

# WINNEBAGO COUNTY, WISCONSIN

## Management's Discussion and Analysis

December 31, 2013

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, 2013. 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 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 \$ 265,692,589 (*net position*). Of this amount, \$ 65,301,238 (*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 \$ 14,095,752. Several factors contributed to the overall increase as follows:

Description	Amount
Long term debt paid represents expenditures on the fund financial statements but are not expenses on the statement of activity. Yet property taxes levied are considered revenue in both the fund financial statements and statement of activity. Since the debt paid is not reflected as an expense but the revenue is on the statement of activity, this amount will represent an increase in net position.	\$ 9,741,398
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.	(4,388,528)
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 2013, which is recorded as expense in the fund statements but capitalized and depreciated in the statement of net activities.	7,608,450
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 position because there is no offsetting revenue.	(281,422)
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.	30,190
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.	132,008
General fund deficit generated during 2013 primarily from recording transfers to capital projects to fund them from general fund balance rather than borrowing for the projects, partially offset by a surplus in the Human Services fund being transferred back to the General Fund.	(3,764,905)
Net surplus generated in proprietary activities during 2013 represent an increase in net position on the statement of net position.	6,143,636

- As of the close of the current year, the County's governmental activities reported combined ending net position of \$168,306,202. Approximately 15.0% of this total amount, \$25,184,672, is available for spending at the County's discretion (*unrestricted net position*).

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- At the end of the current year, unassigned fund balance for the general fund was \$19,139,962, or approximately 37.0% of total general fund expenditures.
- The County's total general-obligation debt decreased by \$ 13,782,724 (23.1%) during the current year. There were no refinancing transactions done during 2013. There were no new bonds or notes issued during 2013. All new 2013 capital projects were financed using general fund unrestricted fund balance from 2012 and prior years.

### Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate component unit known as the Housing Authority. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 31-33 of this report.

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**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements; however, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison may help readers better understand the long-term impact of a government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 13 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 11 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 34-38 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 40-45 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

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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 46 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 47-94 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 95-99 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 100-163 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 \$ 265,692,589 at the close of 2013. See table on next page.

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<b>Winnebago County's Net Position</b>				
(Amounts Expressed in \$1,000's)				
	Governmental	Business-Type		
	Activities	Activities	Total	Total
	2013	2013	2013	2012
Current and other assets	\$ 118,943	\$ 64,317	\$ 183,260	\$ 196,318
Capital assets	167,816	66,254	234,070	231,866
<b>Total assets</b>	<b>286,759</b>	<b>130,571</b>	<b>417,330</b>	<b>428,184</b>
Deferred outflows - loss on refunding of debt	23	309	332	538
<b>Total assets and deferred outflows of resources</b>	<b>286,782</b>	<b>130,880</b>	<b>417,662</b>	<b>428,722</b>
Long-term liabilities outstanding	36,265	27,008	63,273	78,404
Current liabilities	17,425	6,486	23,911	31,433
<b>Total liabilities</b>	<b>53,690</b>	<b>33,494</b>	<b>87,184</b>	<b>109,837</b>
<b>Deferred inflow of resources:</b>				
Deferred property tax revenue	64,786	-	64,786	67,288
<b>Net position:</b>				
Net investment in capital assets	135,163	57,260	192,423	182,885
Restricted	7,958	10	7,968	9,401
Unrestricted	25,185	40,116	65,301	59,311
<b>Total net position</b>	<b>\$ 168,306</b>	<b>\$ 97,386</b>	<b>\$ 265,692</b>	<b>\$ 251,597</b>

