

WINNEBAGO COUNTY, WISCONSIN

Management's Discussion and Analysis

December 31, 2009

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, 2009. 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 \$ 196,435,229 (*net assets*). Of this amount, \$ 40,534,115 (*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 \$ 12,869,553. Several factors contributed to the overall increase as follows:

Description	Amount
Tax levy revenue is used to reduce debt on capital assets and is reflected as revenue in the statement of activities. The repayment of debt principal is not an expenditure in the statement of activities, yet it is in the governmental fund income statements. The result in the statement of activities is to increase net assets.	\$ 10,788,892
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.	(4,542,325)
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 2009 excluding infrastructure, which is recorded as expense in the fund statements but capitalized and depreciated in the statement of net activities.	9,647,670
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.	(881,276)
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.	(175,683)
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.	(404,108)

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- As of the close of the current year, the County's governmental activities reported combined ending net assets of \$130,001,602. Approximately 10.4% of this total amount, \$13,530,063, is available for spending at the County's discretion (*unrestricted net assets*).
- At the end of the current year, unreserved undesignated fund balance for the general fund was \$11,426,531, or approximately 23.4% of total general fund expenditures.
- The County's total general-obligation debt decreased by \$ 4,658,000 (7.5%) during the current year. There was a refinancing of \$3,315,000 and two new borrowings for new projects. One borrowing was the issuance of Build America Bonds totaling \$3,825,000. The other was the issuance of Economic Recovery Zone Bonds borrowed from the State Trust Fund Loan program totaling \$2,393,000. Reductions to debt related to the refinancing and principal payments, the combined total equaling \$14,191,000. Information related to the new borrowings follow:

The refinancing occurred on February 10, 2009, and refinanced the 2000 and 2001 Note issues. Final maturity on this refinancing is April 1, 2011. The refinancing was for the purpose of reducing the interest cost on the issues and did not extend the repayment period. The net present value of the savings from this refinancing was \$87,228.

Build America Bonds were issued November 10, 2009, in the amount of \$3,825,000. Most of the proceeds (\$3,485,000) were for road resurfacing and reconstruction projects. The balance (\$340,000) was split between a few jail and exposition center projects.

Economic Recovery Zone Bonds were issued December 1, 2009, in the amount of \$2,393,000. The proceeds were split with \$1,643,000 going to a road reconstruction project and the balance of \$750,000 going towards the purchase of an airport rescue and fire vehicle.

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).

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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 29-31 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 28 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 26 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 32-37 of this report.

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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 38-44 of this report.

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

The basic fiduciary fund financial statement can be found on page 45 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 46-90 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 91-95 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 96-157 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 \$ 196,435,229 at the close of 2009.

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Winnebago County's Net Assets (Amounts Expressed in \$1,000's)				
	Governmental Activities 2009	Business-Type Activities 2009	Total 2009	Total 2008
Current and other assets	\$ 111,015	\$ 59,178	\$ 170,193	\$ 162,960
Capital assets	146,517	57,327	203,844	200,766
Total assets	257,532	116,505	374,037	363,726
Long-term liabilities outstanding	32,960	40,307	73,267	78,764
Other liabilities	94,571	9,764	104,335	101,396
Total liabilities	127,531	50,071	177,602	180,160
Net assets:				
Invested in capital assets, net of related debt	112,827	39,430	152,257	143,476
Restricted	3,644	-	3,644	2,973
Unrestricted	13,530	27,004	40,534	37,117
Total net assets	\$ 130,001	\$ 66,434	\$ 196,435	\$ 183,566

By far, the largest portion of the County's net assets (77.5%) reflects its investment in capital assets (E.g., land, buildings, improvements, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (1.9%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$40,534,115) may be used to meet the government's ongoing obligations to citizens and creditors.

