

WINNEBAGO COUNTY, WISCONSIN

Management's Discussion and Analysis

December 31, 2014

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, 2014. 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 \$ 271,434,214 (*net position*). Of this amount, \$ 66,138,077 (*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 \$ 5,741,625. 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.	\$ 6,278,970
Long term debt issued.	(4,395,000)
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.	(4,595,830)
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.	7,566,343
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.	266,224
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.	(102,309)
General fund deficit generated during 2014 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.	(643,064)
Net surplus generated in proprietary activities during 2014 represent an increase in net position on the statement of net position.	160,224
Net surplus generated from governmental funds during 2014 represents an increase in net position on the statement of net position.	1,144,533

- As of the close of the current year, the County's governmental activities reported combined ending net position of \$173,946,428. Approximately 15.0% of this total amount, \$26,266,843, 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 \$18,566,577, or approximately 35.2% of total general fund expenditures.
- The County's total general-obligation debt decreased by \$ 4,542,323 (10.0%) during the current year. There were no refinancing transactions done during 2014.
- There were new general obligation notes of \$4,395,000 issued on December 5, 2014 to finance capital projects. Several other capital projects were financed with excess general fund unrestricted fund balance.

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 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 34-39 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.

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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 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 47-92 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 93-97 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 98-161 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 \$ 271,434,214 at the close of 2014. See table on next page.

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Winnebago County's Net Position

(Amounts Expressed in \$1,000's)

	Governmental	Business-Type		
	Activities	Activities	Total	Total
	2014	2014	2014	2013
Current and other assets	\$ 123,246	\$ 64,730	\$ 187,976	\$ 183,260
Capital assets	169,995	64,121	234,116	234,070
Total assets	293,241	128,851	422,092	417,330
Deferred outflows - loss on refunding of debt	12	153	165	332
Total assets and deferred outflows of resources	293,253	129,004	422,257	417,662
Long-term liabilities outstanding	34,040	24,964	59,004	63,273
Current liabilities	19,772	6,553	26,325	23,911
Total liabilities	53,812	31,517	85,329	87,184
Deferred inflow of resources:				
Deferred property tax revenue	65,494	-	65,494	64,786
Net position:				
Net investment in capital assets	137,927	57,551	195,478	192,423
Restricted	9,753	65	9,818	7,968
Unrestricted	26,267	39,871	66,138	65,301
Total net position	\$ 173,947	\$ 97,487	\$ 271,434	\$ 265,692

By far, the largest portion of the County's net position (72.0%) 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 (3.6%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$66,138,077) 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	Total	Total
	2014	2014	2014	2013
Revenues:				
Program revenues:				
Charges for services	\$ 8,901	\$ 33,511	\$ 42,412	\$ 46,061
Operating grants and contributions	23,329	3	23,332	22,602
Capital grants and contributions	-	17	17	294
General revenues:				
Property taxes	65,542	-	65,542	67,564
Other taxes	1,476	-	1,476	1,760
Grants and contributions not restricted to specific programs	9,677	1,541	11,218	13,370
Unrestricted investment earnings	1,149	568	1,717	(321)
Miscellaneous	170	238	408	810
Total revenues	110,244	35,878	146,122	152,140
Expenses:				
General Government	13,644	-	13,644	12,774
Public Safety	27,754	-	27,754	27,302
Public Works	3,726	-	3,726	3,802
Health and Human Services	46,855	-	46,855	46,654
Culture, Education, and Recreation	2,854	-	2,854	3,005
Conservation and Development	2,948	-	2,948	2,693
Interest on Long Term Debt	664	-	664	847
Airport	-	3,159	3,159	3,174
Solid Waste Management	-	10,199	10,199	8,020
Park View	-	17,831	17,831	17,323
Highway	-	10,746	10,746	12,236
Total expenses	98,445	41,935	140,380	137,830
Increase (decrease) in net position before transfers and special item	11,799	(6,057)	5,742	14,310
Transfers	(6,159)	6,159	-	-
Special item	-	-	-	-
Increase (decrease) in net position	5,640	102	5,742	14,310
Prior period adjustment	-	-	-	(215)
Net position - Beginning of Year	168,306	97,386	265,692	251,597
Net position - End of Year	\$ 173,946	\$ 97,488	\$ 271,434	\$ 265,692

