exceeding expenses and a smaller amount being transferred to the Human Services Fund because it ran a surplus for the year.	3,534,404
Net surplus's generated in proprietary activities during 2011 represent an increase in net assets on the statement of net assets.	12,556,727

- As of the close of the current year, the County's governmental activities reported combined ending net assets of \$152,047,272. Approximately 15.1% of this total amount, \$22,970,664, is available for spending at the County's discretion (*unrestricted net assets*).

# WINNEBAGO COUNTY, WISCONSIN

## Management's Discussion and Analysis

December 31, 2011

- At the end of the current year, unassigned fund balance for the general fund was \$17,755,336, or approximately 35.1% of total general fund expenditures.
- The County's total general-obligation debt decreased by \$ 7,520,850 (12.8%) during the current year. Information related to a new borrowing that took place during 2011 follow:

The County issued General Obligation Promissory Notes in the amount of \$3,715,000 on November 8, 2011. The Notes were issued to finance the costs of Airport improvements, a computer aided dispatch system for the Sheriff Department, remodeling a building that we purchased at UW Fox Valley to be used for the Engineering program, a Highway Department satellite shop in Winchester, and for various road resurfacing and improvement 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 assets and the statement of activities.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two being reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 27-29 of this report.

## WINNEBAGO COUNTY, WISCONSIN

### Management's Discussion and Analysis

December 31, 2011

**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 36 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 34 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 30-35 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 36-42 of this report.

# WINNEBAGO COUNTY, WISCONSIN

## Management's Discussion and Analysis

December 31, 2011

**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 43 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 44-89 of this report.

**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 90-94 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 95-159 of this report.

### Government-wide Financial Analysis

As discussed earlier, net assets may serve over time as a useful indicator of a government's financial position. The assets of the County exceeded liabilities by \$ 243,697,125 at the close of 2011.

	Governmental		Business-Type	
	Activities	Activities	Total	Total
	2011	2011	2011	2010
Current and other assets	\$ 121,921	\$ 69,850	\$ 191,771	\$ 192,211
Capital assets	155,796	70,335	226,131	212,489
Total assets	277,717	140,185	417,902	404,700
Long-term liabilities outstanding	33,173	37,781	70,954	76,587
Other liabilities	92,497	10,754	103,251	108,239
Total liabilities	125,670	48,535	174,205	184,826
Net assets:				
Invested in capital assets, net of related debt	122,657	57,372	180,029	162,138
Restricted	6,419	1,037	7,456	2,898
Unrestricted	22,971	33,241	56,212	54,838
Total net assets	\$ 152,047	\$ 91,650	\$ 243,697	\$ 219,874

By far, the largest portion of the County's net assets (73.9%) 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

# WINNEBAGO COUNTY, WISCONSIN

## Management's Discussion and Analysis

December 31, 2011

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 assets (1.4%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$60,240,858) may be used to meet the government's ongoing obligations to citizens and creditors.

### Winnebago County's Changes in Net Assets

(Amounts Expressed in \$1,000)

	Governmental Activities 2011	Business-type Activities 2011	Total 2011	Total 2010
Revenues:				
Program revenues:				
Charges for services	\$ 10,255	\$ 40,472	\$ 50,727	\$ 49,960
Operating grants and contributions	24,751	166	24,917	37,269
Capital grants and contributions	-	10,370	10,370	6,863
General revenues:				
Property taxes	68,445	-	68,445	67,720
Other taxes	1,620	-	1,620	1,503
Grants and contributions not restricted to specific programs	13,428	1,459	14,887	14,344
Unrestricted investment earnings	720	989	1,709	1,938
Miscellaneous	253	20	273	494
Total revenues	119,472	53,476	172,948	180,091
Expenses:				
General Government	13,706	-	13,706	12,906
Public Safety	27,626	-	27,626	26,900
Public Works	3,586	-	3,586	3,362
Health and Human Services	48,346	-	48,346	61,382
Culture, Education, and Recreation	3,311	-	3,311	2,879
Conservation and Development	2,970	-	2,970	2,793
Interest on Long Term Debt	862	-	862	967
Airport	-	2,828	2,828	2,325
Solid Waste Management	-	17,062	17,062	14,120
Park View	-	17,671	17,671	17,964
Highway	-	11,157	11,157	11,054
Total expenses	100,407	48,718	149,125	156,652
Increase (decrease) in net assets before transfers	19,065	4,758	23,823	23,439
Transfers	(7,866)	7,866	-	-
Increase (decrease) in net assets	11,199	12,624	23,823	23,439
Net assets - Beginning of Year	140,848	79,026	219,874	196,435
Net assets - End of Year	\$ 152,047	\$ 91,650	\$ 243,697	\$ 219,874