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Winnebago County's Changes in Net Assets

(Amounts Expressed in \$1,000)

	Governmental	Business-type		
	Activities	Activities	Total	Total
	2009	2009	2009	2008
Revenues:				
Program revenues:				
Charges for services	\$ 9,556	\$ 38,359	\$ 47,915	\$ 44,269
Operating grants and contributions	51,167	44	51,211	48,483
General revenues:				
Property taxes	65,670		65,670	63,845
Other taxes	1,267		1,267	1,268
Grants and contributions not restricted to specific programs	13,497	1,866	15,363	15,232
Unrestricted investment earnings	1,261	740	2,001	4,214
Miscellaneous	295	128	423	858
Total revenues	142,713	41,137	183,850	178,169
Expenses:				
General Government	12,537		12,537	9,120
Public Safety	26,953		26,953	26,808
Public Works	3,317		3,317	3,826
Health and Human Services	74,822		74,822	75,088
Culture, Education, and Recreation	2,852		2,852	3,634
Conservation and Development	3,165		3,165	2,965
Interest on Long Term Debt	2,382		2,382	1,582
Airport		2,312	2,312	2,200
Solid Waste Management		13,624	13,624	14,304
Park View		18,056	18,056	19,373
Highway		10,961	10,961	10,448
Total expenses	126,028	44,953	170,981	169,348
Increase (decrease) in net assets before transfers	16,685	(3,816)	12,869	8,821
Transfers	(9,048)	9,048	-	-
Increase (decrease) in net assets	7,637	5,232	12,869	8,821
Net assets - Beginning of Year	122,364	61,202	183,566	174,745
Net assets - End of Year	\$ 130,001	\$ 66,434	\$ 196,435	\$ 183,566