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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 \$5,637,226. Key elements of this decrease 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.	\$ 3,268,000
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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.	(4,595,830)
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Capital outlay reported in governmental funds is capitalized in governmental activities	7,566,343
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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.	(291,376)
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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.	356,302
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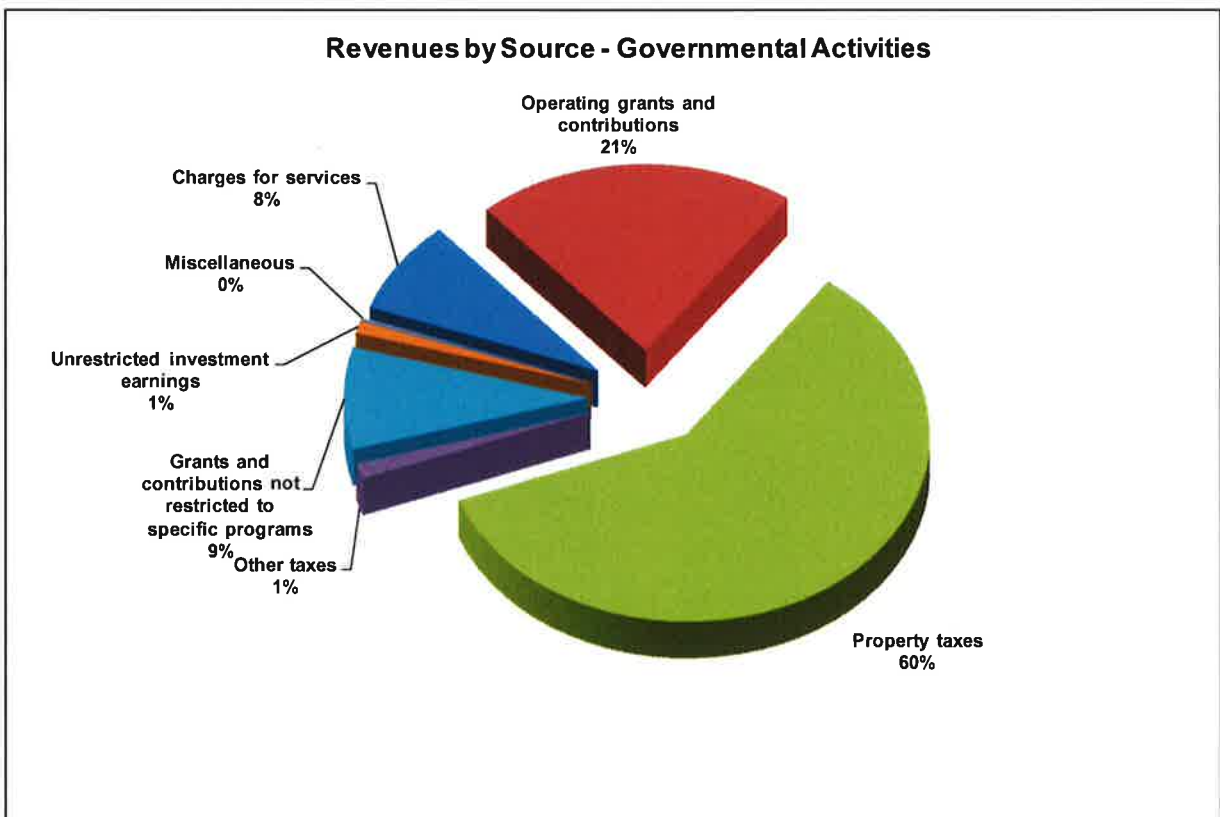
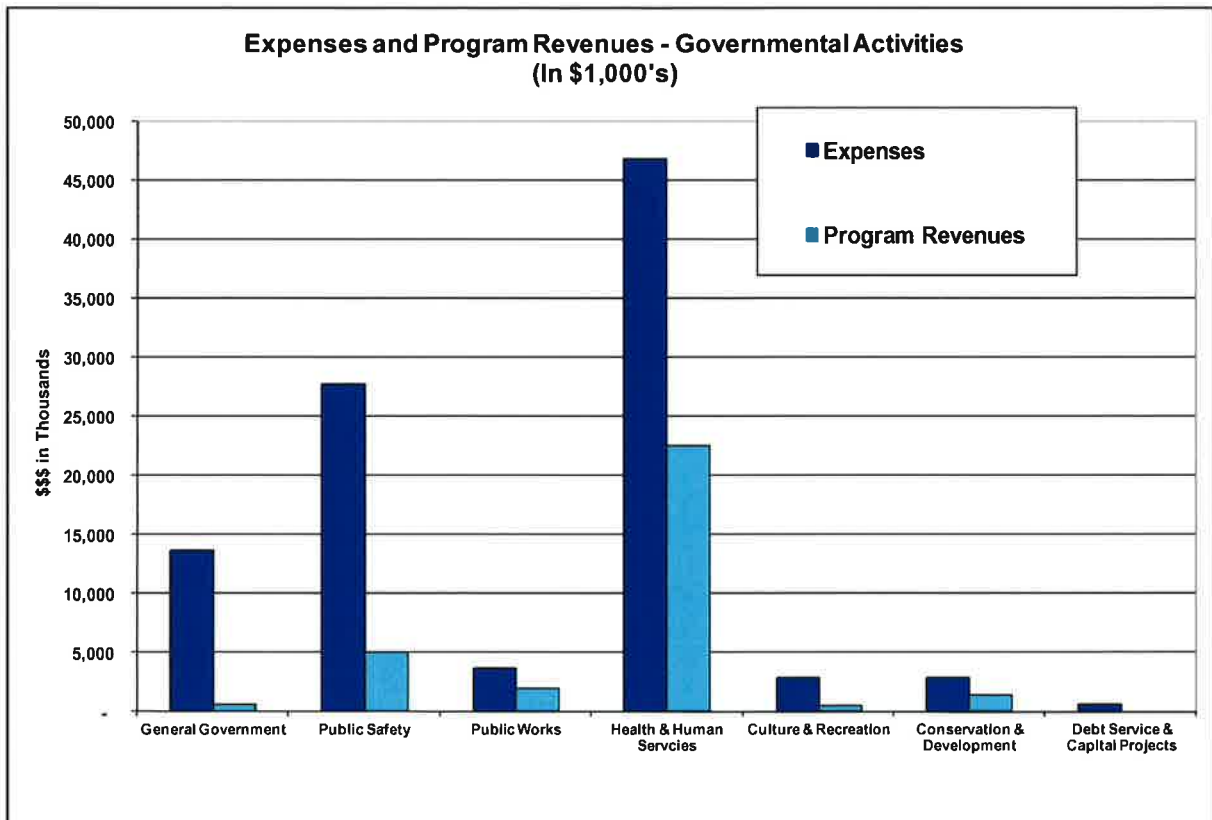
Debt Service fund balance from 2013 used to reduce the tax levy in 2014 for governmental debt payments. This represents an expenditure without an offsetting revenue.	(1,550,000)
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Governmental funds operating surplus generated during 2014	1,144,533
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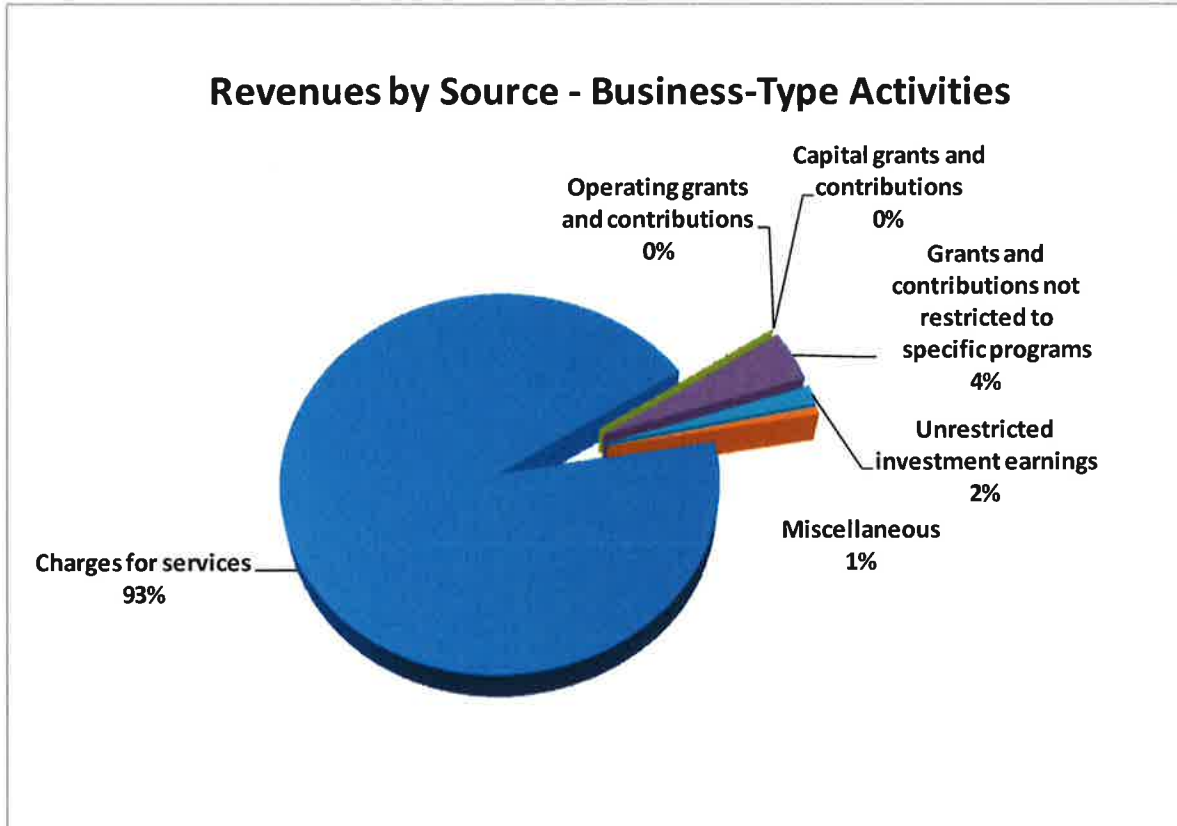
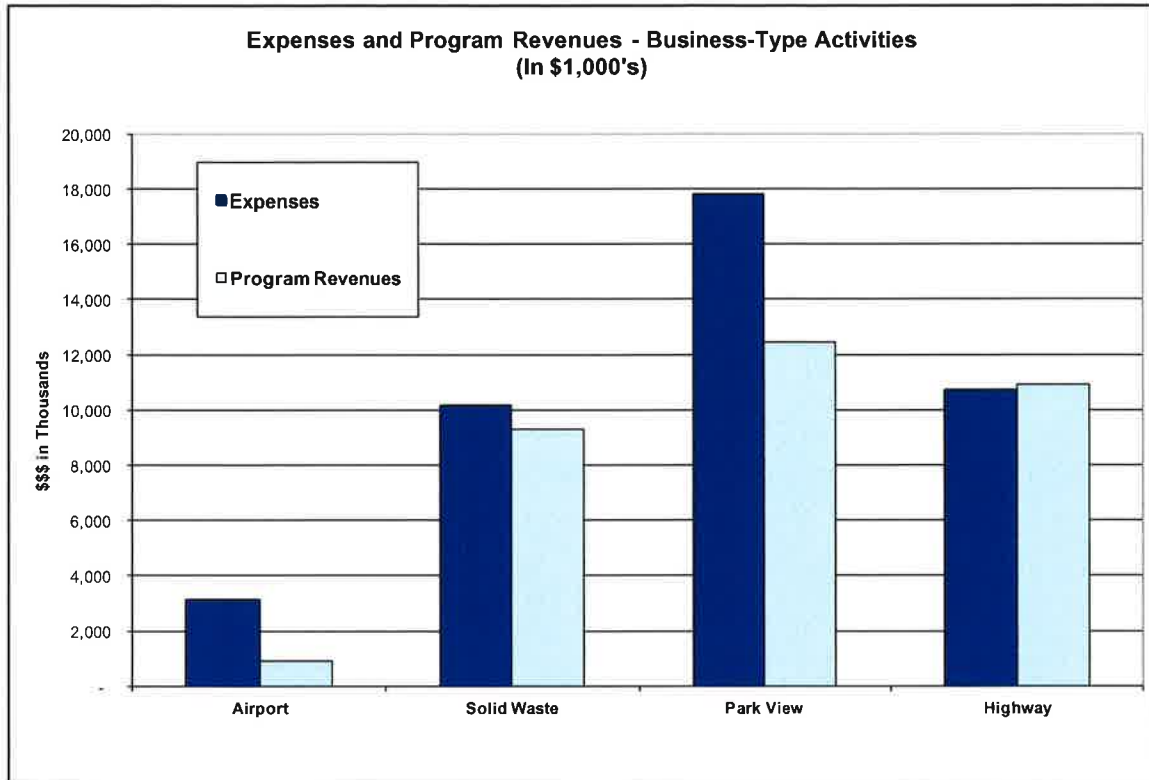
Business-type activities. Business-type activities increased the County's net position by \$101,399. Key elements of this increase are as follows:

- The Airport Fund's net position decreased by \$1,867,259. The fund was budgeted to have a deficit for the year of roughly \$661,000. 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 exceeded capital expenditures by roughly \$661,000. There was a large reduction in rental revenue for storage of military vehicles on the airport grounds explaining most of the net decrease to financial position.
- The Solid Waste Fund net position decreased by \$238,491. Most of the decrease is attributable to the adjustment for long-term care of the Sunnyview landfill. The Department of Natural Resources requires government owned landfills to escrow funds for closing and caring for landfill sites after they are closed. The annual expense is required to be recorded during the open life of the landfill.
- Park View Health Center's net position increased \$2,064,684. 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 and subsequent addition. Because principal payments are not expenses on the income statement, and the tax levy subsidy is reported as income, the result is to generate a surplus on the operating statement. This explains most of the increase to net position.
- The Highway Department's net position increased \$201,290. 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. There are no significant items that make up the surplus generated during 2014. The surplus is relatively small in relation to the roughly \$11 million revenue budget for 2014.

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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, 2014, the County's governmental funds reported combined ending fund balances of \$37,453,965, an increase of \$ 1,144,533 in comparison with the prior year. Approximately half of this total (\$18,566,577) 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 (\$ 4,014,393),
- 2) Prepayments that benefit periods beyond the end of the current year (\$ 210,416),
- 3) Non-liquid industrial development loans receivable (\$ 2,989,145),
- 4) For other restricted purposes (\$ 2,047,309),
- 5) Construction of capital projects (\$1,719,051
- 5) For prior year commitments (\$ 488,490)
- 6) Assigned to special projects, economic development subsequent years expenditures and prior years appropriations (\$ 3,180,125).
- 7) To pay debt service (\$ 4,238,459),

