

WINNEBAGO COUNTY, WISCONSIN

Management's Discussion and Analysis

December 31, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 8-11 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$ 305,370,228 (*net position*). Of this amount, \$ 67,500,426 (*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 \$ 33,936,014. 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.	\$ 7,362,012
Long term debt issued.	(4,150,000)
Depreciation of capital assets is an expense in the statement of activities, yet there is no tax or other revenue to offset this expense because it is not a cash outflow. The effect of this is a reduction of net position.	(5,115,683)
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.	6,249,617
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.	921,860
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.	(328,647)
Governmental funds surplus generated during 2015 represents an increase in net position on the statement of net position.	710,269
Net surplus generated in proprietary activities during 2015 represent an increase in net position on the statement of net position.	9,722,640
Prior period adjustment to record the value by which Winnebago County's share of the Wisconsin Retirement System is over funded	19,707,221

- As of the close of the current year, the County's governmental activities reported combined ending net position of \$193,805,304. Approximately 14.5% of this total amount, \$28,083,038, 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 \$20,908,783, or approximately 37.9% of total general fund expenditures.
- The County's total general-obligation debt decreased by \$5,916,090 (14.3%) during the current year. There were no refinancing transactions done during 2015. The Series 2008A bonds were called resulting in a reduction of outstanding debt of \$2,005,000.
- There were new general obligation notes of \$4,150,000 issued on November 10, 2015 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 38-40 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 41-46 of this report.

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

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

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information regarding budget to actual data. Required supplementary information can be found on pages 105-115 of this report.

The combining statements referred to in connection with non-major governmental funds; individual enterprise funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 116-185 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 \$305,370,228 at the close of 2015. See table on next page.

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	Governmental	Business-Type		
	Activities	Activities	Total	Total
	2015	2015	2015	2014
Current and other assets	\$ 131,375	\$ 66,728	\$ 198,103	\$ 187,976
Capital assets	170,627	70,592	241,219	234,116
Total assets	302,002	137,320	439,322	422,092
Deferred charge on refunding	2	29	31	165
Deferred outflow related to pensions	7,721	2,376	10,097	-
Total assets and deferred outflows of resources	309,725	139,725	449,450	422,257
Long-term liabilities outstanding	31,085	21,779	52,864	59,004
Current liabilities	19,772	6,381	26,153	26,325
Total liabilities	50,857	28,160	79,017	85,329
Deferred inflow of resources:				
Deferred property tax revenue	65,063	-	65,063	65,494
Net position:				
Net investment in capital assets	142,148	67,163	209,311	195,478
Restricted	23,574	4,985	28,559	9,818
Unrestricted	28,083	39,417	67,500	66,138
Total net position	\$ 193,805	\$ 111,565	\$ 305,370	\$ 271,434

By far, the largest portion of the County's net position (68.5%) reflects its investment in capital assets (E.g., land, buildings, improvements, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (3.6%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$67,500,426) 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
	2015	2015	2015	2014
Revenues:				
Program revenues:				
Charges for services	\$ 9,217	\$ 37,667	\$ 46,884	\$ 42,412
Operating grants and contributions	25,189	45	25,234	23,332
Capital grants and contributions	-	5,657	5,657	17
General revenues:				
Property taxes	66,425	-	66,425	65,542
Other taxes	1,285	-	1,285	1,476
Grants and contributions not restricted to specific programs	9,357	1,609	10,966	11,218
Unrestricted investment earnings	803	418	1,221	1,717
Miscellaneous	685	119	804	408
Total revenues	112,961	45,515	158,476	146,122
Expenses:				
General Government	15,206	-	15,206	13,644
Public Safety	29,312	-	29,312	27,754
Public Works	3,626	-	3,626	3,726
Health and Human Services	47,379	-	47,379	46,855
Culture, Education, and Recreation	2,976	-	2,976	2,854
Conservation and Development	2,805	-	2,805	2,948
Interest on Long Term Debt	578	-	578	664
Airport	-	3,051	3,051	3,159
Solid Waste Management	-	8,944	8,944	10,199
Park View	-	17,613	17,613	17,831
Highway	-	12,757	12,757	10,746
Total expenses	101,882	42,365	144,247	140,380
Increase (decrease) in net position before transfers and special item	11,079	3,150	14,229	5,742
Transfers	(6,413)	6,413	-	-
Increase (decrease) in net position	4,666	9,563	14,229	5,742
Net position - Beginning of Year	173,946	97,488	271,434	265,692
Cumulative effect of change in accounting principle	15,193	4,514	19,707	-
Net position - Beginning of Year, restated	189,139	102,002	291,141	265,692
Net position - End of Year	\$ 193,805	\$ 111,565	\$ 305,370	\$ 271,434