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At the end of the current fiscal year, the County is able to report positive balances in all three categories of net 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 \$7,637,966. 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.	\$ 10,788,892
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Depreciation expense for governmental activities is reflected on the statement of activities. This is an expense without a cash outflow so there is not offsetting revenue (tax levy) reflected on the statement of activities. This would have the effect of reducing net assets on the statement of activities.	(4,542,325)
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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.	818,654
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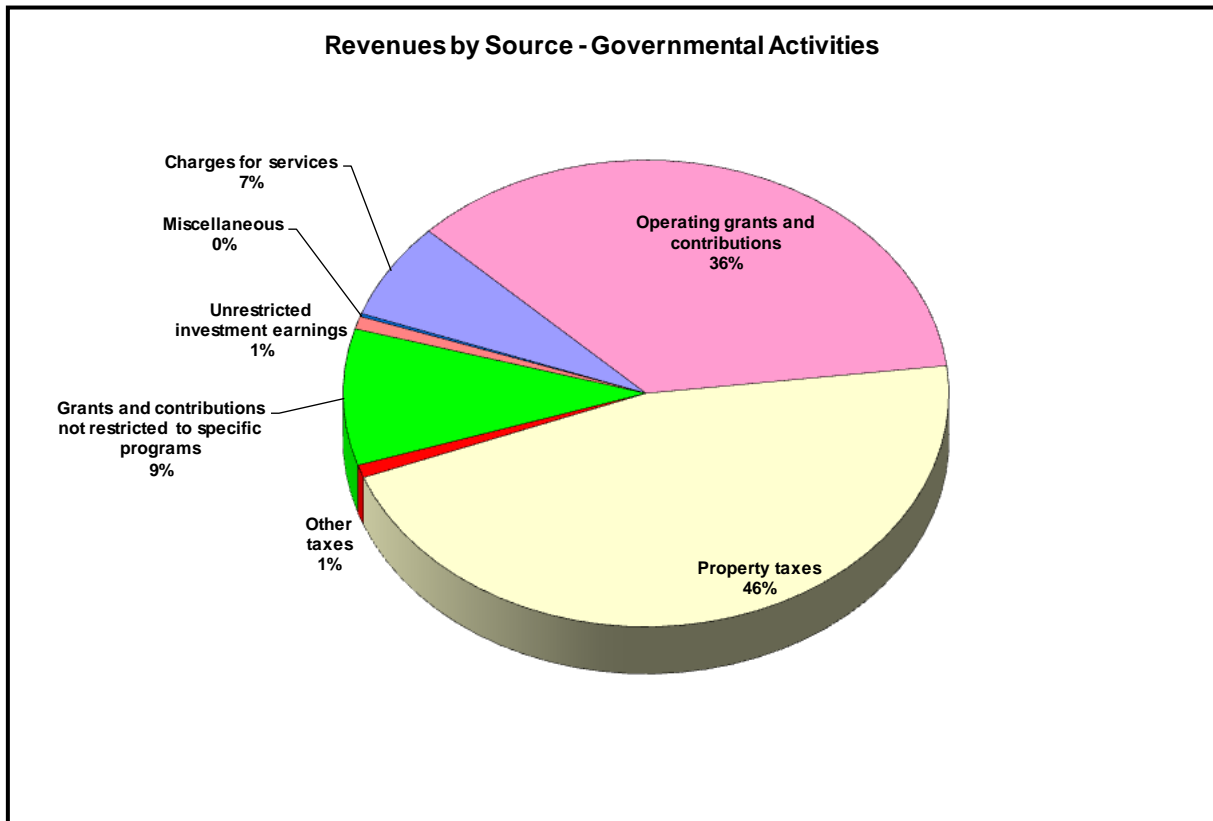
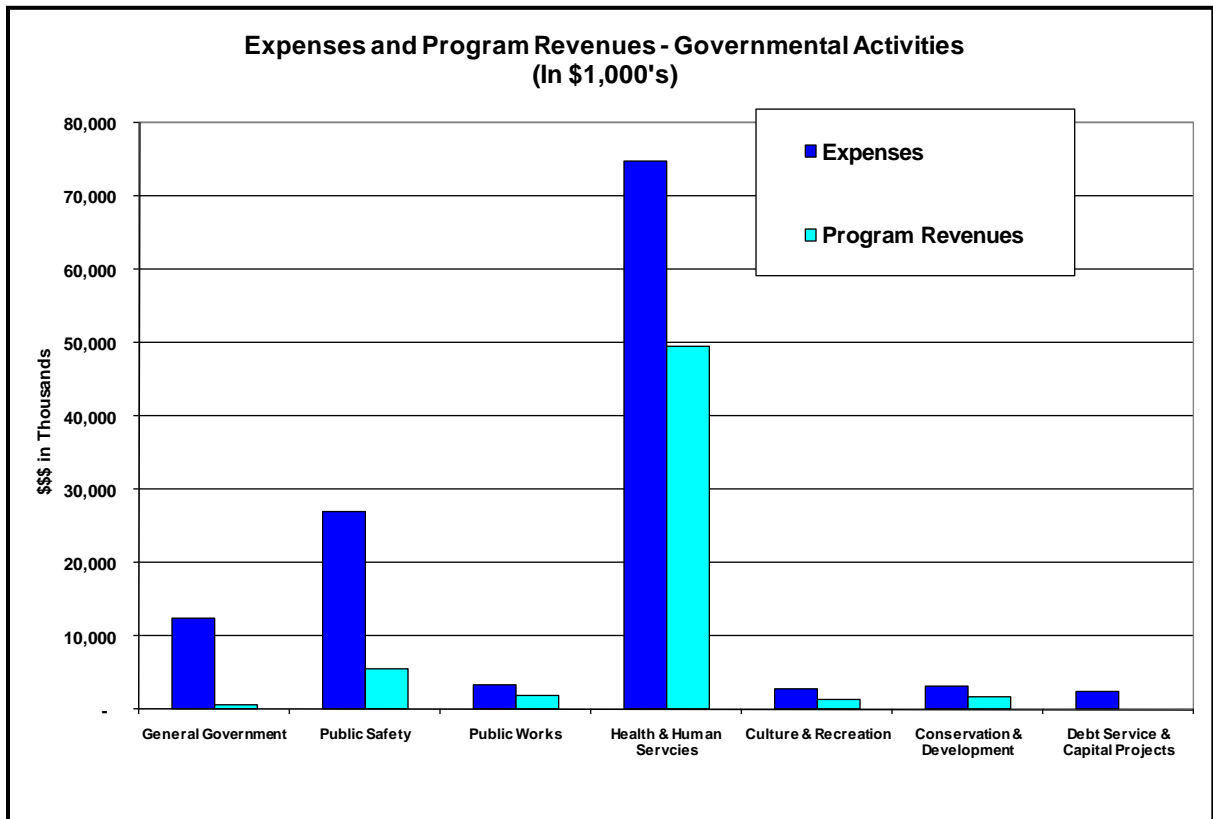
The expenditure for OPEB (other post employment benefits) representing subsidized health insurance for retirees shows up as an expenditure on the statement of activities. Since the expense is not funded currently with tax levy revenue, it has the effect of decreasing net assets on the statement of activities.	(239,353)
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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.	1,820,999
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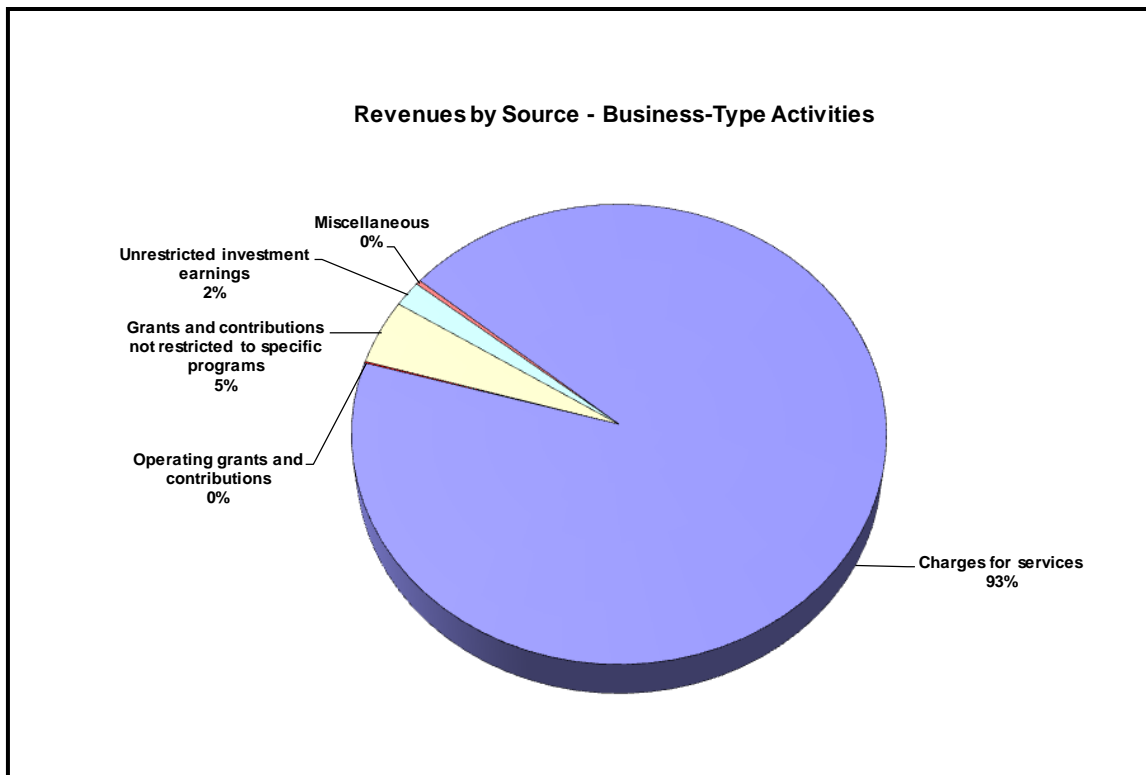
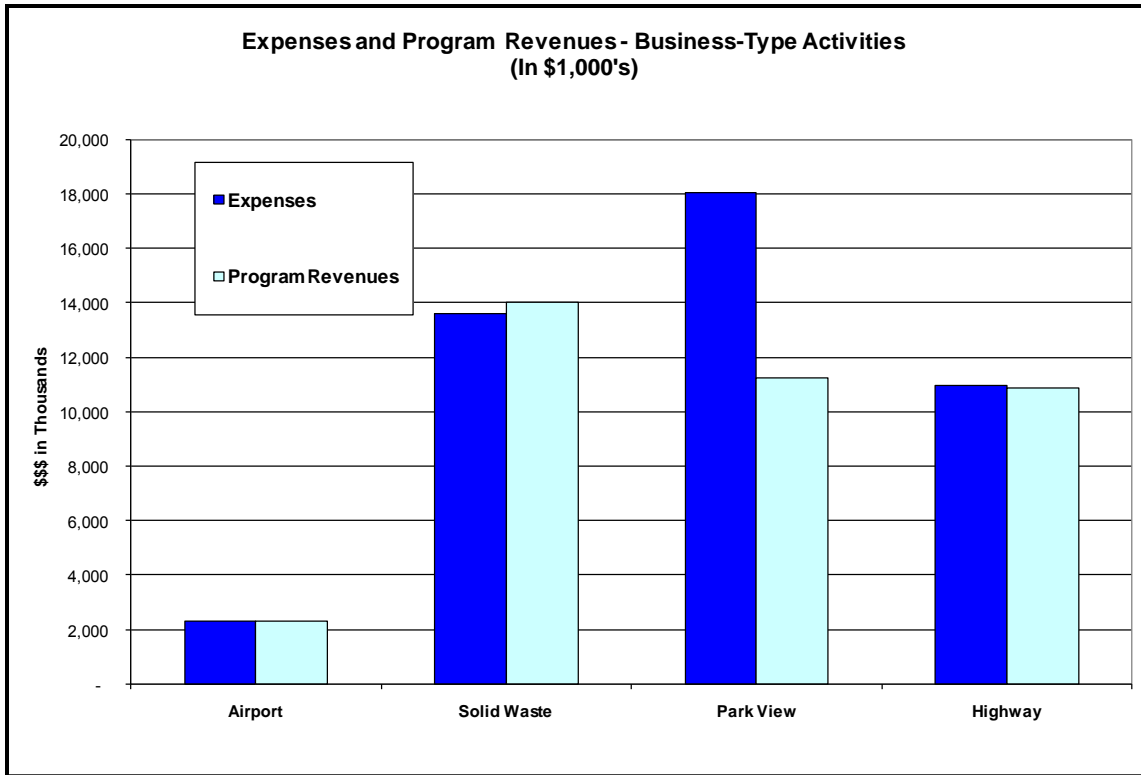
Business-type activities. Business-type activities increased the County's net assets by \$5,231,587. Key elements of this increase are as follows:

- The Airport Fund's net assets increased by \$524,109. The Airport Fund requires a tax levy to operate. The fund had about \$890,000 of depreciation. Since depreciation is not a cash item, this is not funded with tax dollars. The result is an expense that has no offsetting revenue, which has a negative impact on net assets. Capital outlay is funded by tax levy because it is a cash outflow. However, though the levy shows up as revenue in the Airport Fund, the associated capital outlay purchases do not show up as expense. Only the annual depreciation is reflected on the income statement. The result is that this would generate a surplus on the income statement. Depreciation exceeded capital outlay by about \$182,000. This would generate a deficit of about that amount. Rental revenue exceeded budget by \$1,474,000. Other operating expenses were also under budget contributing to the 2009 surplus.
- The Solid Waste Fund ran a surplus of \$1,084,824 which increases net assets. Revenues were considerably over budget for the year with little impact on expenses. 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 \$3,715,665. Part of the increase is attributable to tax levy revenue used to pay principal on debt of \$2,950,000. Principal payment does not show up on the statement of activities, yet the tax levy does. Intergovernmental Government Transfer (IGT) revenue was roughly \$567,000 higher than anticipated. Labor and contracted help costs were roughly \$646,000 under budget. These are the significant items making up most of the surplus.
- The Highway Department's net assets decreased \$244,321. Road work done for the State and other municipalities was down roughly \$340,000 during 2009 due to the economic recession. Staff were used for more equipment maintenance therefore, there is not a large reduction in costs to offset the revenue loss.