## WINNEBAGO COUNTY, WISCONSIN

### Management's Discussion and Analysis

December 31, 2011

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

**Governmental activities.** Governmental activities increased the County's net assets by \$11,198,867. Key elements of this increase 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 assets on the statement of activities. \$ 7,859,000

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 assets on the statement of activities. (4,520,555)

Capital outlay in the governmental funds (excluding capital project funds) is funded through tax levy revenue. These purchases are capitalized and depreciated on the statement of activities rather than expensed in the year of purchase. The net effect of this tax levy revenue exceeding the depreciation expense for these capital items has the effect of increasing net assets on the statement of activities. 1,044,316

The expenditure for OPEB (other post employment benefits) representing subsidized health insurance for retirees shows up as an expenditure on the statement of activities. Since the expense is not funded currently with tax levy revenue, it has the effect of decreasing net assets on the statement of activities. (252,455)

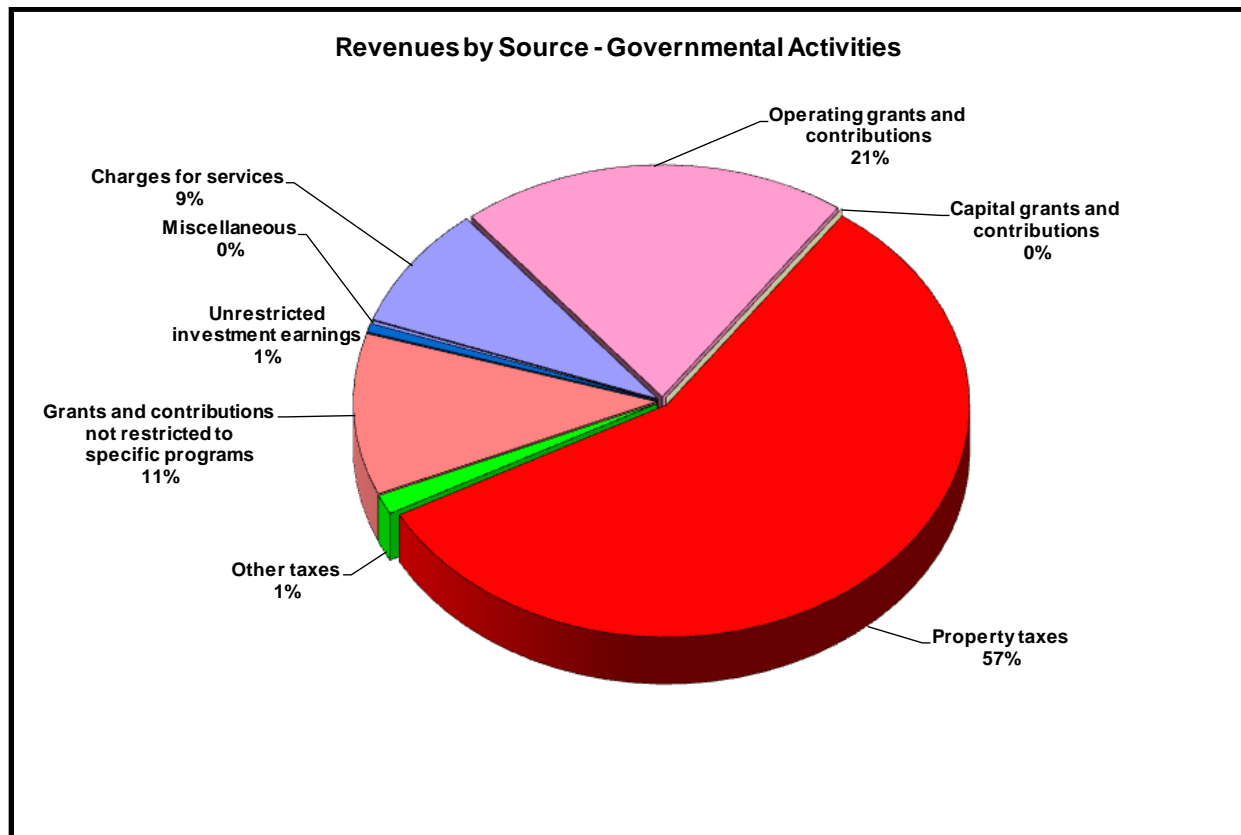
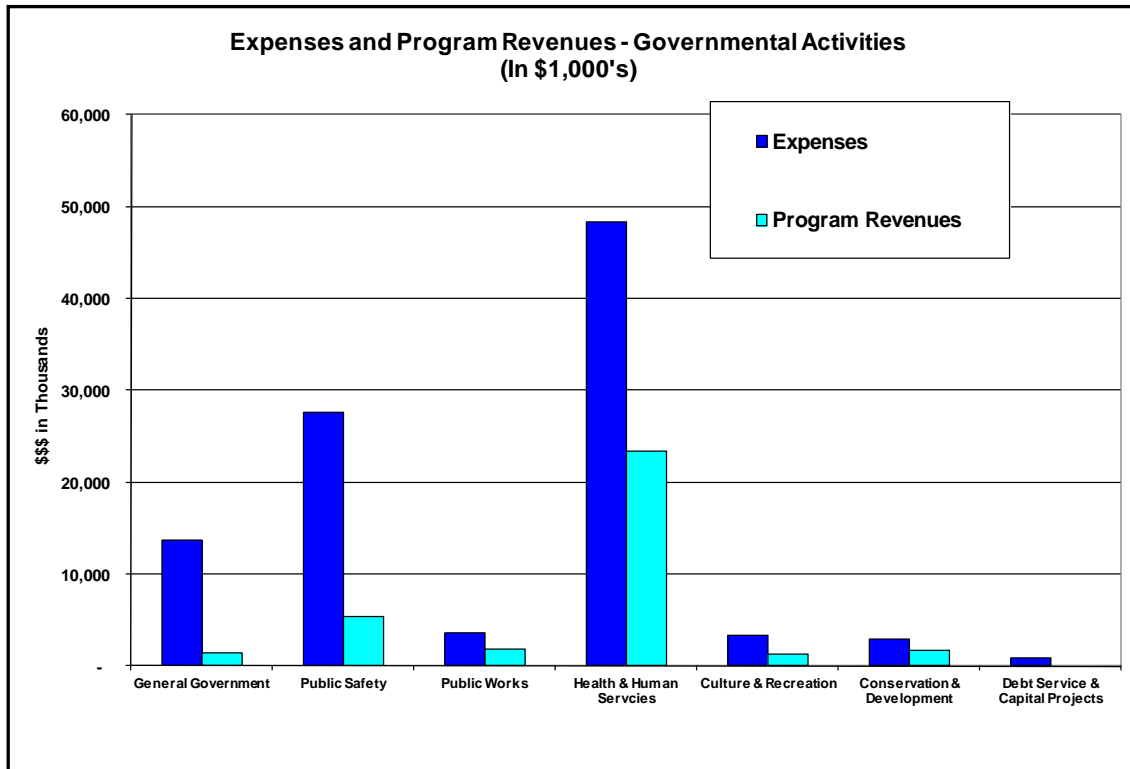
Capital project revenues were received from other governmental units to help pay the cost of road construction projects. This shows up as revenue on the statement of activities. However, the capital outlay does not. It is capitalized and depreciated. The effect of this is to increase net assets on the statement of activities. 2,473,536

Net surplus in general fund for 2011, due partly to Human Services return of \$1.5 million of unused tax levy in 2011. 3,534,404

# WINNEBAGO COUNTY, WISCONSIN

## Management's Discussion and Analysis

December 31, 2011



## WINNEBAGO COUNTY, WISCONSIN

### Management's Discussion and Analysis

December 31, 2011

**Business-type activities.** Business-type activities increased the County's net assets by \$12,624,244. Key elements of this increase are as follows:

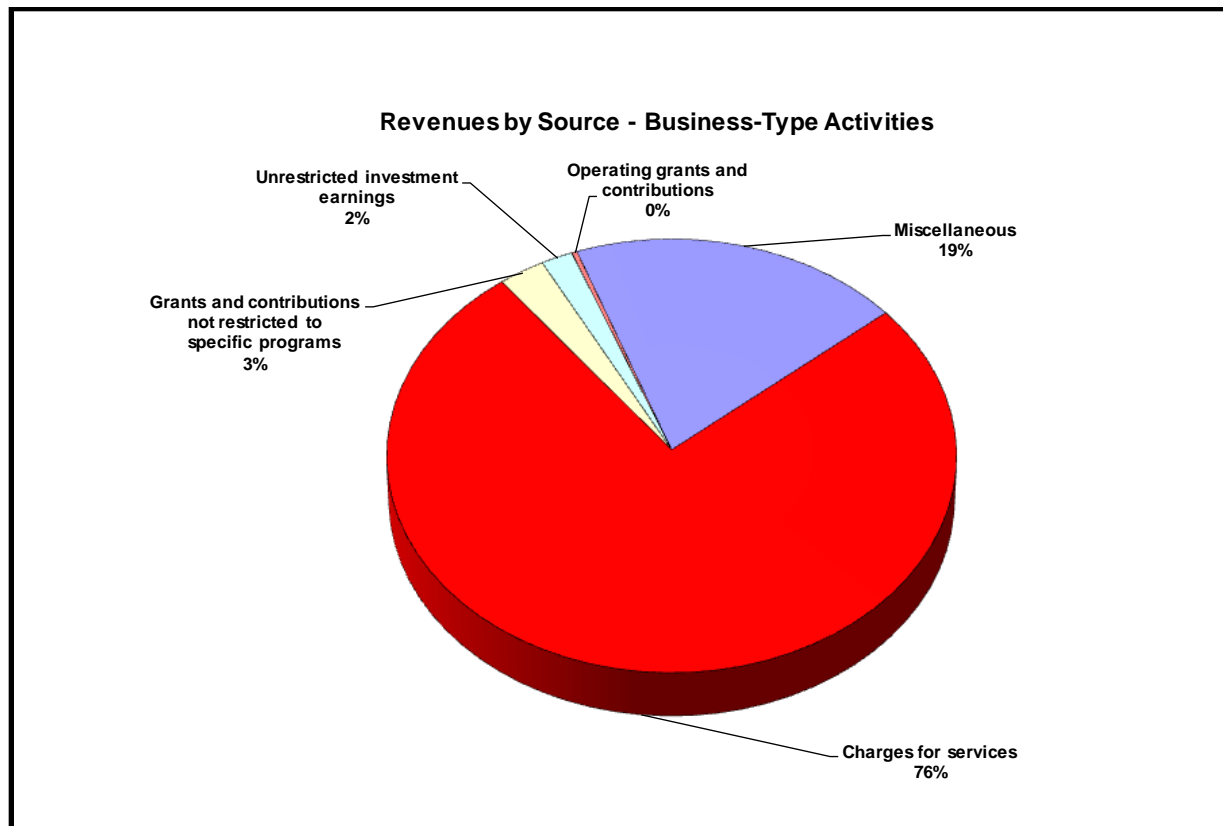
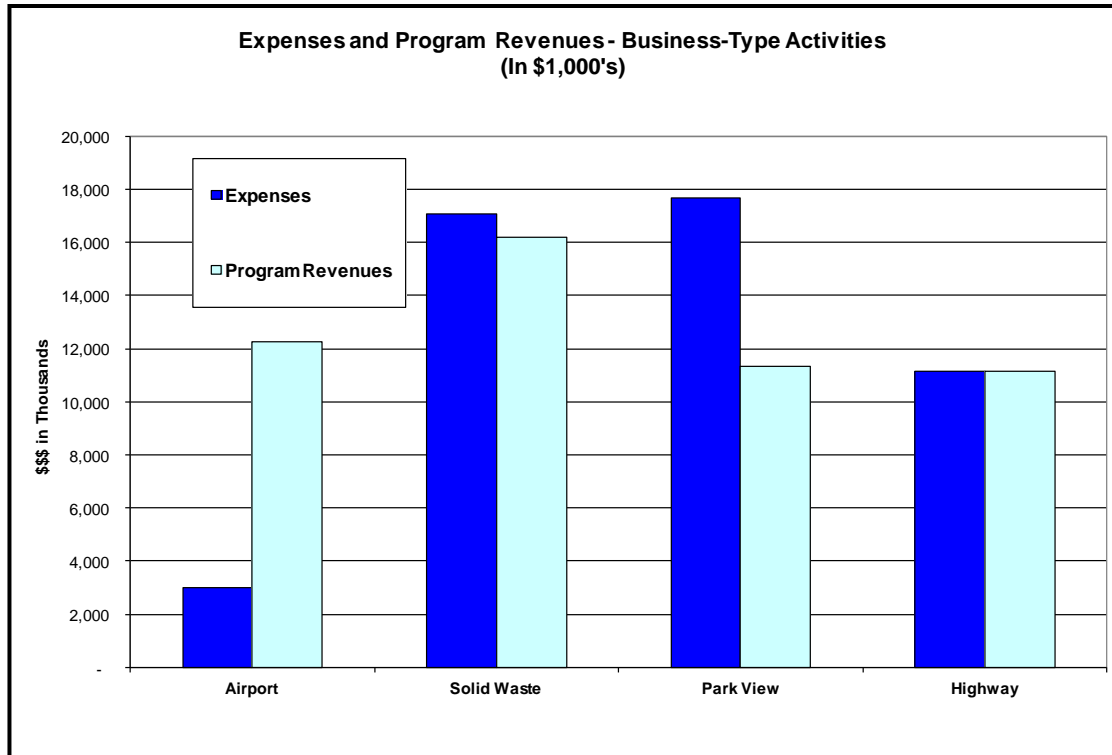
- The Airport Fund's net assets increased by \$9,551,059. Almost the entire increase is from State and Federal contributions to runway reconstruction and a new air traffic control tower. These contributions show up as revenues in the Airport Fund. The expenditure is for a capital asset which is capitalized and depreciated, thus the entire amount is not reflected in the 2011 income statement.
- The Solid Waste Fund ran a surplus of \$76,359 which increases net assets. Based on over \$16 million of operating revenue, this is a fairly minor change to net assets. There are no single items that stand out making up the Solid Waste Funds total net surplus.
- Park View Health Center's net assets increased \$3,379,275. Most of the increase is attributable to tax levy revenue used to pay principal on debt of \$3,177,000. Principal payment does not show up on the statement of activities, yet the tax levy does. No single items stands out making up the balance of roughly \$200,000. This balance is roughly 1.8% of total operating revenue of \$11.3 million.
- The Highway Department's net assets decreased \$449,966. There were transfers out of \$400,000 to the County Road Maintenance cost center to reduce tax levy for that purpose. Funds totaling \$99,363 were also transferred to a road capital project to cover part of that cost. Without these transfers the fund would have had a surplus of \$49,397.



