

WINNEBAGO COUNTY, WISCONSIN

Management's Discussion and Analysis

December 31, 2016

As management of Winnebago County, Wisconsin, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of Winnebago County, Wisconsin for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 8-11 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$ 307,474,815 (*net position*). Of this amount, \$ 91,212,733 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$ 2,104,587. Several factors contributed to the overall increase as follows:

Description	Amount
Long term debt repaid and long term debt issued are reflected on the fund financial statements as revenues and expenses. They are not revenues or expenses in the statement of net assets.	
Long term debt repaid.	\$ 4,907,713
Long term debt issued.	(2,165,000)
Depreciation of capital assets is an expense in the statement of activities, yet there is no tax or other revenue to offset this expense because it is not a cash outflow. The effect of this is a reduction of net position.	(5,601,020)
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 2014, which is recorded as expense in the fund statements but capitalized and depreciated in the statement of net activities.	7,568,520
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 the amount by which deferred revenue at the end of the year exceeded deferred revenue at the beginning of the year.	593,346
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.	(400,520)
Change in deferred pension liability - is an expense in the statement of activities but is not reflected on the fund statements because it is a long term liability	(2,868,082)
Losses on capital asset disposals are reflected in the entity wide statements but are not reflected in the fund statements.	(792,143)
Fund balance used from self funded health insurance fund used to balance to offset increases in health insurance costs reflected as revenue in the fund statements but not on the entity wide statements.	(893,000)
Governmental funds surplus generated during 2015 represents an increase in net position on the statement of net position.	101,172
Net surplus generated in proprietary activities during 2015 represent an increase in net position on the statement of net position.	1,739,937

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- As of the close of the current year, the County's governmental activities reported combined ending net position of \$194,222,460. Approximately 17.4% of this total amount, \$45,976,346, is available for spending at the County's discretion (*unrestricted net position*).
- At the end of the current year, unassigned fund balance for the general fund was \$20,887,342, or approximately 38.1% of total general fund expenditures.
- The County's total general-obligation debt decreased by \$3,479,920 (9.8%) during the current year. There were no refinancing transactions done during 2016.
- There were new general obligation notes of \$3,490,000 issued on December 6, 2016 to finance capital projects including building improvements, remodeling, technology equipment, snow removal equipment, and road resurfacing projects.

Overview of the Financial Statements

This discussion and analysis is designed to be an introduction to the Winnebago County, Wisconsin's basic financial statements. The County's basic financial statements comprise three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The government-wide statements are made up of the statement of net position and the statement of activities.

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

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

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

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate component unit known as the Housing Authority. Financial

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information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 38-40 of this report.

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 4 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 2 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found elsewhere in this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 47-52 of this report.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 54-104 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 105-115 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 116-186 of this report.

Government-wide Financial Analysis

As discussed earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the County exceeded liabilities and deferred inflows of resources by \$307,474,815 at the close of 2016. See table on next page.

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	Governmental	Business-Type		
	Activities	Activities	Total	Total
	2016	2016	2016	2015
Current and other assets	\$ 125,568	\$ 67,650	\$ 193,218	\$ 198,103
Capital assets	171,802	69,203	241,005	241,219
Total assets	297,370	136,853	434,223	439,322
Deferred charge on refunding	-	-	-	31
Deferred outflow related to pensions	27,486	8,122	35,608	10,097
	27,486	8,122	35,608	10,128
Total assets and deferred outflows of resources	324,856	144,975	469,831	449,450
Long-term liabilities outstanding	32,537	23,007	55,544	52,864
Current liabilities	21,823	5,661	27,484	26,153
Total liabilities	54,360	28,668	83,028	79,017
Deferred inflow of resources:				
Deferred outflow related to pensions	10,366	3,055	13,421	-
Deferred property tax revenue	65,907	-	65,907	65,063
	76,273	3,055	79,328	65,063
Net position:				
Net investment in capital assets	145,551	67,869	213,420	209,311
Restricted	2,696	147	2,843	28,559
Unrestricted	45,976	45,236	91,212	67,500
Total net position	\$ 194,223	\$ 113,252	\$ 307,475	\$ 305,370

By far, the largest portion of the County's net position (69.4%) reflects its investment in capital assets (E.g., land, buildings, improvements, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (0.9%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$91,212,733) may be used to meet the government's ongoing obligations to citizens and creditors.