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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.

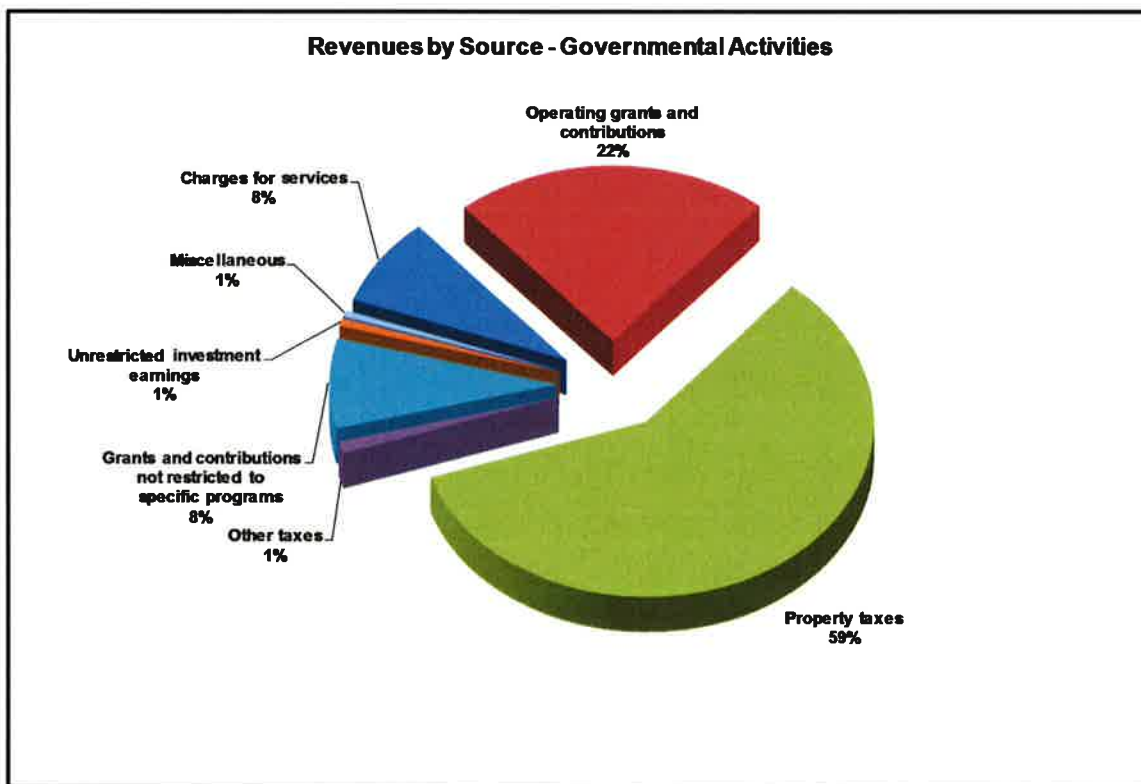
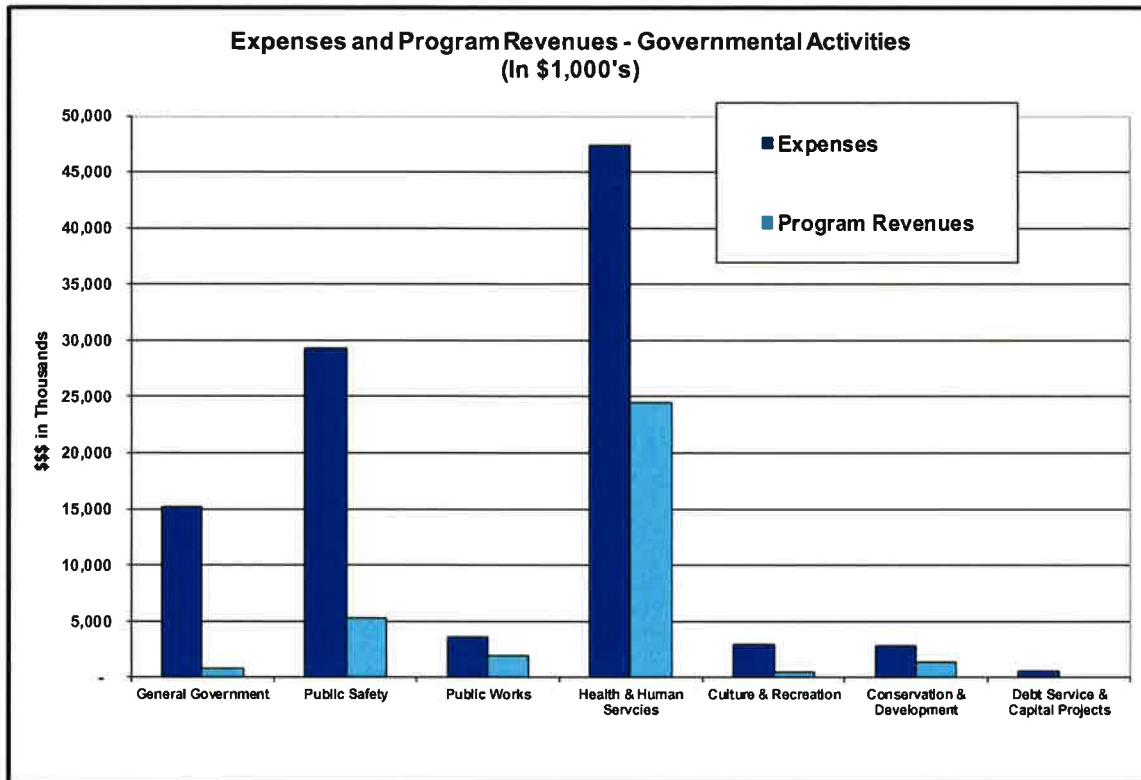
Governmental activities. Governmental activities increased the County's net position by \$4,665,668. There is an additional increase to net assets of \$15,193,208 resulting from a prior period adjustment to record the County's share of overfunding of the State of Wisconsin Retirement System. Recording of this asset is new as the result of a change to financial reporting required by the Government Accounting Standards Board. Key elements of the increase exclusive of the prior period adjustment are as follows:

The amount levied for principal payment on governmental activity debt reflected in property tax revenue is reflected in the statement of activities as a revenue. The funds were used for payment of principal on debt which would not appear on the statement of activities. This would have the effect of increasing net position on the statement of activities.	\$ 5,803,000
Depreciation expense for governmental activities is reflected on the statement of activities. This is an expense without a cash outflow so there is not offsetting revenue (tax levy) reflected on the statement of activities. This would have the effect of reducing net position on the statement of activities.	(5,115,683)
Capital outlay reported in governmental funds is capitalized in governmental activities	4,427,730
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.	(308,460)
Debt Service fund balance from 2014 used to reduce the tax levy in 2015 for governmental debt payments. This represents an expenditure without an offsetting revenue.	(2,000,000)
Revenues that are currently not available are deferred in the fund statements. They are current period revenues in the statement of activities.	921,860
Governmental funds operating surplus generated during 2014	710,269

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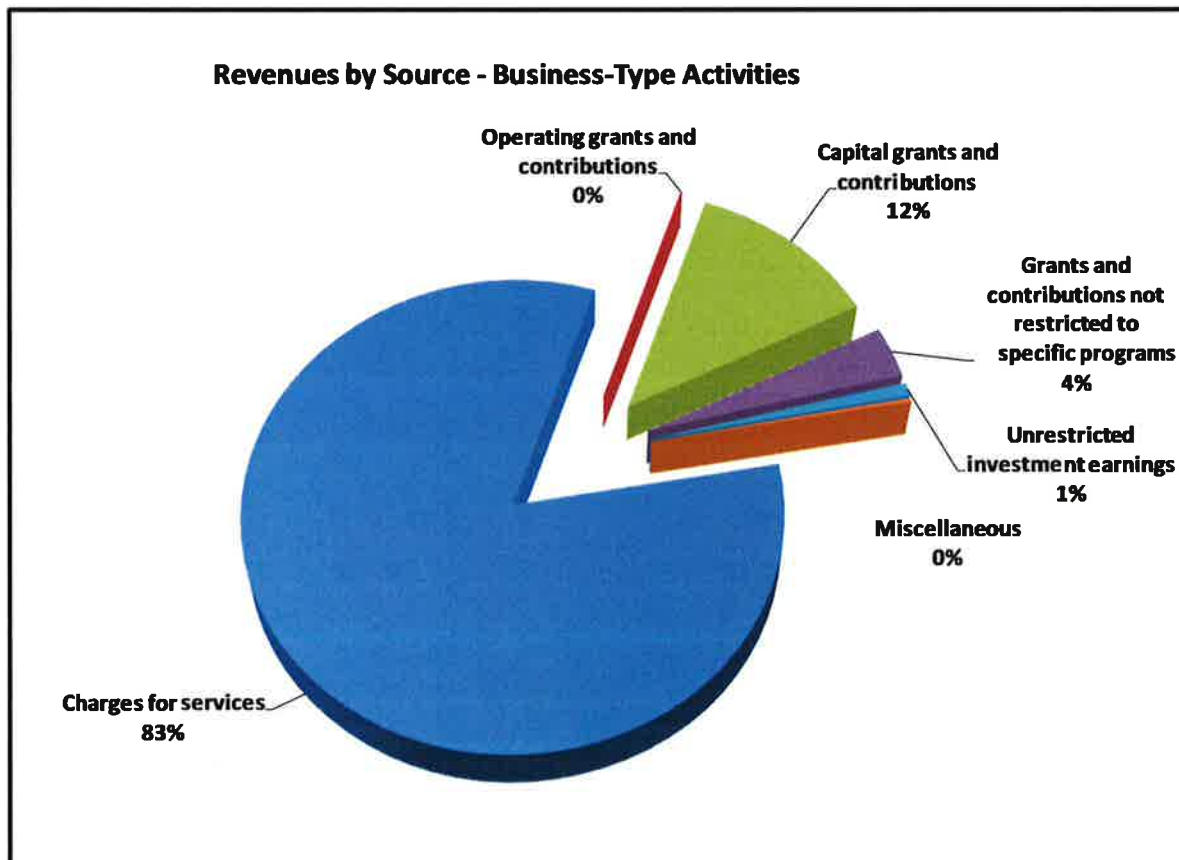
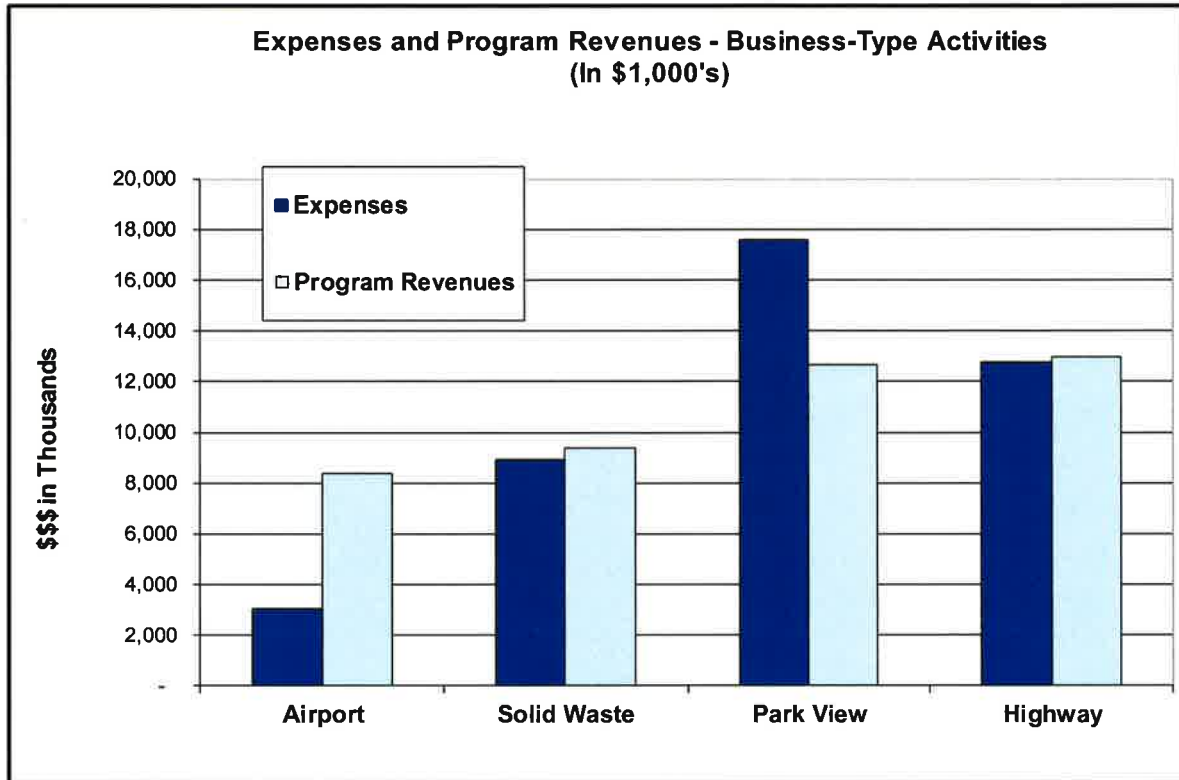
Business-type activities. Business-type activities increased the County's net position by \$14,077,138. Key elements of this increase are as follows:

- The Airport Fund's net position increased by \$6,511,669. The fund was budgeted to have a deficit for the year of roughly \$1,357,000. 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 for the year amounted to \$1,441,791 so a deficit around that would be expected. There was a capital contribution (reflected as income on the income statement) of \$5,651,793 from Federal and State funds to fund an airport capital project which would not be reflected on the income statement. This accounts for most of the increase. There is an additional increase of \$124,666 resulting from a prior period adjustment to record the Airport's share of the overfunded amount of the State Retirement System.
- The Solid Waste Fund net position increased by \$1,086,136. A deficit of \$246,076 was budgeted. Most of the increase is attributable to higher than expected landfill fees and power sales revenue. These two combined to generate \$818,000. Operating expenses were pretty close to budget. Another component of the increase is attributable to a prior period adjustment to record the Solid Waste Funds share of the overfunded amount of the State Retirement System.
- Park View Health Center's net position increased \$5,218,164. 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 operational increase of \$2,205,089 to net position. The balance of \$3,013,075 is the result of recording for the first time Park View Health Centers share of the overfunded amount of the State Retirement System.
- The Highway Department's net position increased \$1,420,684. The operational component of this was \$285,671. 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 operating surplus generated during 2015. The balance of \$1,135,013 is the result of recording for the first time The Highway Departments share of the overfunded amount of the State Retirement System.