By far, the largest portion of the County's net position (72.4%) 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 (3.0%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$65,301,238) 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	
	Activities		Activities	
	2013	2013	Total 2013	Total 2012
Revenues:				
Program revenues:				
Charges for services	\$ 9,488	\$ 36,573	\$ 46,061	\$ 49,615
Operating grants and contributions	22,597	5	22,602	22,179
Capital grants and contributions	-	294	294	-
General revenues:				
Property taxes	67,564	-	67,564	69,617
Other taxes	1,760	-	1,760	1,691
Grants and contributions not restricted to specific programs	11,739	1,631	13,370	13,913
Unrestricted investment earnings	(163)	(158)	(321)	1,310
Miscellaneous	579	231	810	442
<b>Total revenues</b>	<b>113,564</b>	<b>38,576</b>	<b>152,140</b>	<b>158,767</b>
Expenses:				
General Government	12,774	-	12,774	15,137
Public Safety	27,302	-	27,302	26,489
Public Works	3,802	-	3,802	3,872
Health and Human Services	46,654	-	46,654	48,458
Culture, Education, and Recreation	3,005	-	3,005	3,221
Conservation and Development	2,693	-	2,693	2,866
Interest on Long Term Debt	847	-	847	879
Airport	-	3,174	3,174	3,069
Solid Waste Management	-	8,020	8,020	14,301
Park View	-	17,323	17,323	19,632
Highway	-	12,236	12,236	12,163
<b>Total expenses</b>	<b>97,077</b>	<b>40,753</b>	<b>137,830</b>	<b>150,087</b>
Increase (decrease) in net position before transfers and special item	16,487	(2,177)	14,310	8,680
Transfers	(8,543)	8,543	-	-
Special item		-	-	(780)
Increase (decrease) in net position	7,944	6,366	14,310	7,900
Prior period adjustment	(215)	-	(215)	-
Net position - Beginning of Year	160,577	91,020	251,597	243,697
<b>Net position - End of Year</b>	<b>\$ 168,306</b>	<b>\$ 97,386</b>	<b>\$ 265,692</b>	<b>\$ 251,597</b>