# WINNEBAGO COUNTY, WISCONSIN

## Management's Discussion and Analysis

December 31, 2011



# WINNEBAGO COUNTY, WISCONSIN

## Management's Discussion and Analysis

December 31, 2011

### 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 unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, the County's governmental funds reported combined ending fund balances of \$33,121,271, a decrease of \$ 847,123 in comparison with the prior year. Approximately half of this total (\$17,755,336) 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) Prepayments that benefit periods beyond the end of the current year (\$ 173,479),
- 2) Capital project encumbrances (\$ 54,997),
- 3) Non-liquid delinquent property taxes and special assessments (\$ 5,582,373),
- 4) Non-liquid industrial development loans receivable (\$ 2,668,633),
- 5) To liquidate contracts and purchase orders of the prior period (\$ 752,997),
- 6) To pay debt service (\$ 2,698,103),
- 7) For other restricted purposes (\$ 1,336,277),
- 8) Assigned to special projects, economic development subsequent years expenditures and prior years appropriations (\$ 2,099,075).

### 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 \$17,755,336, while total fund balance is \$28,807,263. 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 35.1% of total general fund expenditures, while total fund balance represents 57.0% of that same amount. The fund balance of the county's general fund increased by \$ 3,534,404 during the current fiscal year. This represents an increase of 14.0%. Reasons for the increase in fund balance are as follows:

- The Facilities Department was under budget by \$345,000. This variance is primarily due to labor costs coming in under budget, less capital expenditures than originally planned and less heating costs than budgeted due to an extremely mild winter,
- The Sheriff Department was under budget by \$660,000, mostly due to fringe benefits being over estimated. Part of the positive variance in fringes is due to a State law change in the Fall that now requires certain employees to pay the "employee share" of Wisconsin Retirement. Various contracted services were under budget due to changes in contracts, some contract providers did not increase

## WINNEBAGO COUNTY, WISCONSIN

### Management's Discussion and Analysis

December 31, 2011

costs during 2011 as anticipated, lower than expected medical and dental costs for prisoners and lower vehicle maintenance costs than expected.