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Winnebago County's Changes in Net Position

(Amounts Expressed in \$1,000)

	Governmental	Business-type	Total	Total
	Activities	Activities		
	2016	2016		
Revenues:				
Program revenues:				
Charges for services	\$ 10,163	\$ 39,338	\$ 49,501	\$ 46,884
Operating grants and contributions	24,343	52	24,395	25,234
Capital grants and contributions	-	32	32	5,657
General revenues:				
Property taxes	65,065	-	65,065	66,425
Other taxes	1,186	-	1,186	1,285
Grants and contributions not restricted to specific programs	10,006	1,713	11,719	10,966
Unrestricted investment earnings	405	279	684	1,221
Miscellaneous	377	462	839	804
Total revenues	111,545	41,876	153,421	158,476
Expenses:				
General Government	14,804	-	14,804	15,206
Public Safety	31,691	-	31,691	29,312
Public Works	3,748	-	3,748	3,626
Health and Human Services	49,095	-	49,095	47,379
Culture, Education, and Recreation	2,989	-	2,989	2,976
Conservation and Development	2,859	-	2,859	2,805
Interest on Long Term Debt	507	-	507	578
Airport	-	3,246	3,246	3,051
Solid Waste Management	-	11,290	11,290	8,944
Park View	-	18,043	18,043	17,613
Highway	-	13,044	13,044	12,757
Total expenses	105,693	45,623	151,316	144,247
Increase (decrease) in net position before transfers and special item	5,852	(3,747)	2,105	14,229
Transfers	(5,434)	5,434	-	-
Increase (decrease) in net position	418	1,687	2,105	14,229
Net position - Beginning of Year	193,805	111,565	305,370	271,434
Cumulative effect of change in accounting principle	-	-	-	19,707
Net position - Beginning of Year, restated	193,805	111,565	305,370	291,141
Net position - End of Year	\$ 194,223	\$ 113,252	\$ 307,475	\$ 305,370

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

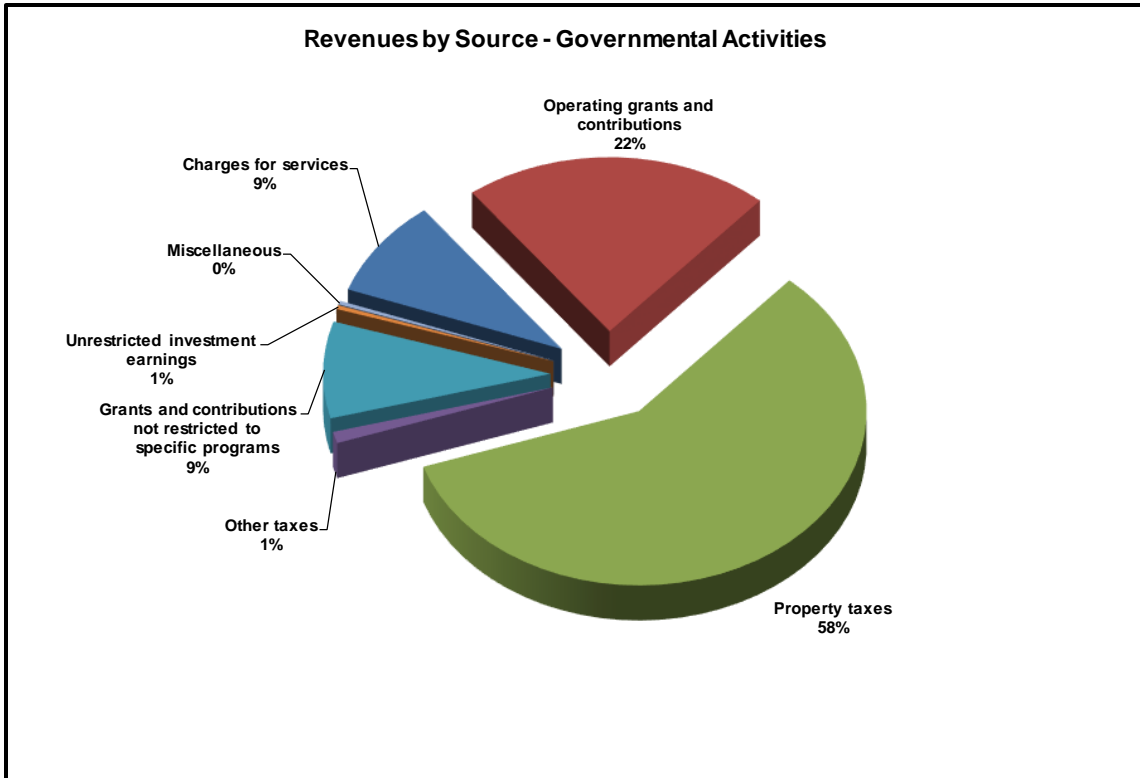
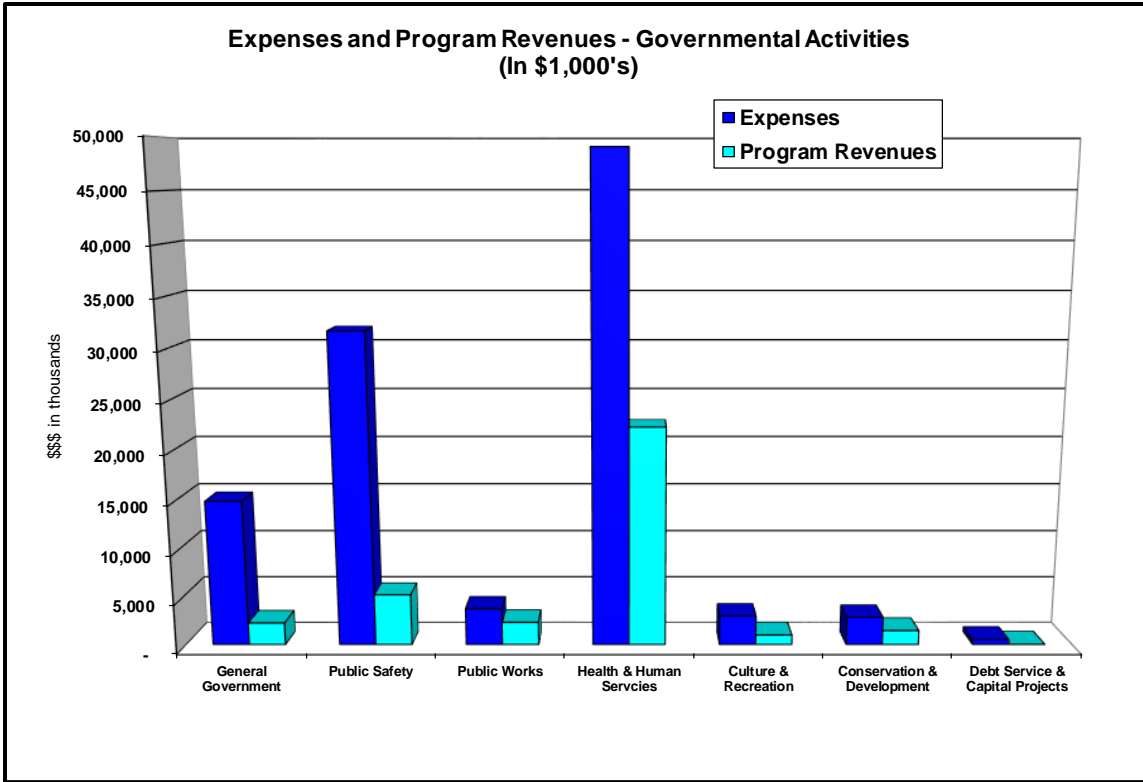
Governmental activities. Governmental activities increased the County's net position by \$417,156. Key elements of the increase exclusive of the prior period adjustment are as follows:

The amount levied for principal payment on governmental activity debt reflected in property tax revenue is reflected in the statement of activities as a revenue. The funds were used for payment of principal on debt which would not appear on the statement of activities. This would have the effect of increasing net position on the statement of activities.	\$ 2,165,000
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 position on the statement of activities.	(5,601,020)
Losses on disposition of capital assets not reflected in the fund statements.	(792,143)
Reduction in pension assets and deferred expenditures reflected in the statement of activities are not reflected in the fund statements	(2,868,082)
Capital outlay reported in governmental funds is capitalized in governmental activities	7,568,520
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 position on the statement of activities.	(264,737)
Revenues that are currently not available are deferred in the fund statements. They are current period revenues in the statement of activities.	593,346
Governmental funds operating surplus generated during 2014	101,172

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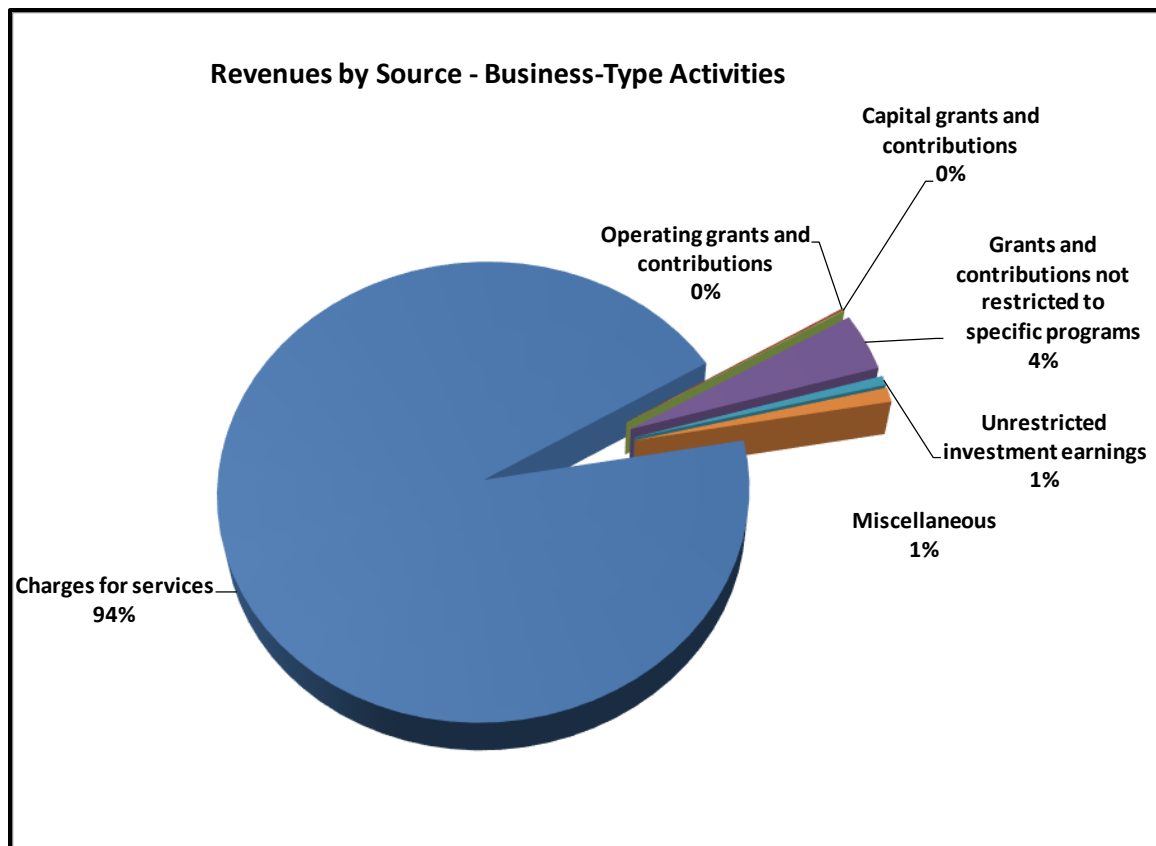
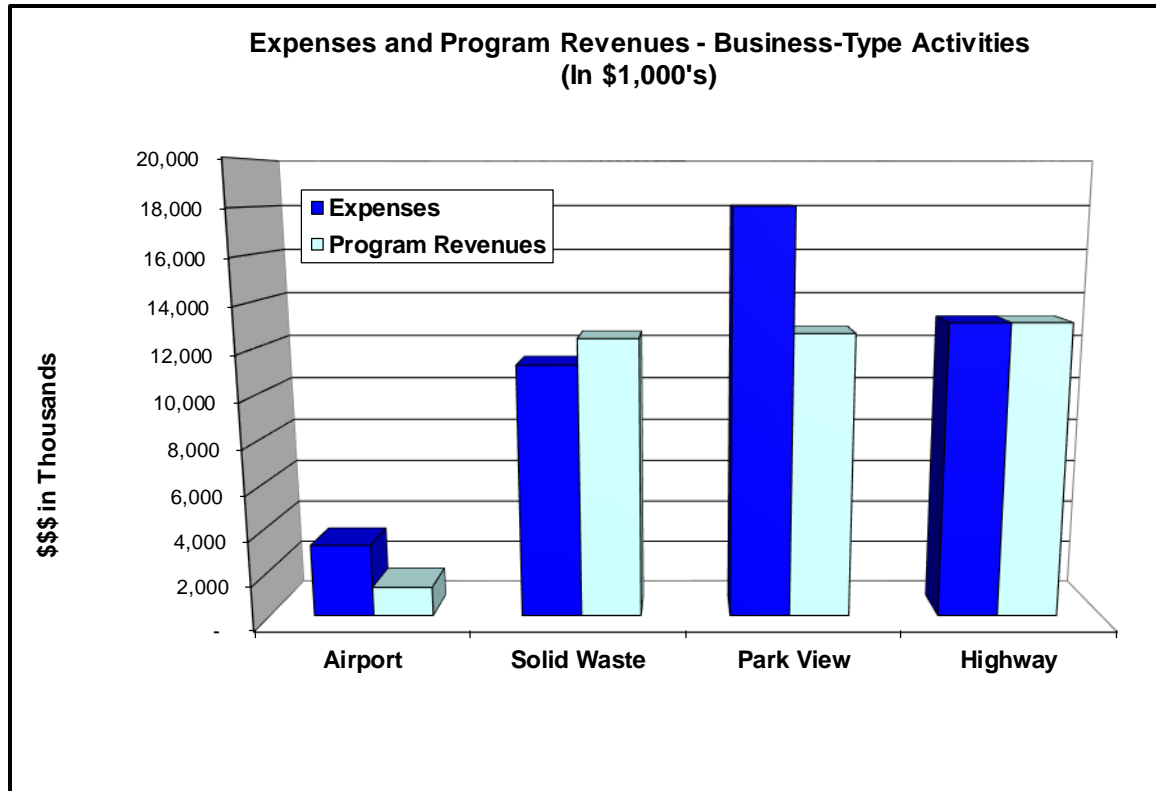
Business-type activities. Business-type activities increased the County's net position by \$1,739,937. Key elements of this increase are as follows:

- The Airport Fund's net position decreased by \$1,156,424. The adopted budget called for the fund to run a deficit of \$1,394,300. The facility requires a tax levy to operate. Tax levy is based on cash flow needs so there is no levy for depreciation and there is levy for capital expenditures. Depreciation for the year amounted to \$1,590,638 so a deficit around that would be expected. There were some favorable variances in operating expenses that kept the deficit to a smaller amount than originally budgeted.
- The Solid Waste Fund net position increased by \$1,886,702. A surplus of \$410,853 was budgeted. The large difference is due to revenues far exceeding budget for the year. Increased gas production from the closed landfills resulted in electric sales exceeding budget. There was less down time to the electricity converting engines resulting in more power generation. The ash tonnage put into the landfill far exceeded budget resulting in revenue exceeding budget. Revenues along were more than \$2 million over a budget of \$11 million.
- Park View Health Center's net position increased \$959,081. An increase to net position of \$274,300 was budgeted for the year. The primary reason for the difference is that revenues exceeded budget. There were fewer Medicaid and Medicare patient days and more Wisconsin Health Family Care, Medicare Advantage and Private Pay days than expected. These categories are billed at higher rates and as a result, revenue has exceeded budget. In addition, we received more deficit reduction funding from the state than anticipated.
- The Highway Department's net position increased \$50,578. An increase of \$23,631 was budgeted. The fund performed very close to budget.

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Financial Analysis of the Government's Funds

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

Governmental funds. The focus on the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. Note how unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2016, the County's governmental funds reported combined ending fund balances of \$38,265,406, an increase of \$ 101,172 in comparison with the prior year. A little more than half of this total (\$20,887,342) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows:

- 1) Non-liquid delinquent property taxes and special assessments (\$ 3,913,132),
- 2) Prepayments that benefit periods beyond the end of the current year (\$ 307,374),
- 3) Non-liquid industrial development loans receivable (\$ 388,218),
- 4) Unspent bond proceeds (\$2,303,120)
- 5) For other restricted purposes (\$ 240,161),
- 6) Construction of capital projects (\$534,789)
- 7) For prior year commitments (\$ 806,118)
- 8) For Economic Development (\$593,934),
- 9) To pay debt service (\$ 269,998),
- 10) Assigned to special projects, economic development, subsequent year's expenditures and prior years appropriations (\$ 8,020,647).

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 \$20,887,342, while total fund balance is 34,720,298. 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 38.1% of total general fund expenditures, while total fund balance represents 63.3% of that same amount. The fund balance of the county's general fund increased by \$2,459,540 during the current fiscal year. This represents an increase of 7.6%. Reasons for the net increase in fund balance are as follows:

- The Human Services Fund needed \$2.2 million less of tax levy than was budgeted. As a result, these funds remained in the General Fund at the end of the year. This accounts for most of the change to the General Fund balance.

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Some departments spending was significantly under budget in 2016 helping to contribute to the surplus:

- Information Systems - \$142,782 under budget. Telephone expense was under budget because costs to run lines to various locations were lower than expected. In some cases existing wiring could be used rather than running new wiring. Software maintenance agreements related to software that is shared by all departments was lower than expected. Another savings was realized due to a large fiber optics project coming in under budget.
- Facilities - \$755,057 under budget. Labor costs were under budget by \$267,000 primarily due to three vacancies, staff off on long-term disability and retirements and the time it takes to fill vacancies. Capital outlay was significantly under budget due to projects not being completed. Some of them were carried over to 2017. Several other operating expenses including heat, building rental, grounds maintenance, building repairs, and professional services were considerably under budget. In some cases projects were not completed by the end of the year. In others, the costs came in lower than expected.
- Sheriff - \$758,906 under budget. Some of the line items which came in significantly under budget include: labor, capital outlay, telephone, motor fuel, professional services and other contract services. Some explanations are as follows: an armored vehicle purchase (\$225,000) scheduled and ordered in 2016 was not delivered until 2017. Motor fuel prices were less than budgeted and the department uses a considerable amount of fuel for its vehicle fleet. Professional services were under budget because of fewer inmates on electronic monitoring. Professional fees we pay for electronic monitoring are a function of how many inmates are in the program and there were fewer than expected in 2016. Other contractual services relates to a "Click It" grant program which is for monitoring seat belt use. Other municipalities in the County participate and we reimburse them through the "other contractual services" account.
- Clerk of Courts and Court System - \$253,669. Revenues exceeded budget for the year by \$73,584 or 3.95%. Intergovernmental, public services had the largest overages in revenue collections. Expenses were under budget \$180,085. Contractual services was the largest area which was under budget \$91,161. Legal fees and medical costs came in considerably under budget in 2016. These accounts are very difficult to predict.
- County Road Maintenance was under budget \$616,526. There was much more work done for the State and municipalities than planned. As a result, not as much work was done on county roads which accounts for most of this variance.