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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 \$7,944,266. 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 position on the statement of activities.	\$ 8,444,000
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Depreciation expense for governmental activities is reflected on the statement of activities. This is an expense without a cash outflow so there is not offsetting revenue (tax levy) reflected on the statement of activities. This would have the effect of reducing net position on the statement of activities.	(4,388,528)
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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 position on the statement of activities.	1,059,357
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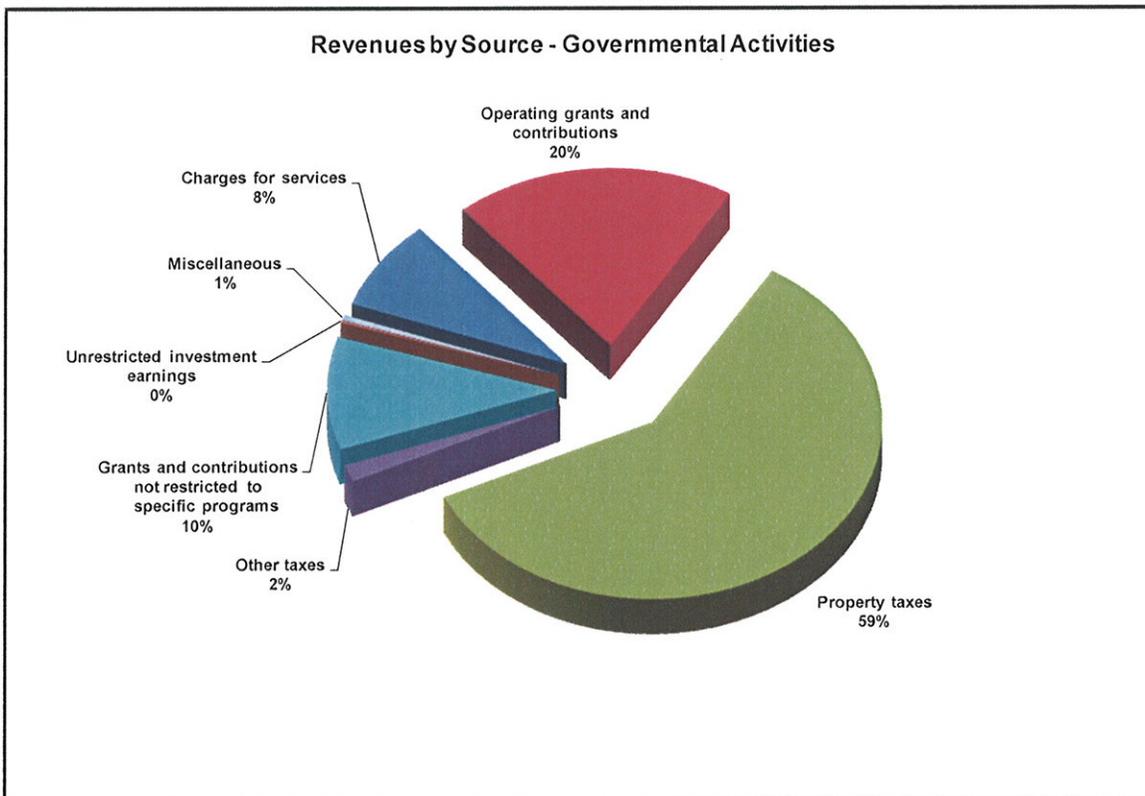
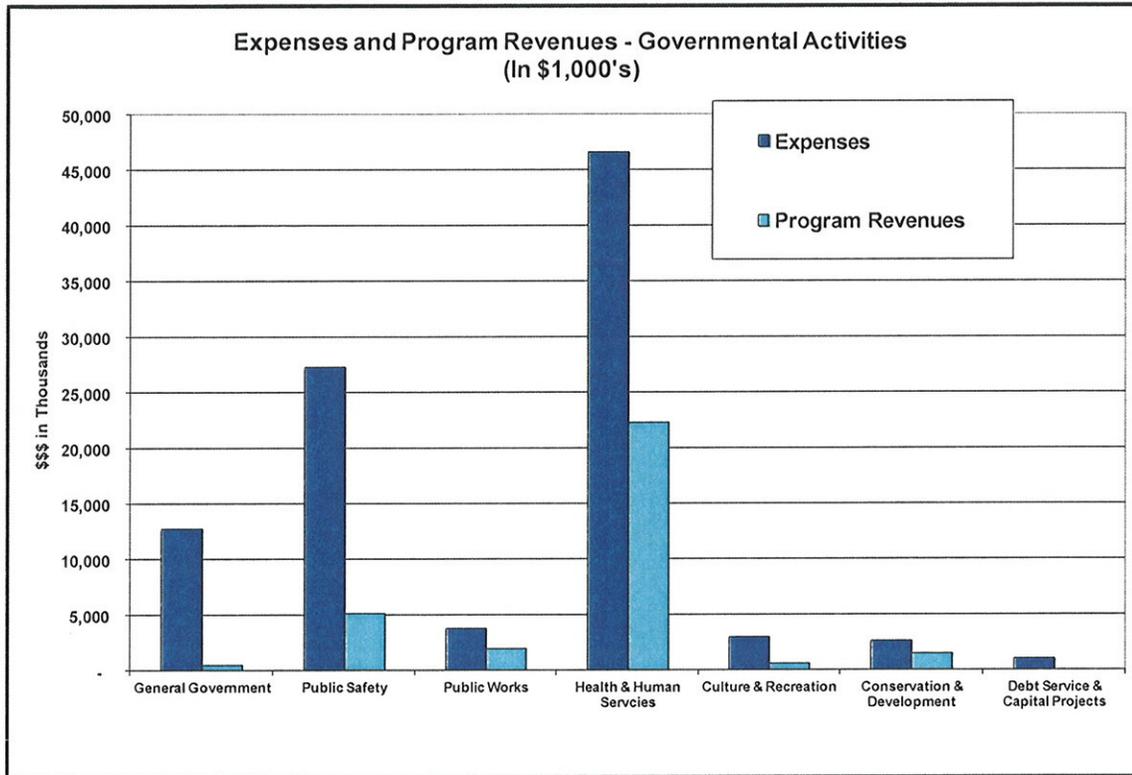
The expenditure for OPEB (other post employment benefits) representing subsidized health insurance for retirees shows up as an expenditure on the statement of activities. Since the expense is not funded currently with tax levy revenue, it has the effect of decreasing net position on the statement of activities.	(332,833)
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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 position on the statement of activities.	2,034,907
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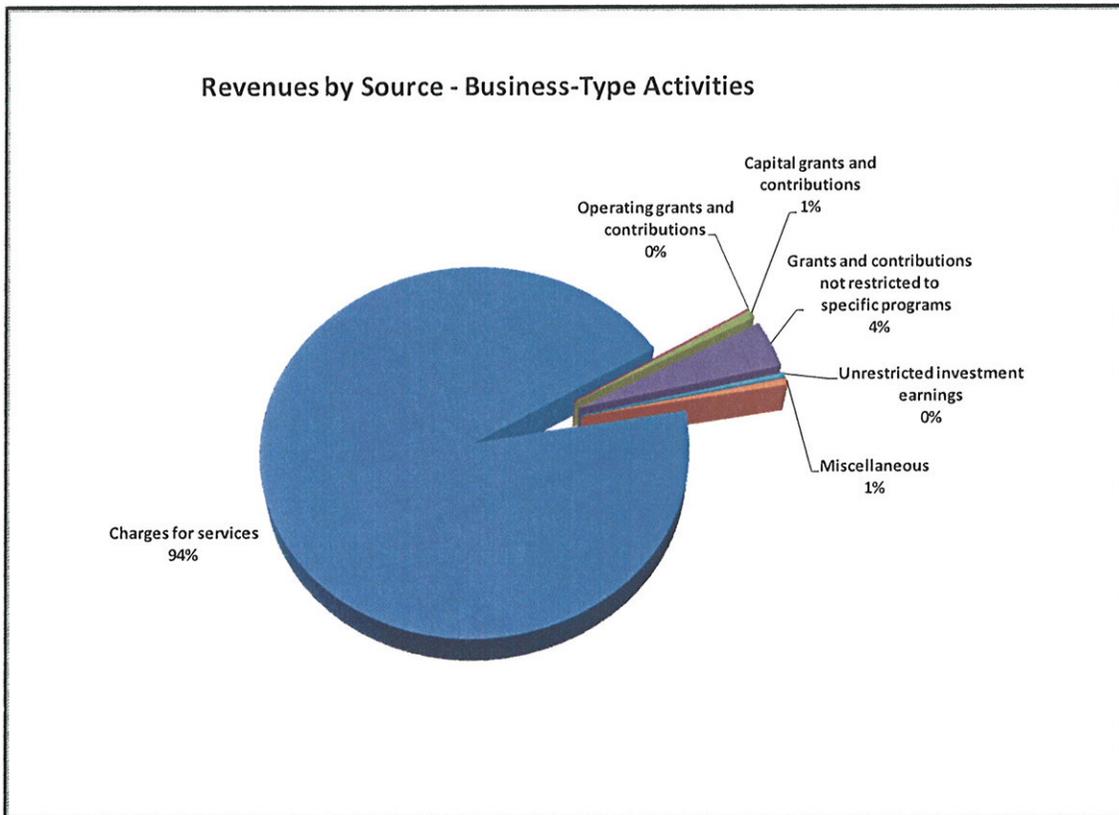
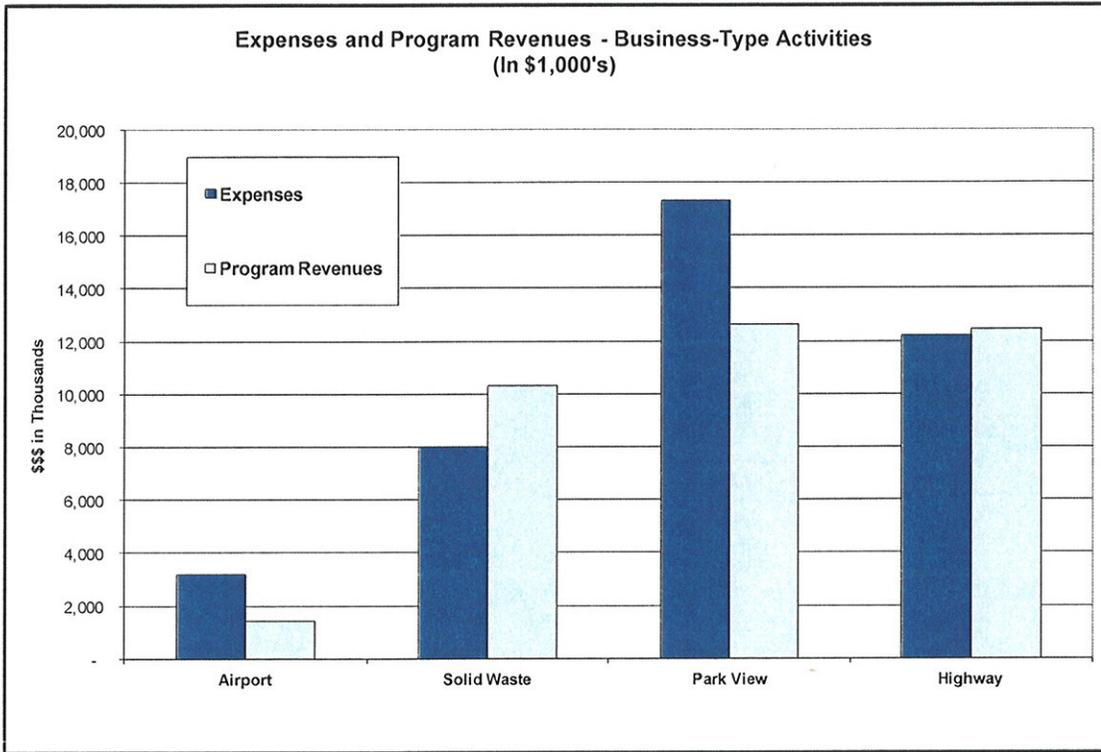
**Business-type activities.** Business-type activities increased the County's net position by \$6,763,196. Key elements of this increase are as follows:

- The Airport Fund's net position decreased by \$142,289. The fund was budgeted to have a surplus for the year of roughly \$400,000, primarily because tax levy for debt principal payment is included in the income statement where principal payments are not reflected there. The large reduction in rental revenue for storage of military vehicles on the airport grounds dropped off significantly resulting in a net decrease to financial position.
- The Solid Waste Fund net position increased by \$2,137,049. A large portion of the increase is due to an adjustment to the closure / long term care liabilities for the Sunnyview landfill site. The site closed during 2013. Closure and long term care liabilities are estimates. The large downward adjustment to the liabilities had the result of decreasing expenses on the income statement by \$1,440,669. This adjustment is a cumulative adjustment over the life of the project which is based on estimates. The result is an increase in net position. Payments received from two other counties associated with our Tri County Landfill sharing agreement exceeded budget by \$1.1 million.
- Park View Health Center's net position increased \$4,146,824. Park View Health Center requires a tax levy subsidy to operate. In addition, Park View has a large amount of debt on its books to pay for the new nursing home that was built a few years ago. A new addition was finished during 2012. Part of the tax levy subsidy includes funds to cover principal and interest on outstanding debt. Because principal payments are not expenses on the income statement, and the tax levy subsidy is, the result is to generate a surplus on the operating statement. This explains \$3,159,000 of the increase to net position. About \$1 million of the increase is due to the population of residents at the facility shifting from Medicaid which does not cover the cost of care to Medicare, Medicare Advantage and private pay residents which are more profitable.
- The Highway Department's net position increased \$2,052. The highway department provides services to state and local governments and maintains the county road system. The objective of this department is to break even and maintain a reasonable net position. This was achieved for 2013 as can be seen by the change of just \$2,052 on an expense budget of roughly \$13 million.