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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, 2015, the County's governmental funds reported combined ending fund balances of \$38,164,234, an increase of \$ 644,031 in comparison with the prior year. A little more than half of this total (\$20,908,783) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows:

- 1) Non-liquid delinquent property taxes and special assessments (\$ 3,695,823),
- 2) Prepayments that benefit periods beyond the end of the current year (\$ 361,550),
- 3) Non-liquid industrial development loans receivable (\$ 3,004,180),
- 4) For other restricted purposes (\$ 933,741),
- 5) Construction of capital projects (\$3,406,648)
- 5) For prior year commitments (\$ 401,574)
- 6) Assigned to special projects, economic development, subsequent year's expenditures and prior years appropriations (\$ 3,820,056).
- 7) To pay debt service (\$ 1,600,883),

General Fund:

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$20,908,783, while total fund balance is 32,260,758. 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 37.9% of total general fund expenditures, while total fund balance represents 58.5% of that same amount. The fund balance of the county's general fund increased by \$2,560,207 during the current fiscal year. This represents an increase of 8.6%. Reasons for the net increase in fund balance are as follows:

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

Some departments spending was significantly under budget in 2015 helping to contribute to the surplus:

- Information Systems - \$396,600 under budget. Software maintenance contracts were less than expected. Some costs for professional services were not completed as planned so they were carried over to 2016. Several capital expenditures planned for 2015 were not done. Some were carried over.

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A telephone system replacement project was completed and had a budget surplus of \$108,000.

- Facilities - \$532,215 under budget. Several capital projects were not done during the year. A portion was carried over to be done in 2016. Total capital spending was lower than budget by \$231,000. Labor costs were under budget \$130,000 due to vacancies in some positions and three individuals that were gone on medical long term leaves. Building maintenance was under budget \$193,000 due to caulking of the plaza deck to the courthouse being cancelled because of a complete reconstruction replacing it as part of a capital project to add a security addition on to the courthouse. Other maintenance projects were either cancelled or delayed into 2016.
- Sheriff - \$521,379 under budget. Vehicle fuel was under budget by \$121,922 due to lower than anticipated fuel costs. Less medical and dental costs were incurred for prisoners than anticipated. There was also a savings of roughly \$99,000 in other contracted services by the department. Other expenses including ammunition, prisoner medical costs, prisoner extradition costs and general operating expenses came in under budget.
- Clerk of Courts and Court System - \$317,365. Labor costs were over budgeted by roughly \$134,000. There were no significant changes in staffing. Other expenses such as witness, jury expenses and interpreter fees were under budget because there was less need for these services than anticipated. Approximate savings in these areas is a combined \$80,000. Office furniture that was scheduled to be replaced was not complete until 2016.
- County Road Maintenance was under budget \$499,000. Much of this is due to an easy winter, and work on the county road system that was not done in 2015. The Highway Department did more work on State road project than was anticipated when the budget was prepared. Those costs are accounted for in the Highway Enterprise Fund.
- Public Health was under budget \$585,039. A good portion of this was due to vacancies in positions. That area was under budget \$440,715.

Human Services (Special Revenue) Fund:

The Human Services Fund has a total fund balance of \$146,786. Of this amount, \$45,541 (or 31.0%) represents prepayments that benefit periods beyond the end of the current year. The balance of \$101,245 represents assigned fund balance. Total fund balance of the Human Services Fund increased \$68,956 from the prior year. Assigned fund balance increased \$69,780. The increase in fund balance is very minimal.

- Our practice is to maintain a minimal fund balance in the Human Services Fund because of its need for tax levy support. As a result, most of the tax levy that is not needed is left in the General Fund at the end of the year. The Human Services Fund had a surplus of about \$2,200,000 for the year. Because of this, the tax levy transfer to the fund was reduced by this amount, to keep the fund balance as close to zero as possible.
- Some reasons for the Human Services surplus include; Child Welfare Division saw savings of \$328,784 due to a successful reduction of placements in Child Caring Institutions. The Behavior Health Division saw savings of \$368,476 due to staff turnover and the difficulty of re-filling some positions. Other savings in this area are attributable to reduced billings from hospitals for emergency medical care, general hospital and psychiatric services and detoxification services. If the hospitals did not prove they applied for Medical Assistance, then we would not pay them. They chose not to bill us so the payments in these areas are down considerably. Additionally, one of the programs changed

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their reimbursement rates from 60% to 100%. Result was additional revenue of \$326,000. Other revenues came in over budget because of the difficulty of budgeting some of them.