Human Services (Special Revenue) Fund:

The Human Services Fund has a total fund balance of \$84,580. Of this amount, \$46,364 (or 54.8%) represents prepayments that benefit periods beyond the end of the current year. The balance of \$38,216 represents assigned fund balance. Total fund balance of the Human Services Fund decreased \$62,206 from the prior year. Assigned fund balance decreased \$63,029. 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 \$2,200,000 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.

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- Just over \$1 million of the department's surplus was that placements at group homes, residential child caring institutions and foster care homes were down considerably.
- Another \$1 million was in the behavioral health area. There was a savings of roughly \$462,000 in labor costs due to difficulty in filling vacancies. Reimbursements to hospitals were under budget \$601,000 because under our contracts, hospitals have to provide documentation showing that they applied for medical assistance. If they didn't we did not have to reimburse the costs. They chose not to and the result is a large budget surplus in the area of reimbursements to hospitals.

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

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

	Airport	Solid Waste	Park View	Highway
Unrestricted Net Position - 2015	\$ 1,311,266	\$ 24,784,093	\$ 9,841,928	\$ 1,445,295
Unrestricted Net Position - 2016	1,144,760	26,710,253	9,784,369	1,997,667
Total Growth(Decline) in Unrestricted Net Position	\$ (166,506)	\$ 1,926,160	\$ (57,559)	\$ 552,372

The Airport Fund's unrestricted net position decreased by \$166,506. The main reason for the decrease was that the storm water utility was over budget \$189,000. This is still a relatively new expenditure imposed by the City of Oshkosh and has not been consistent between years making it difficult to forecast.

The Solid Waste Fund's unrestricted net position increased by \$ 1,929,160. The large difference is due to revenues far exceeding budget for the year. Increased gas production from the closed landfills resulted in electric sales exceeding budget. There was less down time to the electricity converting engines resulting in more power generation. The ash tonnage put into the landfill far exceeded budget resulting in revenue exceeding budget. Revenues along were more than \$2 million over a budget of \$11 million.

Park View Health Center's unrestricted net position decreased \$ 57,559. The facility had a net income of \$959,081. Most of this is the result of budgeting tax levy revenue of \$2,377,000 to pay debt principal. The tax represents revenue on the income statement. However, payment of debt principal is a reduction of a liability and not an expense on the income statement. Most of this surplus had the impact of increasing the "net investment in capital assets" line in the equity section of the balance sheet, and does not close out to unrestricted fund balance.

The Highway Department's unrestricted net position increased \$ 552,372. The department operated at a small surplus of \$50,578 for 2016. Unrestricted fund balance increased primarily because of decreases in restricted fund balances related to pensions and open purchase orders at the end of the year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to a net increase in appropriations of \$ 1,113,884 and can be briefly summarized as follows:

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- \$415,504 carryovers of prior year appropriations.
- \$486,284 additional appropriations needed for capital projects applied from general fund balance.
- \$104,728 refund of excess property taxes collected.

Revenues were over budgetary estimates – explanation:

During this year, revenues were under budget by \$2,480,462. This represents a variance of 2.9% from budget. A few items to note are as follows:

- Interest received on delinquent taxes was under budget by \$277,033 because fewer delinquent taxes were collected than anticipated in the budget.
- Intergovernmental revenues were under budget by \$759,219. The largest areas include Land & Water Conservation, Public Health, Child Support and Sheriff. In the Land and Water area, many of these grants are reimbursement programs. If we don't spend the money, we don't get the reimbursement grant revenue. Many landowner storm water projects were not done which is why the Land & Water grant money was not received. Public Health had several grant programs that were not completed during 2016 resulting in a shortfall of revenue. However, expenses would also be lower than planned. The Sheriff Department saw a significant reduction in the number of prisoners on electronic monitoring so that fee revenue was well under budget. On the other side, expenses are also down proportionally.
- Public service revenues were under budget \$188,810 due to lower jail monitoring fees, document recording fees and court fees.
- We had also budgeted revenue from a TID (tax incremental district) closeout in 2016. The TID closed out in 2015 and we received revenue then of just under \$1 million. We had budgeted to receive that revenue in 2016 and it came in early.
- Investment income was under budget \$327,000. Rates on investments did not go up as much as we had expected. In addition, there was a large mark down to market of the investment portfolio due to the small increase to investment returns and a larger portion of the portfolio having longer durations.

Expenditures were less than budgetary estimates – explanation:

Actual operating expenditures were less than budget by \$4,873,497. Some of the main reasons include:

General Government – was under budget by \$1,399,089.

A breakdown by department with large variances follows:

County Board - \$163,101 under budget: The Board carried forward \$154,805 from 2015 to continue a pay study. Most of those funds were not spent.