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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, 2013, the County's governmental funds reported combined ending fund balances of \$36,309,432, a decrease of \$ 5,548,496 in comparison with the prior year. Approximately half of this total (\$19,139,962) 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 (\$ 4,309,301),
- 2) Prepayments that benefit periods beyond the end of the current year (\$ 212,292),
- 3) Capital project encumbrances (\$ 78,954),
- 4) Non-liquid industrial development loans receivable (\$ 2,965,609),
- 5) For other restricted purposes (\$ 1,889,656),
- 6) For prior year commitments (\$ 1,047,737)
- 7) Assigned to special projects, economic development subsequent years expenditures and prior years appropriations (\$ 3,010,450).
- 8) To pay debt service (\$ 3,655,471),

### 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 \$19,139,962, while total fund balance is \$30,343,615. 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 37.0% of total general fund expenditures, while total fund balance represents 58.7% of that same amount. The fund balance of the county's general fund decreased by \$ 3,764,905 during the current fiscal year. This represents a decrease of 11.0%. Reasons for the decrease in fund balance are as follows:

- Fund balance from General Fund in the amount of \$5,215,950 was transferred to the capital projects fund to pay for projects rather than using borrowings. This is reflected as an expense in the General Fund without any offsetting revenue.
- The Human Services Fund needed \$1.1 million less of tax levy than was budgeted. As a result, these funds remained in the General Fund at the end of the year.

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- Other departments including Information Systems, Facilities, Sheriff and Parks had significant surplus's for the year which accounts for most of the rest of the change. These total roughly \$1 million.