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 \$18,566,577, while total fund balance is \$29,700,551. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to expenditures. Unassigned fund balance represents 35.2% of total general fund expenditures, while total fund balance represents 56.3% of that same amount. The fund balance of the county's general fund decreased by \$643,064 during the current fiscal year. This represents a decrease of 2.1%. Reasons for the net decrease in fund balance are as follows:

- Fund balance from General Fund in the amount of \$2,961,000 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.
- Fund balance from the general fund in the amount of \$3,320,000 was transferred to the debt service fund to prepay some debt in 2014 and 2015.
- 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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- Property tax collections exceeded budget by \$1,027,000.
- Investment income exceeded budget by \$414,000. Most of the excess was the result of marking investments to market which resulted in this additional revenue being recognized.
- Labor costs were under budget by \$1,444,000. Wage costs went up less than expected. Health insurance and Wisconsin Retirement costs came in under budget a combined \$915,000.
- Capital outlay funds budgeted but not spent \$887,000.
- Less street maintenance done than anticipated \$463,330

Human Services (Special Revenue) Fund:

The Human Services Fund has a total fund balance of \$77,830. Of this amount, \$46,365 (or 59.6%) represents prepayments that benefit periods beyond the end of the current year. The balance of \$31,465 represents assigned fund balance. Total fund balance of the Human Services Fund decreased \$68,906 from the prior year. Assigned fund balance decreased \$49,033. 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 \$1,400,000 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.
- Some reasons for the Human Services surplus include; the Long Term Support Division saw a surplus for the year of \$704,000, primarily due to unanticipated revenues, lower transportation costs and revenues resulting from reconciled vendor audits. The Behavioral health Division saw a surplus of \$667,000. This was the result of lower community based residential facility utilization, increased revenues associated with comprehensive community services to mental health clients and labor cost savings due to vacant positions.