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Financial Analysis of the Government's Funds

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

Governmental funds. The focus on the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. Note how 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, 2009, the County's governmental funds reported combined ending fund balances of \$25,298,608, an increase of \$ 569,856 in comparison with the prior year. Approximately half of this total (\$12,200,008) constitutes unreserved 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 (\$ 415,880),
- 2) Capital project encumbrances (\$ 3,345,911),
- 3) Non-liquid delinquent property taxes and special assessments (\$ 4,642,530),
- 4) Non-liquid industrial development loans receivable (\$ 2,246,609),
- 5) To liquidate contracts and purchase orders of the prior period (\$ 335,816),
- 6) To pay debt service (\$ 1,746,881),
- 7) For other restricted purposes (\$ 364,973)

General Fund:

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$13,789,174, while total fund balance is \$21,531,703. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to expenditures. Unreserved fund balance represents 28.2% of total general fund expenditures, while total fund balance represents 44.1% of that same amount. The fund balance of the county's general fund increased by \$1,182,537 during the current fiscal year. This represents an increase of 5.8%. Reasons for the increase in fund balance are as follows:

- The Facilities Department had a surplus of \$403,000 for 2009 because of vacant positions taking longer to fill (about \$222,000) and the heat utility cost being lower than budget by \$140,000.
- County Treasurer operated at a surplus for 2009 in excess of budget of \$182,000 due primarily to interest on delinquent tax collections exceeding budget. This was partially the result of more strict enforcement.
- The Human Services Department operated at a surplus during 2009. As a result, \$550,000 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.