- The Human Services Department operated at a surplus during 2011. As a result, \$1.5 million of tax levy collected for that purpose was not needed; therefore the funds remain in the general fund. Transfers are only made to Human Services in the amounts needed to carry on that departments operations. Unused levy dollars remain in the general fund, thus having a favorable impact on General Fund operations.
- Many other departments also had positive variances in their labor accounts because labor contracts came in a bit more favorable than original expectations. Also, during the second half of the year, employees had to pay the employee share of Wisconsin Retirement due to a change in State law. This had a significant positive impact on fringe benefit costs throughout all departments in the General Fund.

#### Human Services (Special Revenue) Fund:

The Human Services Fund has a total fund balance of \$120,831. Of this amount, \$87,718 (or 72.6%) represents prepayments that benefit periods beyond the end of the current year. The balance of \$33,113 represents assigned fund balance. Total fund balance of the Human Services Fund decreased \$57,419 from the prior year. Assigned fund balance decreased \$49,164. The decrease in fund balance is very minimal.

- Our 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. The Human Services Fund had a surplus of about \$1.5 million for the year. Because of this, the tax levy transfer to the fund was reduced by this amount, to keep the fund balance as close to zero as possible. Some reasons for the Human Services surplus include; reduced juvenile corrections costs, lower than expected child foster care placements, lower labor costs because employees had to pay the "employee share" of Wisconsin Retirement starting in Fall due to a change in State law. The State also provided more funding for the W-2 program and we incurred lower costs for a special hospital inpatient program.

**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 assets for these funds can be seen in the following table. Also displayed in this table is the total growth in unrestricted net assets for the current year.

	Airport	Solid Waste	Park View	Highway
Unrestricted Net Assets - 2010	\$ 2,008,923	\$ 20,039,228	\$ 4,896,873	\$ 1,736,362
Unrestricted Net Assets - 2011	3,325,252	20,754,647	5,814,362	1,291,940
Total Growth(Decline) in Unrestricted Net Assets	\$ 1,316,329	\$ 715,419	\$ 917,489	\$ (444,422)

The Airport Fund's unrestricted net assets increased by \$1,316,329. The large surplus in 2011 is the result of land rental income that was not foreseen when the 2011 budget was prepared. During 2011,

## **WINNEBAGO COUNTY, WISCONSIN**

### **Management's Discussion and Analysis**

December 31, 2011

Oshkosh Corporation leased land on the airport grounds to store vehicles it was manufacturing for the Federal Government. This revenue source exceeded budget by \$901,000. The rest of the change is the result of fund balance shifting from the "Investment in capital assets, net of related debt".

The Solid Waste Fund's unrestricted net assets increased by \$715,419. A small part of the increase is the result of the fund having a surplus for the year of \$76,359. During 2011, the fund's net investment in capital assets decreased by \$1,675,425. When depreciation exceeds new investments in capital equipment, this has the effect of reducing the "investment in capital assets" portion of the balance sheet. When the investment in capital assets decreases, this increases unrestricted net assets. The fund also had open purchase orders at the end of 2011 totaling \$1,036,365. Since these represent purchase commitments, it has the effect of reducing unrestricted net assets. The increase related to depreciation and the decrease related to open purchase orders nets out to an increase in unrestricted net assets of \$639,060.

Park View Health Center's unrestricted net assets increased \$917,489. The fund operated at a surplus for 2011 of \$3,379,275. Park View had a profit for the current year primarily because we levy property taxes to pay principal on debt. The amount of this levy was \$3,228,393. This levy shows up as revenue on the statement of activities. The pay down of principal on debt does not show up on proprietary fund income statements. So the net result is a large revenue without an offsetting expense. A pay down of debt on capital assets increases the "investment in capital assets net of related debt" on the equity section of the balance sheet. So most of the surplus closed out to the "investment in capital assets, net of related debt" rather than unrestricted net assets. The remainder of the 2011 surplus was primarily the result of the department coming in \$640,000 under budget in fringe benefits. A reduction in workers compensation insurance costs of \$137,864 explains part of the variance. Most of the remainder is because of the fact that health insurance costs did not go up as much as anticipated when the budget was prepared.