### Human Services (Special Revenue) Fund:

The Human Services Fund has a total fund balance of \$146,736. Of this amount, \$66,238 (or 45.1%) represents prepayments that benefit periods beyond the end of the current year. The balance of \$80,498 represents assigned fund balance. Total fund balance of the Human Services Fund increased \$13,518 from the prior year. Assigned fund balance decreased \$39,197. 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 \$1.1 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; Collection agency recoveries were greater than expected (\$56,517), prior year intergovernmental reimbursements exceeded expectations by (\$ 345,000); Labor costs were under budget by (\$517,561); and specialized transportation costs were under budget by (\$ 227,548).

**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 - 2012	\$ 3,455,153	\$ 21,793,499	\$ 7,633,339	\$ 1,161,827
Unrestricted Net Position - 2013	2,032,185	24,764,685	9,856,051	1,210,499
Total Growth(Decline) in Unrestricted Net Position	\$ (1,422,968)	\$ 2,971,186	\$ 2,222,712	\$ 48,672

The Airport Fund's unrestricted net position decreased by \$1,422,968. The reduction to unrestricted fund balance is partially due to using fund balance to pay for a \$689,000 runway snow blower. Revenues were under budget by \$460,000 due primarily to loosing rental revenue from the storage of military vehicles.

The Solid Waste Fund's unrestricted net position increased by \$ 2,971,186. A large portion of the increase is due to an adjustment to the closure / long term care liabilities for the Sunnyview landfill site. The site closed during 2013. Closure and long term care liabilities are estimates. The large downward adjustment to the liabilities had the result of decreasing expenses on the income statement by \$1,440,669. This adjustment is a cumulative adjustment over the life of the project which is based on estimates. The result is an increase in net position. Payments received from two other counties associated with our Tri County Landfill sharing agreement exceeded budget by \$1.1 million.

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Park View Health Center's unrestricted net position increased \$ 2,222,712. A large part of the increase is because of taxes that are levied to pay principal on outstanding debt. This explains \$3,159,000 of the increase to total net position. About \$1 million of additional increase is due to the population of residents at the facility shifting from Medicaid which does not cover the cost of care to Medicare, Medicare Advantage and private pay residents which are more profitable. These increases are partially offset by depreciation expense in that it is not a cash flow item so we do not levy property taxes to cover this expense. This cost amounted to \$ 601,731 in 2013. There was an increase to the net investment in capital assets which results in an offsetting decrease to unrestricted net position. This is because certain items on the income statement close out to "net investment in capital assets" and not to unrestricted net position. The reason they close there is because they represented capital assets which would not be available for other purposes, thus they cannot be considered unrestricted net position.

The Highway Department's unrestricted net position increased \$ 48,672. The department operated at a small surplus for 2013. This is a very small increase considering the department has a budget of roughly \$14 million. The unrestricted net position at the beginning of the year was right around our target level so the budget for the year was to come close to a breakeven. That goal was attained as can be seen by the small operating surplus for the year.

#### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget amounted to a net increase in appropriations of \$ 8,808,387 and can be briefly summarized as follows:

- \$7,464,117 funding capital projects with money from general fund unassigned fund balance.
- \$1,686,000 pre-payment of a State Trust Fund loan using general unassigned fund balance.

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

During this year, revenues were over budget by \$118,719. This represents a variance of .13% from budget. A few items to note are as follows:

- Intergovernmental revenues were under by \$663,124. The largest area is in operating grant revenue where Land & Water Conservation, Public Health, and Child Support. These revenue shortfalls are offset by less spending on these grant programs. 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.
- Property tax revenue was over budget by \$1,081,538. With the improving economy, the county was able to collect considerably more of delinquent taxes. This includes interest revenue on delinquent taxes.
- Investment income was \$695,005 under budget. The large decrease is because of the "mark to market adjustment" the county must recognize on the financial statements. Due to slightly increasing interest rates at the end of the year, this reduces the values of any fixed rate securities such as government agencies. The County had a significant balance invested in government agencies at the end of the year. The result is a large write down to market of carrying values.

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

Actual operating expenditures were less than budget by \$3,758,639. Some of the main reasons include:

### **General Government – was under budget by \$1,403,593.**

A breakdown by department with large variances follows:

**Information Systems – \$497,601 under budget:** The largest item here is \$300,000 that was approved for a new phone system. The project had just started near the end of the year so most of the funding was carried forward to 2014. There were also some other technology projects that were still in process at the end of the year. Those funds were also carried over to 2014. There were also some maintenance contracts that were not renewed; one because it was not needed and another because the software was replaced and included support for the first year.