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Unused levy dollars remain in the general fund, thus having a favorable impact on General Fund operations.

Human Services (Special Revenue) Fund:

The Human Services Fund has a total fund balance of \$ 436,830. Of this amount, \$377,652 (or 86.5%) represents prepayments that benefit periods beyond the end of the current year. The balance of \$59,178 represents unreserved fund balance. Total fund balance of the Human Services Fund increased \$34,710 from the prior year.

- 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 \$550,000 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. There was no significant variances from budget during 2009.

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	Parkview	Highway
Unrestricted Net Assets - 2008	\$ 405,037	\$ 15,149,609	\$ 4,624,610	\$ 2,461,121
Unrestricted Net Assets - 2009	1,221,963	17,159,588	4,947,154	2,358,304
Total Growth(Decline) in Unrestricted Net Assets	\$ 816,926	\$ 2,009,979	\$ 322,544	\$ (102,817)

The Airport Fund's unrestricted net assets increased by \$816,926. The large surplus in 2009 is the result of land rental income that was not foreseen when the 2009 budget was prepared. During 2009, Oshkosh Corporation leased land on the airport grounds to store vehicles it was manufacturing for the Federal Government.

The Solid Waste Fund's unrestricted net assets increased by \$2,009,979. Part of the increase is the result of the fund having a surplus for the year of \$1,084,824. The surplus is the result landfill fee revenue exceeding expectations. Expenses do not go up proportionally because of the amount of fixed costs that do not change, thus there was an operating surplus generated in excess of expectations. During 2009, the funds net investment in capital assets increased by \$925,155. 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.

Park View Health Center's unrestricted net assets increased \$322,544. The fund operated at a surplus for 2009 of \$3,715,655. 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 \$2,950,094. This levy shows up as revenue on the

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statement of activities. The pay down of principal on debt does not show up on proprietary fund income statements. This pay down of principal on capital debt does not close out to unrestricted earnings but closes out to "Investment in capital assets, net of related debt" on the "Net Assets" section of the balance sheet. The balance of the surplus would close out to unrestricted net assets. The portion that did close out to unrestricted net assets (\$ 322,544) was primarily due to labor costs finishing the year under budget.

The Highway Department's unrestricted net assets decreased \$102,817. The department operated at a deficit of \$244,321 for 2009. The investment in capital assets decreased \$141,504 because depreciation of fixed assets exceeded new additions. This has the result of decreasing the investment in capital assets. A decrease in this account results in a corresponding increase in unrestricted net assets. The operating deficit for the year was planned. We had planned to use \$200,000 of fund balance to offset county road maintenance costs during 2009.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to a net increase in appropriations of \$653,428 and can be briefly summarized as follows:

- \$668,911 is primarily due to carryovers of appropriations from 2008 to 2009. Departments that had large carryover amounts are: Facilities, Land Records Modernization and County Road Maintenance.
- There were revenue shortfalls of \$68,000 in the Planning & Zoning Department, and some relatively small Labor overages in a few departments.

Revenues were under budgetary estimates – explanation:

During this year, revenues were under budget by \$1,391,838. This represents a variance of 1.4% from budget. A few items to note are as follows:

- Property tax collections were under budget by \$342,000, primarily the result of the bad economy.
- Investment income was under budget by \$507,000 due to falling interest rates during 2009.
- Grant revenues were under budget \$528,000 related to Watershed projects that had not yet been done, and other landowner water runoff projects that had not yet been done. This revenue loss is mostly offset due to less expenditure incurred on projects.

Expenditures were less than budgetary estimates – explanation:

Actual operating expenditures were less than budget by \$3,009,978. Departments that were significantly under in terms of spending compared to budget include:

- County Board – Under budget by \$93,000, primarily because of \$47,500 budgeted for a program and service study that was not done.