Information Systems – \$178,978 under budget: Telephone expense was under budget because costs to run lines to various locations were lower than expected. In some cases existing wiring could be used rather than running new wiring. Software maintenance agreements related to

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software that is shared by all departments was lower than expected. Another savings was realized due to a large fiber optics project coming in under budget.

Facilities – \$750,425 under budget: Labor costs were under budget by \$267,000 primarily due to three vacancies, staff off on long-term disability and retirements and the time it takes to fill vacancies. Capital outlay was significantly under budget due to projects not being completed. Some of them were carried over to 2017. Several other operating expenses including heat, building rental, grounds maintenance, building repairs, and professional services were considerably under budget. In some cases projects were not completed by the end of the year. In others, the costs merely came in lower than expected.

Public Safety - \$1,345,374 under budget

Sheriff – \$1,122,954 under budget: Some of the line items which came in significantly under budget include: labor, capital outlay, telephone, motor fuel, professional services and other contract services. Some explanations are as follows: an armored vehicle purchase (\$225,000) scheduled and ordered in 2016 was not delivered until 2017. Motor fuel prices were much lower than anticipated in the budget and the department uses a considerable amount of fuel for its vehicle fleet. Professional services were under budget because of fewer inmates on electronic monitoring. Professional fees we pay for electronic monitoring are a function of how many inmates are in the program and there were fewer than expected in 2016. Other contractual services relates to a "Click It" grant program which is for monitoring seat belt use. Other municipalities in the County participate and we reimburse them through the "other contractual services" account. This program was incomplete at the end of 2016 so some of the pass through grants to other municipalities had not yet been made.

Courts – 180,085 under budget: Some reasons include: Contractual services was the largest area which was under budget \$91,161. Legal fees and medical costs came in considerably under budget in 2016. These accounts are very difficult to predict.

The rest consists of small variances within the rest of the Public Safety division.

Public Works – \$613,794 under budget

This area consists of County Road Maintenance, which accounts for all of the variance. The department did considerably more contract work for the state and municipalities than was anticipated during budget preparation. As a result, much of the county road work was postponed. Also, as a result of the mild winter, there was not nearly as much spent on plowing and salting county roads as in prior years.

Health & Human Services - \$453,146 under budget

Public Health – \$369,984 under budget: The largest area was wages and benefits which were under budget \$334,608. Many positions were left vacant for extended periods of time due to uncertainty with some of the larger funding sources and there was also difficulty filling vacant positions.

Both the Veterans and Child Support departments had small favorable variances from budget adding to the total amount the division was under budget.

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Culture, Education and Recreation - \$948,420 under budget

UW Fox Valley – \$689,545 under budget: Some very large building repair projects were not completed in 2016 due to projects bids coming in over budget and the timing to get the extra funding approved. As a result they were carried over into 2017. This accounted for about \$563,000 of the variance.

Parks Department - \$167,079 under budget: Maintenance, utilities and contractual services were all under budget roughly \$30,000 each. Capital outlay was under budget \$54,000. One project for a kayak launch did not get done because a grant to pay for part of it did not come through. Grounds maintenance was under budget primarily because an employee was out on medical leave for an extended period of time. Some of the maintenance projects needed two people and could not be done because of this. Contracted services was under budget because repair work scheduled for navigation aides could not be done in 2016. Spring came early and the buoys had to be put in the water before maintenance could be done on them. This will be postponed to sometime in the future.

Conservation and Development - \$444,785 under budget

The Land and Water Department accounts for \$260,793 of this variance. This is primarily due to runoff projects undertaken by landowners. These are fully funded programs. Not as many of these took place in 2016 as expected. As a result, there is a savings in expenses. Since these are reimbursable grant programs, the revenues will be under by a similar amount.

Register of Deeds accounted for \$98,808 of this variance. The Register of Deeds retired in early 2016 and the Governor would not appoint a replacement and decided to wait till the next election. As a result the position was vacant most of the year resulting in labor costs coming in \$87,000 under budget. Other small savings in the department make up the rest of the variance.

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, 2016 amounts to \$242,209,811 (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 \$ 991,163 or 0.4% (a 0.7% increase for governmental activities and a 0.3% 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 \$1,175,356.

Major assets placed in service during 2016:

- Seven road and bridge projects were placed in service during 2016 at a cost of \$5,012,527.
- A project to redo the roadway through our community park and replace lighting and resurface some parking areas was completed during 2016 at a total cost of \$1,650,269. Of this amount \$190,897 was spend during 2016. The rest was from prior years and was in construction in process at the beginning of the year.
- An energy upgrade project was completed at UW Fox Valley at a cost of \$542,682. This project was to update electric and lighting systems at the facility to reduce utility costs.