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 - 2013	\$ 2,032,185	\$ 24,764,685	\$ 9,856,051	\$ 1,210,499
Unrestricted Net Position - 2014	1,392,426	24,654,428	10,239,135	1,390,524
Total Growth(Decline) in Unrestricted Net Position	\$ (639,759)	\$ (110,257)	\$ 383,084	\$ 180,025

The Airport Fund's unrestricted net position decreased by \$639,759. The reduction to unrestricted fund balance is primarily due to losing rental revenue from the storage of military vehicles. A storm water runoff fee was over budget by \$153,000.

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The Solid Waste Fund's unrestricted net position decreased by \$ 110,257. The fund was budgeted to have a small deficit and that was the result. There are no significant items that make up the reduction to unrestricted net position.

Park View Health Center's unrestricted net position increased \$ 383,084. The facility had a net income of \$2,064,684. Most of this is the result of budgeting tax levy revenue of \$2,450,298 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 \$ 180,025. The department operated at a small surplus for 2014. 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 \$ 7,545,130 and can be briefly summarized as follows:

- \$2,825,000 funding capital projects with money from general fund unassigned fund balance.
- \$3,320,000 pre-payment of a debt.
- \$822,000 carryovers of prior year appropriations.
- \$578,000 other adjustments to cover capital projects and miscellaneous additional funding needs by general fund departments.

Revenues were over budgetary estimates – explanation:

During this year, revenues were over budget by \$597,941. This represents a variance of .71% from budget. A few items to note are as follows:

- Intergovernmental revenues were under by \$395,656. The largest areas include 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 \$1,027,516. With the improving economy, the county was able to collect considerably more of delinquent taxes. This includes interest revenue on delinquent taxes.
- Public service revenues were under budget \$551,729 due to lower jail monitoring fees, document recording fees and court fees.

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- Investment income exceeded budget by \$379,000 primarily due to the year end adjustment to mark security values to market.

Expenditures were less than budgetary estimates – explanation:

Actual operating expenditures were less than budget by \$5,749,872. Some of the main reasons include:

General Government – was under budget by \$2,298,942.

A breakdown by department with large variances follows:

Information Systems – \$365,528 under budget: A project to replace the County's phone system was not finished at the end of the year which was expected. The project has additional expenses of roughly \$252,000 that will be incurred during 2015 to finish the project. The department included \$35,000 in its 2014 budget in case they would need to replace the county's internet provider. They did not need to incur this cost.

Facilities – \$696,831 under budget: Labor costs were under budget roughly \$94,000 due to vacant positions. Capital outlay was under budget roughly \$225,000 due to projects being postponed until next year. There were insufficient funds budgeted to do some of the planned projects so they were delayed until next year. Other operating expenses were under budget roughly \$376,000. This was partially the result of some roof repair and masonry projects not getting done. Other projects did not get started until late in the year and were incomplete at years end.

Miscellaneous – \$956,357 under budget: Certain labor costs are accounted for here, for sick leave payouts, health out of pocket cost that employer pays for retirees. These cost were \$194,257 less than budget. Fewer costs were incurred. There was not as much municipal bridge and culvert work resulting in county cost share savings of \$257,000. Contingency funds of \$113,000 were not needed.

Public Safety - \$1,640,149 under budget

Sheriff – \$1,273,188 under budget: Labor costs were under budget \$640,203 due primarily to less than anticipated health insurance costs. Our renewal rates came in lower than expected and this was not known when the budget was prepared. Wisconsin retirement costs also decreased because contribution rates went down. New employees were required to pay the employee share which was fully paid by the County in the past. Other operating expenses were under budget \$554,837. The largest items under budget include; equipment purchases, fuel costs, GPS prisoner monitoring costs and OWI (operation while intoxicated) task force expenses. A lower level of activity resulted in much of these savings.