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- Information Systems – Under budget by \$135,000, primarily from staff turnover and temporary vacancies. A highly paid employee retired and was replaced with someone at a lower pay level. Some of the maintenance contracts on software were eliminated or had decreases.
- Facilities & Maintenance – Under budget by \$456,000. The largest area is in labor. Two positions were transferred to Facilities from the Parks Department in 2009. These were a plumber and an electrician. It was determined that the department did not need to fill one. The other was filled as a ½ time instead of full time position. This resulted in savings of roughly \$222,000. Capital outlay expenditures of \$75,000 including savings on items purchased also reduced costs. Equipment maintenance costs were \$77,000 under budget and utility savings amounted to \$40,000.
- Miscellaneous and unclassified – Under budget by \$635,000. The largest component of this was the transfer to Human Services of tax levy dollars. The Human Services Department needed about \$500,000 less than was originally budget of tax levy dollars to operate. We only transfer the funds to Human Services as needed. Any remaining tax levy dollars go back to the general fund.
- County Road Maintenance – Under budget by \$119,000. Repairs and maintenance of streets was under budget by \$155,000 because less work was done than anticipated. This was somewhat offset by snow removal exceeding budget.
- Public Health expenditures were under budget by \$250,000. Labor costs were under budget by \$82,000. We increased the labor budget later in the year, anticipating that the department was going to exceed budget but that did not happen. The result was a positive variance of \$33,000. The rest of the labor surplus was due to less of a need for temporary help. Operating supplies and other contract services were under budget by a combined total of \$154,000. This was related to grant programs that were not completed prior to the end of the year.
- Land & Water Conservation department is under budget in expenses by \$675,190. This is primarily related to grants to property owners for undertaking water runoff projects. These costs are grant funded to the County so there is revenue that normally would offset the expense. Although expenses are under budget, there is no fiscal impact related to this because revenues would also be under budget by a similar amount.
- The District Attorney office is under budget in expenses by \$146,000. This is primarily due to labor costs being under budget by \$120,000, which resulted partially from a new ½ time position not being filled until very late in the year. There were also a few staff that were off on medical leaves and they did not have sufficient funds in their sick leave banks to stay in a paid status while off.
- Emergency Management expenses were under budget by \$152,000. This is primarily due to expenses related to grant programs that were not completed prior to the end of the year.

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, 2009 amounts to \$203,844,000 (rounded and net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and

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equipment, roads, highways, and bridges. The total increase in the government's investment in capital assets for the current fiscal year was \$ 3,078,000 or 1.5% (a 5.1% increase for governmental activities and a 3.4% decrease for business-type activities). Major capital asset events during the current fiscal year included the following:

Governmental Activities:

The total change in capital assets for the governmental activities was an increase of \$5,106,000.

- The "Buildings" account increased by \$5.7 million. Most of this (\$5.5 million) is related to a new Communication Arts Center at the UW Fox Valley campus which is jointly owned by Winnebago and Outagamie Counties. This project was included in Construction in Process at the end of 2008.
- The County purchased an existing building in downtown Oshkosh to remodel and use primarily for administrative functions. This facility cost \$1,280,000. Funds will be spent during 2010 to remodel the facility in preparation for its use.
- Construction in Process – although there was a decrease of \$5.5 million resulting from the completion and capitalization as "buildings" of the Communication Arts Center, there were offsetting increases for Infrastructure projects which includes various road projects in process at the end of 2009.
- These additions are partially offset by current year depreciation expense which reduces capital assets.

Business Type Activities:

The total change in capital assets for the business type activities was a decrease of \$2,028,000.

- There were no major capital assets placed in service during 2009.
- Construction in process – This account increased \$1,115,000. This is primarily the result of a project to install a replacement landfill gas to electricity generator. Total cost of this project at the end of 2009 was \$995,000. The project is not yet complete so the asset has not yet been placed in service. Another landfill project is the installation of a gas compression system, also used in the process of converting landfill gas to electricity. Costs incurred as of the end of 2009 were \$200,000. This project is not yet complete so the asset has not yet been placed in service.
- The increases related to new additions are offset by depreciation expense. The net result being a decrease in capital assets (net of accumulated depreciation) of \$2,028,000.

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Winnebago County's Capital Assets (net of accumulated depreciation) (Amounts Expressed in \$1,000's)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 2,958	\$ 2,899	\$ 8,413	\$ 8,413	\$ 11,371	\$ 11,312
Buildings	55,629	49,932	29,594	30,080	85,223	80,012
Improvements other than buildings	4,533	4,741	8,227	10,633	12,760	15,374
Machinery, equipment and vehicles	9,071	9,920	9,669	9,920	18,740	19,840
Infrastructure	66,286	66,699	-	-	66,286	66,699
Construction in progress	8,040	7,220	1,424	309	9,464	7,529
Total	\$ 146,517	\$ 141,411	\$ 57,327	\$ 59,355	\$ 203,844	\$ 200,766

Additional information on the County's capital assets can be found in the footnotes on pages 69-71 of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$57,258,000, backed by the full faith and credit of the County.