**Facilities – \$378,738 under budget:** Utility (heat) cost was under budget \$157,700 due to energy conservation improvements and conservative budgeting. Professional services was under budget \$73,700 due to a courthouse security study that was planned but did not start till near the end of the year. Other smaller savings were realized in other line items throughout the department's financial results.

**Unclassified – \$292,545 under budget:** We budget a contingency fund for wages and benefits. Very little of this fund was used during 2013 leaving a balance of \$282,785 unused.

### **Public Safety - \$758,196 under budget**

**Sheriff – \$625,713 under budget:** Labor costs were under budget \$86,000 due to health insurance costs coming in significantly under budget. Other operating expenses were under budget \$519,066 due to lower inmate medical costs, fewer extraditions, lower food service costs and general savings in dispatch, jail, electronic monitoring and family services.

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

### **Public Works – \$392,756 under budget**

This area consists of County Road Maintenance, which was under budget \$391,756. Most of the variance is due to the fact that the Highway Department did much more work for the State and municipalities and much less work on the county road system during 2013.

### **Health & Human Services - \$213,962 under budget**

**Public Health –\$161,892. under budget:** The largest area was wages and benefits which were under budget \$146,658. The department is still in the early stages of a consolidation that took place in 2012 making it difficult to budget for 2013. Labor costs were lower than expected.

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 - \$357,292 under budget**

The Parks Department accounts for a good majority of the variance, making up roughly \$302,000 of the total. Major items follow:

- One of our boat landing projects was scheduled late in the year. The project could not be started due to inclement weather in Wisconsin during the Fall season. The project was carried over to 2014 with a cost of roughly \$45,000.
- A tennis court rehabilitation project was delayed and not completed until 2014. The project was under budget at 12/31/13 by roughly \$58,000. This was carried forward to 2014 for completion of the project.
- Grounds maintenance at the county parks was also about \$44,000 under budget for the year. Again, due partially to inclement weather in Fall and the early winter.
- Labor costs were under budget partially because of a management position that was vacant for a while and over estimating the budget for health insurance costs for 2013.
- Quotes received for many other grounds projects at the Parks facilities were high. Many projects came in under budget.

Other departments in this division (UW Fox Valley and UW Extension) were also under budget but there are no major items that stand out in those departments.

### **Conservation and Development - \$632,840 under budget**

Most of this variance is attributable to the Land and Water Conservation Department. They administer landowner grant programs to control "storm water runoff" which can pollute lakes, rivers and streams. The grant revenue comes to the County as revenue and is disbursed to the property owners once they have completed projects. The department has had the practice of budgeting revenue and expense for the entire program, not just the activity expected for the current year. As a result, revenues and expenses are significantly over budgeted. We have changed this budget process for 2014 and future years. Now the department is only budgeting for activity to occur in the current year. The amount over budgeted for this for 2013 was about \$506,067 for expenses. This explains most of the variance for this division.

### **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, 2013 amounts to \$234,070,335 (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 \$ 2,204,420 or 0.95% (a 1.8% increase for governmental activities and a 1.1% decrease for business-type activities). Major capital asset events during the current fiscal year included the following:

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### Governmental Activities:

The total change in capital assets for the governmental activities was an increase of \$2,926,440.

Major assets placed in service during 2013:

- New Chiller at the County Jail - \$666,046.
- New parking lot at our UW Fox Valley campus - \$79,851.
- A new County wide voice mail system was started with \$100,000 having been spent as of the end of 2013.
- A new tennis court project was started at our Parks department having \$134,000 spent as of the end of 2013.
- Five road projects were completed and placed in service during 2013 at a total capital cost of \$8,948,120. Of this amount \$6,977,113 was part of construction in progress at the beginning of the year (in other words, they were already part of capital assets). So the net impact is to increase capital assets by \$1,971,007.

### Business Type Activities:

The total change in capital assets for the business type activities was a decrease of \$722,020. Total disposals of capital assets exceeded new additions as outlined below.

#### Major Additions

- A land acquisition for our airport had a cost of \$1,000,000.
- A new runway broom (for snow removal) was purchased for our airport at a cost of \$689,000.
- Our Highway Department replaces major road construction equipment and vehicles each year. Replacements during 2013 include a tri-axle tuck, a paver, and various other road construction equipment. Total additions equal roughly \$1.1 million.