Courts – 224,853 under budget: Some reasons include: the number of trials was down from previous years, interpreter costs were down, other legal services was down because of the lower court activity.

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

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Public Works – \$360,308 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 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 - \$362,234 under budget

Public Health – \$298,630 under budget: The largest area was wages and benefits which were under budget \$204,536. Many positions were left vacant for extended periods of time due to uncertainty with some of the larger funding sources.

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

Culture, Education and Recreation - \$607,233 under budget

Parks - \$225,276 under budget. A project to rehabilitate the tennis courts in the Community Park came in \$42,000 under budget. Due to the Assistant Parks Director retiring, many large grounds maintenance project did not proceed. Another major grounds repair project at the Parks Exposition facility was postponed until 2015 pending additional feedback from user groups.

Boat landings - \$139,339 under budget. Several parking lot and other improvement projects were not undertaken as originally planned in the budget.

University extension - \$180,502 under budget. The largest item in this department was a storage building addition budgeted at a cost of \$150,000. There were delays regarding this project and it had almost no activity in 2014. The project is being carried forward to be done in 2015.

Conservation and Development - \$481,006 under budget

Most of this variance is attributable to the Land and Water Conservation Department - \$307,543. 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. Less projects were undertaken that anticipated during 2014. This reduced cost would be offset by a similar reduction in revenues.

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, 2014 amounts to \$234,115,676 (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 \$ 45,341 or .02% (a 1.3% increase for governmental activities and a 3.2% 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 \$2,178,431.

Major assets placed in service during 2014:

- Five road projects were placed in service during 2014 at a cost of \$5,326,397. Of this amount, \$968,089 represented current year expenditures. The rest was transferred from construction in process from prior years.
- A project to replace the County's voice mail system started and incurred costs of \$398,000. The project will continue into 2015.
- A roof replacement was completed at our UW Fox Valley campus. The County's share of this project was \$296,000. Outagamie County, our partner in the project spent the same amount.
- A project to redo the roadway through our community park and replace lighting and resurface some parking areas incurred costs of \$709,000. This project is also continuing into 2015.
- A radio system upgrade project for the sheriff department had costs of \$828,460. The project is near completion and had a total budget of roughly \$10.5 million.
- A sheriff department computer aided dispatch system also had costs of \$104,000 during 2014. The project will be completed during 2015.

Business Type Activities:

The total change in capital assets for the business type activities was a decrease of \$2,133,090. Additions of capital assets was nearly equal to disposals as indicated below.

Major Additions

- Our airport had smaller asset additions consisting mostly of various vehicle and grounds maintenance equipment. The total of additions is \$245,384.
- Solid Waste department purchases during 2014 included a new generator for the power generating facility at a cost of \$81,500. Three large earthmoving equipment purchases for the landfill totaled \$544,000

Major Disposals

- Our solid waste fund disposed of four large pieces of earth moving equipment totaling \$981,000.
- There were no other major disposals of capital assets.
- Most of the decrease in capital assets is the result of depreciation expense.

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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			
	2014	2013	2014	2013	2014	2013
Land	\$ 3,423	\$ 3,833	\$ 9,461	\$ 9,461	\$ 12,884	\$ 13,294
Buildings	51,146	52,616	32,481	33,508	83,627	86,124
Improvements other than buildings	5,493	5,942	11,332	12,682	16,825	18,624
Machinery, equipment and vehicles	5,512	6,417	10,488	10,210	16,000	16,627
Infrastructure	85,840	81,447	-	-	85,840	81,447
Construction in progress	18,581	17,561	359	393	18,940	17,954
Total	\$ 169,995	\$ 167,816	\$ 64,121	\$ 66,254	\$ 234,116	\$ 234,070