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 - 2014	\$ 1,392,426	\$ 24,654,828	\$ 10,239,135	\$ 1,390,524
Unrestricted Net Position - 2015	1,311,266	24,784,093	9,841,928	1,445,295
Total Growth(Decline) in Unrestricted Net Position	\$ (81,160)	\$ 129,265	\$ (397,207)	\$ 54,771

The Airport Fund's unrestricted net position decreased by \$81,160. Building rental revenues were under budget by \$78,000. Expense items were relatively close to budget with some of the larger increases in specific expense lines offset by lower expenses being incurred in other line items.

The Solid Waste Fund's unrestricted net position increased by \$ 129,265. There are no significant items that make up this small increase to unrestricted net position.

Park View Health Center's unrestricted net position decreased \$ 397,207. The facility had a net income of \$2,205,089. Most of this is the result of budgeting tax levy revenue of \$2,523,048 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. We had planned a deficit for Park View in an effort to draw down the fund balance. The budgeted draw down was \$1.1 million. The actual reduction was less at \$397,207.

The Highway Department's unrestricted net position increased \$ 54,771. The department operated at a small surplus for 2015. 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 \$ 3,709,017 and can be briefly summarized as follows:

- \$2,642,694 funding capital projects with money from general fund unassigned fund balance.
- \$1,184,852 carryovers of prior year appropriations.

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- \$118,529 other adjustments to cover miscellaneous additional funding needs by general fund departments.

Revenues were over budgetary estimates – explanation:

During this year, revenues were over budget by \$421,943. This represents a variance of .5% from budget. A few items to note are as follows:

- Intergovernmental revenues were under budget by \$682,739. 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 \$945,897. 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 \$188,810 due to lower jail monitoring fees, document recording fees and court fees.
- Sale of property and other miscellaneous revenues were over budget by \$227,807. A portion of this is related to our purchasing card program – annual rebate received which was around \$75,000 for 2015. There were other miscellaneous sales of property and other miscellaneous sources of revenue that are hard to predict.

Expenditures were less than budgetary estimates – explanation:

Actual operating expenditures were less than budget by \$4,374,281. Some of the main reasons include:

General Government – was under budget by \$1,319,613.

A breakdown by department with large variances follows:

County Board - \$161,068 under budget: Funds of \$100,000 was budgeted for a pay study. Only \$5,000 of that had been spent by the end of the year. Labor costs were also under budget by roughly \$29,000.

Information Systems – \$396,600 under budget: Capital expenditures were under budget \$108,000 due to savings on the telephone system replacement project. There were large savings in software maintenance contracts that were expected to have large increases but didn't. Some equipment repairs and other professional services were not needed. Professional services related to a fiber optic project were carried over into 2016 in the amount of \$26,770.

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.

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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. Labor costs were over budgeted by \$134,000.

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

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.

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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 than 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, 2015 amounts to \$241,218,648 (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 \$ 7,102,972 or 3.03% (a .4% increase for governmental activities and a 10.1% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

Governmental Activities:

The total change in capital assets for the governmental activities was an increase of \$631,693.

Major assets placed in service during 2015:

- Eight road projects were placed in service during 2015 at a cost of \$5,320,365.
- A project to redo the roadway through our community park and replace lighting and resurface some parking areas incurred costs of \$865,431. This project is continuing into 2016 and will have a projected finished cost of around \$1.6 million.
- A radio system upgrade project for the sheriff department had costs of \$145,546 during 2015. The project was placed in service during 2015 with a total cost of \$10,400,000. Most of the balance was in construction in process at the beginning of the year.
- Other capital asset projects completed and placed in service during 2015 include; UW Fox Valley Roof replacement - \$300,000, Law enforcement center parking lot expansion - \$97,000 and Emergency 911 system - \$201,000. Most of the costs of these projects were in construction in process at the beginning of the year so placing them in service does not have much of an impact on total capital assets. It's merely a shift from construction in process which is part of net capital assets.