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- The roof at our Facilities Department building was replaced at a cost of \$257,426. Of this amount \$39,574 of costs were incurred during 2016. The rest was in construction in process at the beginning of the year.
- We replaced a boiler at UW Fox valley at a cost of \$240,000.

Major assets retired during 2016:

- There were no major dispositions during the year.
- Total dispositions were \$631,640, consisting mostly of old vehicles, lawn mowing tractors and related equipment. Most of these vehicles and equipment were fully depreciated and at the end of their useful lives.

Other changes to capital assets:

Many of the assets placed in service during 2016 were from construction in process from prior years. Thus, the increase to the capital asset has a partial decrease to construction in process. They offset each other so don't effect the total change to capital assets.

The change in accumulated depreciation during the year would usually reduce total capital assets as it is part of total capital assets above.

Business Type Activities:

The total change in capital assets for the business type activities was a decrease of \$184,192.

Major assets placed in service during 2016:

- The airport added a mowing tractor at a cost of \$61,975.
- The Solid Waste Department added three compactors at a total cost of \$747,175.
- There was parking lot resurfacing at our nursing home at a cost of \$149,040.
- The Highway Department annually replaces road maintenance vehicles, construction and snow plowing vehicles and other road maintenance equipment costing around \$1 million per year as part of an equipment rotation program. Approximately \$1 million of old vehicles are traded in or sold.

Other changes to capital assets:

Many of the assets placed in service during 2016 were from construction in process from prior years. This results in a shift from construction in process to a capital asset category such as buildings, equipment, improvements and other. The result is that there may not be a large overall changes to capital assets in total.

The change in accumulated depreciation during the year would usually reduce total capital assets as it is part of total capital assets.

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Winnebago County's Capital Assets (net of accumulated depreciation) (Amounts Expressed in \$1,000's)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 3,415	\$ 3,423	\$ 9,461	\$ 9,461	\$ 12,876	\$ 12,884
Buildings	48,364	49,683	30,545	31,449	78,909	81,132
Improvements other than buildings	7,808	5,776	15,204	16,583	23,012	22,359
Machinery, equipment and vehicles	14,602	15,589	12,522	10,983	27,124	26,572
Infrastructure	94,015	90,099	-	-	94,015	90,099
Construction in progress	3,598	6,057	2,676	2,116	6,274	8,173
Total	\$ 171,802	\$ 170,627	\$ 70,408	\$ 70,592	\$ 242,210	\$ 241,219

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

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$31,933,043, backed by the full faith and credit of the County.

Winnebago County's Outstanding Debt General Obligation Debt (Amounts Expressed in \$1,000's)						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation notes	\$ 26,689,682	\$ 28,978,889	\$ 2,888,361	\$ 3,429,074	\$ 29,578,043	\$ 32,407,963
General obligation bonds	1,643,084	2,096,590	711,916	908,410	2,355,000	3,005,000
Total	\$ 28,332,766	\$ 31,075,479	\$ 3,600,277	\$ 4,337,484	\$ 31,933,043	\$ 35,412,963

The County's total general-obligation debt decreased \$ 3,479,920 (9.8%) during the current year. There was a new borrowing during 2016 totaling \$3,940,000. The notes were issued to finance the following projects:

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-- Roof replacement program	\$ 935,000
-- Administration / terminal building - Architect and engineering	250,000
-- Snow removal equipment	590,000
-- Road resurface and reconstruction projects	2,100,000
-- Debt issue costs	65,000

Winnebago County maintains an Aa1 rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the County is \$616,071,000, which is significantly in excess of its outstanding general obligation debt of \$31,933,043. The County has a debt service fund balance of \$269,998.

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

Economic Factors and Next Year's Budgets and Rates

- At the end of 2016 the US unemployment rate was 4.7%, Wisconsin's rate was 3.7% and Winnebago County's rate was 3.7%.
- Winnebago County continues to be a very affordable area to live with median home prices at \$152,000 compared to the Wisconsin average of \$160,000 and US average of \$194,000.
- Home sales in Winnebago County increased from 2,184 in 2015 to 2,368 in 2016.
- The labor force remains stable at around 93,000 persons.
- Non farm labor remains stable at around 97,000 jobs.
- Areas with the highest concentration of jobs are in manufacturing, trade, transportation and utilities, professional and business services, education and health care, and government.
- Growth in net new construction has remained slow at around 1.3% which limits increases in spending.

These factors were considered in preparing the County's budget for the 2017 fiscal year.

Section 66.0602 Local Levy Limits:

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

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

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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 2015 budget is \$0.57. We have been able to exceed the limit by using the 2nd exception listed below:

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

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

The 2016 tax levy and rate are within the limitations contained in state laws.

Requests for Information

This financial report is designed to provide a general overview of Winnebago County, Wisconsin's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 112 Otter Avenue, P.O. Box 2808, Oshkosh, WI 54903-2808.