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 \$41,329,052, 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		
	2014	2013	2014	2013	2014	2013	
General obligation notes	\$ 31,765,304	\$ 33,327,398	\$ 5,948,748	\$ 8,363,977	\$ 37,714,052	\$ 41,691,375	
General obligation bonds	2,522,186	2,916,386	1,092,814	1,263,614	3,615,000	4,180,000	
Total	\$ 34,287,490	\$ 36,243,784	\$ 7,041,562	\$ 9,627,591	\$ 41,329,052	\$ 45,871,375	

The County's total general-obligation debt decreased \$ 4,542,323 (9.9%) during the current year. There was a new borrowing during 2014 totaling \$4,395,000. The notes were issued to finance the following projects:

- Community Park road replacement with lighting - \$2,095,000
- Road projects - \$1,963,000

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- UW Fox Valley roof replacement - \$295,000
- Debt issue cost - \$42,000

Prepayment: The County did prepay one note issue during 2014. Our general obligation note issue series 2007A was retired in advance in the amount of \$1,315,000.. Estimated net interest savings to the County over the remaining payment period of the notes is \$54,000. 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 \$596,588,000, which is significantly in excess of its outstanding general obligation debt of \$41,329,052. The County has a debt service fund balance of \$4,270,259.

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

- The U.S. and Wisconsin economies showed momentum toward the end of 2014 with the labor markets showing healthy job gains, while falling oil prices helped consumption. This trend should continue in 2015 despite the rising dollar.
- The Wisconsin economy grew at a steady pace in 2014 and it will continue to do so in 2015. Personal income grew 2.1% in 2013, just above the 2.0% growth in the Great Lakes region and the 2.0% growth nationwide. Wisconsin personal income should post growth of 3.4% in 2014 and 3.0% in 2015.
- Employment in Wisconsin added 37,200 jobs in 2014, after adding nearly 30,000 jobs per year in 2012 and 2013. Wisconsin employment grew 1.3% in 2014. The forecast calls for steady growth between 2015 and 2017.
- The Wisconsin jobs recovery continued in 2014 and the forecast calls for this trend to continue. The Current Employment Statistics (CES) data shows that total employment increased 1.3% in 2014 following the nationwide strong growth of the labor markets. The forecast expects even stronger labor markets in 2015. Wisconsin employment will grow 1.5% in 2015, while the national employment increases 2.3%.
- Trade, Transportation and Utilities, Wisconsin's largest employment sector, grew 1.0% in 2013 and 1.3% in 2014. The forecast calls for growth of 1.4% in 2015 and 0.6% in 2016.
- Manufacturing, Wisconsin's second largest employment sector showed a strong recovery out of the last recession. It has now recovered slightly more than half of the jobs lost in the recession. Jobs in the manufacturing sector grew 1.6% in 2014. The forecast expects continuing manufacturing employment growth of 1.4% this year and stronger growth of 1.7% in 2016 and milder growth in 2017 (1.2%).

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- The Education and Health Services sector was the only private sector not to fall during the recession due to growth in the health care subsector. Job gains in this sector were steady since 2012, growing 1.4% in 2013 and 1.5% in 2014. The forecast calls for stronger growth of 1.7% each year in 2015 and 2016, with softer growth of 1.2% in the last year of the forecast period.
- The Professional and Business Services sector grew 2.5% in 2013 and 1.6% in 2014, driven by extraordinary growth in temporary jobs. This sector recovered the number of jobs lost during the last recession by mid-2011. The forecast expects this sector to grow at a strong pace throughout the forecast period. The forecast calls for 2.4% growth in 2015, 4.5% in 2016, and 2.3% in 2017.
- Wisconsin's seasonally adjusted unemployment rate dropped to 4.8% in February 2015, one percentage point lower than the 5.8% unemployment rate one year earlier. Since then it has declined to its current rate. Wisconsin's unemployment rate has been consistently below the national rate since mid-2007.
- Wisconsin disposable personal income (total after-tax income received by persons available for spending or saving) increased 1.2% in 2013. Wisconsin disposable personal income should grow 3.1% in 2014, while stronger personal income growth along with modest tax growth will yield growth rates of 2.4% and 3.4% for 2015 and 2016, respectively.

These factors were considered in preparing the County's budget for the 2015 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.

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 2nd exception listed below:

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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 2014 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.