The Highway Department's unrestricted net assets decreased \$444,422. The department operated at a deficit of \$449,363 for 2011. The department came very close to breaking even for 2011. However, funds were transferred to County Road Maintenance to cover operating expenses of the County road system. Funds were also transferred to the capital projects fund to cover costs of some road improvement projects and thus reduce the borrowing necessary to complete the work. Total of both of these transfers was \$499,363 which accounts for most of the fund's deficit.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget amounted to a net increase in appropriations of \$1,670,463 and can be briefly summarized as follows:

- \$587,451 is primarily due to carryovers of appropriations from 2010 to 2011. Departments that had large carryover amounts are: Facilities, County Road Maintenance, Land Records Modernization, Land & Water Conservation Department and Sheriff.
- \$525,000 transfer of funds to cover the cost of a Computer Aided Dispatch project.
- Other smaller increases: \$70,000 for a new property listing and tax collection system, \$100,000 additional funds appropriated for snow removal because it originally looked like there would be a shortage,

## **WINNEBAGO COUNTY, WISCONSIN**

### **Management's Discussion and Analysis**

December 31, 2011

#### **Revenues were under budgetary estimates – explanation:**

During this year, revenues were under budget by \$690,856. This represents a variance of 0.8% from budget. A few items to note are as follows:

- Intergovernmental revenues were under by \$782,170. The largest area is in operating grant revenue where Land & Water Conservation, Public Health, Clerk of Courts and Sheriff. On the other hand, spending was down related to these grants. Many of these grants are reimbursement programs. If we don't spend the money, we don't get the reimbursement grant revenue. Many landowner storm water projects were not done which is why the Land & Water grant money was not received.
- Investment income was under budget by \$161,678 due to falling interest rates during 2011.

#### **Expenditures were less than budgetary estimates – explanation:**

Actual operating expenditures were less than budget by \$3,534,404. Some of the main reasons include:

- All departments – wages and benefits were under budget by a combined total of \$1,545,289. Wages were under budget by \$600,838 primarily because we pay increases for 2011 were less than budgeted. As a result of the poor economy, we were able to settle union contracts at lower rates than we anticipated in the budget. Workers compensation insurance (a component of fringe benefits) was under budget roughly \$ 400,000. We self insure for workers compensation and because the self insurance fund had a large fund balance, we did not charge departments premiums for 3/4ths of the year. The rest of the difference is due to lower than anticipated health insurance rates. This resulted in additional savings.
- Small Equipment was under budget county wide by \$144,359. Departments that were considerably under budget include Technology Replacement and the Boat Launch Program.
- Utilities were under budget by \$100,000. We had a new building placed in service and an old nursing home building taken out of service during 2010, making it difficult to estimate costs. We budgeted on the conservative side, thus the positive variance.
- Medical and Dental was under budget a combined total of \$140,425. Departments that were considerably under budget include; District Attorney, Jail and the Court System.
- Operating grants expense was under budget a combined total of \$983,967. Departments that were considerably under budget include; County Road Maintenance, Land & Water Conservation and Watershed Projects. The large variance from County Road Maintenance was primarily from grants to municipalities for bridge aid. Some projects were not done during 2011 so the funds were not disbursed. Land and Water had a significant variance because this includes many land owner water run off projects that were not done during 2010. Most of the cost of these water run off projects are funded with grant money. These grant funds are only received if the projects are done. The variance from Land and Water has little impact on the surplus of the General Fund because of this funding mechanism.
- Utilities were under budget \$171,000 because of the mild winter late in 2011.

## WINNEBAGO COUNTY, WISCONSIN

### Management's Discussion and Analysis

December 31, 2011

- There were many other positive variances through out other expense accounts in the general fund that make up the balance of the variance but individually, they are all smaller.

#### 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, 2011 amounts to \$225,976,743 (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 \$ 13,487,737 or 6.35% (a 4.3% increase for governmental activities and an 11.1% increase 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 \$6,492,000.

- Construction in Process – there was a net increase of about \$641,000. A radio system project for the Sheriff Department added \$2,320,000 while a decrease in construction in process for roads was \$2,417,000. Several other building improvement projects make up the rest of the increase.
- Road projects place in service increase by \$6,345,000. This accounts for most of the increase from 2010. There were other smaller assets such as vehicles that were purchased during 2011.

##### Business Type Activities:

The total change in capital assets for the business type activities was an increase of \$6,995,000.

- A runway reconstruction project was place in service at a cost of \$4,562,973,
- A new control tower was placed in service at Wittman Airport at a cost of \$5,864,613,
- The increases related to new additions are partially offset by depreciation expense. The net result being an increase in capital assets (net of accumulated depreciation).