Winnebago County's Outstanding Debt General Obligation Debt (Amounts Expressed in \$1,000's)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
General obligation notes	\$ 33,666	\$ 35,561	\$ 18,568	\$ 21,087	\$ 52,234	\$ 56,648
General obligation bonds	3,785	3,967	1,239	1,300	5,024	5,267
Total	\$ 37,451	\$ 39,528	\$ 19,807	\$ 22,387	\$ 57,258	\$ 61,915

The County's total general-obligation debt decreased \$ 4,657,000 (7.5%) during the current year. There were three borrowing transactions that occurred during 2009:

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- There was a refunding that was issued February 10, 2009, in the amount of \$3,315,000. These notes were issued to retire our Series 2000 and 2001 notes. The refunding issue will be fully paid on April 1, 2011. The net present value savings from this refinancing was \$89,458, resulting from lower interest rates.
- New Promissory Notes (Build America Bonds) were issued on November 10, 2009, in the amount of \$3,825,000. Proceeds of these notes would pay for road resurfacing and reconstruction, air conditioning equipment for the equipment room in the County jail, and air conditioning equipment at the County exposition center. These notes were issued with a 10-year payback period.
- The last issue was a State Trust Fund Loan which was issued as Economic Recovery Zone notes. This issue was dated December 1, 2009, in the amount of \$2,393,000. The proceeds were used for an additional county road project and for a rescue and fire vehicle at the county airport. These notes were issued with a 10-year payback period.

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 \$605,338,000, which is significantly in excess of its outstanding general obligation debt of \$57,258,000. The County has a debt service fund balance of \$1,746,881.

Additional information on the County's long-term debt can be found in the footnotes on pages 73-76 of this report.

Economic Factors and Next Year's Budgets and Rates

- The national economy has been in recession for the past 25 months starting in December 2007. Like the rest of the country, Wisconsin and Winnebago County experienced a sharp economic downturn during the fourth quarter of 2008. It is expected to continue with a weak recovery starting sometime during 2010 and gaining strength into 2011.
- The unemployment rate for Winnebago County, Wisconsin is currently 8.4 percent, which is the same as a year ago. This compares favorably to the state's average unemployment rate of 9.8 percent and national average of 10.2 percent.
- Wisconsin employment declined 0.5% in 2008 and declined 4.0% in 2009. Wisconsin employment is expected to show a decrease of 0.7% during 2010. The state is expected to start adding jobs in the later part of 2010. These should yield a 1.9% growth for 2011 and a strong 2.6% growth in 2012.
- Wisconsin jobs in the construction sector have been decreasing since 2007. Job losses in 2008 were 8,000 and were expected to decline 10.6% losing another 12,500 jobs in 2009. Final numbers are not yet available. The outlook for construction related jobs is expected to reach the bottom during 2010, and recover mildly in 2011. The forecast is for a decline of 2.7% in 2010, and then increasing 0.7% in 2011 and 4.1% in 2012.

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- Employment in the manufacturing sector (one of Wisconsin's largest sectors) along with transportation and utilities declined 13.5% through the 3rd quarter 2009 (since it peaked in the second quarter of 2006). Job recovery in this sector is not expected to occur until 2011.
- The education and health sectors were the only areas posting job gains during the current recession. This sector grew 1.8% during 2008 and 2.0% for 2009 and is expected to continue posting strong growth in the next three years. The forecast is for this sector to grow 2.8% in 2010, and 3.6% in 2011, with continued growth in 2012.
- The general fund finished the year with an undesignated fund balance of \$11,426,531, a decrease of \$284,246 from last year. Based on our informal fund balance policy, this amount is \$2,954,401 below our minimum working capital target. This money is available to meet unforeseen events and needs.

These factors were considered in preparing the County's budget for the 2010 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 authorized prior to August 12, 1993, or refunding bonds.

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 2010).
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 2010 budget is \$1.04. We have been able to exceed the limit by using the 2nd exception listed below:

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

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- 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 2009 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.