#### Major Disposals

- Our Highway Department replaces major road construction equipment and vehicles each year. Old equipment may either be traded in or sold. The net book value of assets disposed during the year was rather insignificant, and has little impact on the decrease in capital assets.
- There were no other major disposals of capital assets.
- There was \$3,922,000 of depreciation expense recorded on business type assets. This explains the net reduction to 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			
	2013	2012	2013	2012	2013	2012
Land	\$ 3,833	\$ 3,833	\$ 9,461	\$ 8,460	\$ 13,294	\$ 12,293
Buildings	52,616	54,151	33,508	33,003	86,124	87,154
Improvements other than buildings	5,942	5,612	12,682	13,912	18,624	19,524
Machinery, equipment and vehicles	6,417	7,370	10,210	9,702	16,627	17,072
Infrastructure	81,447	73,369	-	-	81,447	73,369
Construction in progress	17,561	20,554	393	1,899	17,954	22,453
<b>Total</b>	<b>\$ 167,816</b>	<b>\$ 164,889</b>	<b>\$ 66,254</b>	<b>\$ 66,976</b>	<b>\$ 234,070</b>	<b>\$ 231,865</b>

Additional information on the County's capital assets can be found in the footnotes on pages 71-73 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total bonded debt outstanding of \$45,871,375, 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	
	2013	2012	2013	2012	2013	2012
General obligation notes	\$ 33,327,398	\$ 42,837,528	\$ 8,363,977	\$ 12,206,571	\$ 41,691,375	\$ 55,044,099
General obligation bonds	2,916,386	3,216,397	1,263,614	1,393,603	4,180,000	4,610,000
<b>Total</b>	<b>\$ 36,243,784</b>	<b>\$ 46,053,925</b>	<b>\$ 9,627,591</b>	<b>\$ 13,600,174</b>	<b>\$ 45,871,375</b>	<b>\$ 59,654,099</b>

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The County's total general-obligation debt decreased \$ 13,782,724 (23.1%) during the current year. There were no new borrowing transaction during 2013:

**Prepayment:** The County did prepay one note issue during 2013. A state trust fund loan was retired in advance in the amount of \$1,664,519 (including accrued interest). Estimated net interest savings to the County over the remaining payment period of the notes is \$54,246. There were sufficient funds in the general fund undesignated fund balance to prepay this debt and still maintain fund balance in excess of our informal target.

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 \$589,579,000, which is significantly in excess of its outstanding general obligation debt of \$45,871,375. The County has a debt service fund balance of \$3,655,471.

Additional information on the County's long-term debt can be found in the footnotes on pages 75-78 of this report.

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

- Wisconsin economy grew at a moderate pace in 2013 and will gain steam in 2014. Wisconsin personal income is expected to grow 4% in 2014. Roughly 30,000 jobs were added during 2013.
- Wisconsin jobs recovery continued at a moderate pace in 2013 and the forecast anticipates stronger growth. Total employment grew 1.0% in 2013 and should grow 1.5% during 2014.
- Several factors are in play to give some steam to the economic recovery: improved consumer sentiments and consumer spending, a recovering housing sector, and healthy exports growth.
- Wisconsin's seasonally adjusted unemployment rate was 6.2% in December 2013. The unemployment rate rose from 4.3% in the first quarter of 2008 to 8.8% in mid-2009. Wisconsin has been consistently below the national rate since mid-2007.
- The housing sector is recovering at the state and national levels.
- Wages and salaries grew 3.6% in 2012 in Wisconsin and 4.3% nationwide. The forecast calls for total wages growth of 3.3% in 2013 and 3.7% in 2014, compared to 3.1% and 4.5% nationwide.
- Inflation, as measured by the total personal consumption expenditures price index, was just 1.1% in 2013. The forecast expects mild inflation between 2014 and 2016. Thus, when the impact of inflation is taken into account, real personal income increased 1.8% in 2013.
- Wisconsin per capita income grew 3.5% in 2012 and will show growth of 2.4% in 2013, before resuming growth of 3.5% in 2014. When the effect of price increases is taken into account, real per capita income posted 1.6% growth in 2012 and 1.3% in 2013.

These factors were considered in preparing the County's budget for the 2014 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.

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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. 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. The Governors biennial 2014-15 budget document permanently removes the levy rate limit.

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 2014 budget is \$0.60. 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 2013 tax levy and rate are within the limitations contained in state laws.

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## **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.