# WINNEBAGO COUNTY, WISCONSIN

## Management's Discussion and Analysis

December 31, 2011

<b>Winnebago County's Capital Assets</b> (net of accumulated depreciation) (Amounts Expressed in \$1,000's)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 2,958	\$ 2,958	\$ 8,414	\$ 8,413	\$ 11,372	\$ 11,371
Buildings	54,355	54,212	33,592	28,346	87,947	82,558
Improvements other than buildings	4,743	4,618	17,640	15,103	22,383	19,721
Machinery, equipment and vehicles	7,619	8,381	10,093	10,740	17,712	19,121
Infrastructure	72,482	66,137	-	-	72,482	66,137
Construction in progress	13,637	12,996	596	585	14,233	13,581
Total	\$ 155,794	\$ 149,302	\$ 70,335	\$ 63,187	\$ 226,129	\$ 212,489

Additional information on the County's capital assets can be found in the footnotes on pages 68-70 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total bonded debt outstanding of \$52,409,000, backed by the full faith and credit of the County.

<b>Winnebago County's Outstanding Debt</b> <b>General Obligation Debt</b> (Amounts Expressed in \$1,000's)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
General obligation notes	\$ 33,453	\$ 37,812	\$ 14,514	\$ 16,984	\$ 47,967	\$ 54,796
General obligation bonds	3,350	3,583	1,092	1,551	4,442	5,134
Total	\$ 36,803	\$ 41,395	\$ 15,606	\$ 18,535	\$ 52,409	\$ 59,930

## **WINNEBAGO COUNTY, WISCONSIN**

### **Management's Discussion and Analysis**

December 31, 2011

The County's total general-obligation debt increased \$ 7,521,000 (12.6%) during the current year. There was one borrowing transaction that occurred during 2011:

- A new issue of \$3,715,000 was sold in November 2011. Proceeds of these notes would pay for Parking lot resurfacing - \$70,000, Computer Aided Dispatch System - \$ 187,000, Sheriff Department Radio System Upgrade - \$1,200,000, County Road resurfacing projects - \$1,424,000, Other building improvements - \$834,000.

Winnebago County maintains an Aa2 rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the County is \$595,848,000, which is significantly in excess of its outstanding general obligation debt of \$52,409,000. The County has a debt service fund balance of \$2,698,103.

Additional information on the County's long-term debt can be found in the footnotes on pages 72-75 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

- The Wisconsin economy grew in 2011. Non farm jobs increased by 23,000 from 2010 to 2011. The outlook continues to be promising given the state's strength in a number of sectors. The manufacturing sectors as well as the agriculture industry comprise a large share of Wisconsin's economy.
- The Mid America Business Index, based on a survey of purchasing managers, and real GDP growth indicates that the Wisconsin economy is growing,
- A comparison of layoffs in Wisconsin compared with the National Average shows that layoffs are back down to best-of-times levels that existed prior to the start of the recession in 2008.
- Wisconsin's economy is rebounding, roughly in line with the national economy.
- Wisconsin's economy grew more slowly than the national economy's in the last decade, but now is matching the national recovery.
- Wisconsin's job markets have somewhat stalled during 2011 but are forecast to rebound soon,
- Unemployment rates are declining more quickly than the national unemployment rate, indicating that the local economy is recovering.
- Most of Wisconsin real estate markets aren't suffering from the inflated real estate conditions seen in other communities. Wisconsin real estate trends have been generally steady in this decade, declining somewhat but not like other major markets in the United States.

These factors were considered in preparing the County's budget for the 2012 fiscal year.

As part of Wisconsin's State Budget Bill (1993 Act 16), legislation was passed that limits the County's future tax rates. The budget bill also separated the rates into an operating rate and a debt service rate. Generally, the County is limited to its 1992 tax rates. However, this limitation does not affect debt



## WINNEBAGO COUNTY, WISCONSIN

### Management's Discussion and Analysis

December 31, 2011

authorized prior to August 12, 1993, or refunding bonds. During 2011, the State Legislature did put a moratorium on the tax rate limits, allowing Counties to exceed their operating rate limit for budget years 2012 and 2013. However, it is unclear what the legislature will do after that.

The operating tax rate was further restricted during the 2005 State Legislative session; the legislature with the Governor's approval enacted the following:

#### 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, but not less than 3% (for budget year 2011).
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 2012 budget is \$1.01. We have been able to exceed the limit by using the 2<sup>nd</sup> 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 2011 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, P.O. Box 2808, Oshkosh, WI 54903-2808.