Major assets retired during 2015:

- Old telephone system – original cost was \$573,089. Book value at disposition was \$347,038.
- Old E911 equipment – original cost was \$306,990. Book value at disposition was \$0.
- Old public safety system – original cost was \$500,000. Book value at disposition was \$70,837.

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Other changes to capital assets:

Many of the assets placed in service during 2015 were from construction in process from prior years. Thus, the increase to the capital asset has a partial decrease to construction in process. They offset each other so don't effect the total change to capital assets.

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

Business Type Activities:

The total change in capital assets for the business type activities was an increase of \$6,471,279.

Major assets placed in service during 2015:

- A perimeter road and fence were built at our airport, Wittman Regional Airport at a cost of \$5,195,915. Part of the terminal apron was reconstructed at a cost of \$74,312.
- Solid Waste department purchases during 2015 included two new replacement generators for the power generating facility at a combined cost of \$1,756,456. A leachate collection system modification was place in service at a cost of \$590,090.

Other changes to capital assets:

Many of the assets placed in service during 2015 were from construction in process from prior years. Thus, the increase to the capital asset has a partial decrease to construction in process. They offset each other so don't effect the total change to capital assets.

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

Winnebago County's Capital Assets (net of accumulated depreciation) (Amounts Expressed in \$1,000's)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 3,423	\$ 3,423	\$ 9,461	\$ 9,461	\$ 12,884	\$ 12,884
Buildings	49,683	51,146	31,449	32,481	81,132	83,627
Improvements other than buildings	5,776	5,493	16,583	11,332	22,359	16,825
Machinery, equipment and vehicles	15,589	5,512	10,983	10,488	26,572	16,000
Infrastructure	90,099	85,840	-	-	90,099	85,840
Construction in progress	6,057	18,581	2,116	359	8,173	18,940
Total	\$ 170,627	\$ 169,995	\$ 70,592	\$ 64,121	\$ 241,219	\$ 234,116

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

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$35,412,963, 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		
	2015	2014	2015	2014	2015	2014	
General obligation notes	\$ 28,978,889	\$ 31,765,305	\$ 3,429,074	\$ 5,948,748	\$ 32,407,963	\$ 37,714,053	
General obligation bonds	2,096,590	2,522,186	908,410	1,092,814	3,005,000	3,615,000	
Total	\$ 31,075,479	\$ 34,287,491	\$ 4,337,484	\$ 7,041,562	\$ 35,412,963	\$ 41,329,053	

The County's total general-obligation debt decreased \$ 5,916,090 (14.3%) during the current year. There was a new borrowing during 2015 totaling \$4,150,000. The notes were issued to finance the following projects:

* Courthouse window replacement	\$ 100,000
* 911 hardware replacement	204,000
* Road resurface and reconstruction projects	3,800,000
* Debt issue costs	46,000

Prepayment: The County did prepay one note issue during 2015. Our general obligation note issue series 2008B was retired in advance in the amount of \$2,005,000. Estimated net interest savings to the County over the remaining payment period of the notes is \$113,199. 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 \$603,583,000, which is significantly in excess of its outstanding general obligation debt of \$35,412,963. The County has a debt service fund balance of \$1,600,883.

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

Economic Factors and Next Year's Budgets and Rates

- At the end of 2015 the US unemployment rate was 5.3%, Wisconsin's rate was 4.6% and Winnebago County's rate was 4.3%.
- Winnebago County continues to be a very affordable area to live with median home prices at \$145,000 compared to the Wisconsin average of \$158,000 and US average of \$218,000.
- Home values are nearly back to pre-recession levels.
- Home sales in Winnebago County increased from 1,896 in 2014 to 2,181 in 2015.
- The labor force remains stable at around 93,000 persons.
- Non farm labor remains stable at around 95,000 jobs.
- Areas with the highest concentration of jobs are in manufacturing, trade, transportation and utilities, professional and business services, education and health care, and government.
- Growth in net new construction has remained slow at around 1% which limits increases in spending.

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

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

- Refunding debt issues
- Approval by the County Board by a vote of $\frac{3}{4}$ ths of the full board.

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- 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 2015 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.