

WINNEBAGO COUNTY, WISCONSIN

Management's Discussion and Analysis

December 31, 2019

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, 2019. 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 \$314,570,014 (*net position*). Of this amount, \$92,543,030 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$2,630,967. 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.	\$ 7,751,629
Long term debt issued.	(9,100,000)
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, which is recorded as expense in the fund statements but capitalized and depreciated in the statement of net activities.	11,882,929
Net book value of capital asset disposals is an expense in the statement of activities.	(2,162,885)
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.	(5,910,085)
Human Services revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the fund statement. This is the amount by which revenue at the end of year (\$377,398) was higher than revenue at the beginning of the year (\$372,533).	4,865
The net revenues for certain activities of internal service funds are reported with governmental activities. This is the amount by which the decrease in net position (\$499,804) increased by the amount allocated to business-type activities (\$388,647).	(111,157)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net pension liabilities (assets) at the end of year (\$3,785,363) is lower than deferred expenditures and net pension liabilities (assets) at the beginning of the year (\$7,952,884).	(4,167,521)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net WRS Life liabilities (assets) at the end of year (\$2,088,663) is higher than deferred expenditures and net WRS Life liabilities (assets) at the beginning of the year (\$1,913,602).	(175,061)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred outflows and net OPEB liabilities (assets) at the end of year (\$4,857,030) is higher than deferred outflows and net OPEB liabilities (assets) at the beginning of the year (\$4,418,628).	(122,156)
Revenues that are currently not available are deferred in the fund statements. This is the amount by which deferred revenue at the end of year (\$2,967,329) is higher than deferred revenue at the beginning of the year (\$2,961,551).	(5,778)
Governmental funds surplus generated during 2019 represents an increase in net position on the statement of net position.	2,713,379
Proprietary funds surplus generated during 2019 represents an increase in net position on the statement of net position.	2,707,414
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.	(674,606)
Total increase / (decrease) in overall net position	\$ 2,630,967

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- As of the close of the current year, the County's governmental activities reported combined ending net position of \$199,296,631. Approximately 23.2% of this total amount, \$45,020,676, is available for spending at the County's discretion (*unrestricted net position*).
- At the end of the current year, unassigned fund balance for the general fund was \$32,445,475, or approximately 53.5% of total general fund expenditures.
- The County's total general-obligation debt increased by \$1,131,792, or 3.3%, during the current year. There were no refinancing transactions done during 2019.
- There were new general obligation notes of \$9,575,000 issued on November 5, 2019 to finance capital projects including building improvements, remodeling, mental health crisis center, Winnebago County courthouse window replacements and elevator upgrades, Parks soccer complex lighting and roadway replacements, demolition of obsolete buildings, Airport taxiway A reconstruction, and road resurfacing projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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 statements can be found on pages 53-54 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 55-112 of this report.

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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 113-124 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 125-198 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 \$314,570,014 at the close of 2019.

Winnebago County's Net Position

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

	Governmental		Business-Type		Total	
	Activities		Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 140,935	\$ 145,594	\$ 69,785	\$ 68,562	\$ 210,721	\$ 214,156
Capital assets	182,855	179,045	68,497	69,328	251,352	248,373
<i>Total assets</i>	<u>323,790</u>	<u>324,639</u>	<u>138,282</u>	<u>137,890</u>	<u>462,072</u>	<u>462,529</u>
<i>Deferred outflows of resources:</i>						
Deferred outflow related to pensions	29,556	16,692	8,706	4,879	38,262	21,571
Deferred outflow related to WRS life	248	228	109	100	357	328
Deferred outflow related to OPEB	340	387	166	199	506	586
<i>Total deferred outflows of resources</i>	<u>30,144</u>	<u>17,308</u>	<u>8,981</u>	<u>5,178</u>	<u>39,125</u>	<u>22,486</u>
Total assets and deferred outflows of resources	<u>\$ 353,935</u>	<u>\$ 341,947</u>	<u>\$ 147,263</u>	<u>\$ 143,068</u>	<u>\$ 501,197</u>	<u>\$ 485,015</u>
Liabilities						
Long-term liabilities outstanding	45,312	33,523	23,002	21,182	68,314	54,705
Current liabilities	24,050	22,528	4,174	3,877	28,224	24,954
<i>Total liabilities</i>	<u>69,361</u>	<u>56,051</u>	<u>27,176</u>	<u>25,058</u>	<u>96,538</u>	<u>79,658</u>
<i>Deferred inflows of resources:</i>						
Deferred inflow related to pensions	14,933	17,743	4,411	5,260	19,344	23,003
Deferred inflow related to WRS life	494	31	217	14	711	45
Deferred inflow related to OPEB	625	526	185	170	810	696
Deferred property tax revenue	69,225	68,222	-	-	69,225	68,222
<i>Total deferred inflows of resources</i>	<u>85,277</u>	<u>86,522</u>	<u>4,813</u>	<u>5,444</u>	<u>90,090</u>	<u>91,966</u>
Net position						
Net investment in capital assets	148,406	147,966	66,920	68,144	215,326	216,111
Restricted	5,870	11,145	831	3,635	6,701	14,780
Unrestricted	45,021	40,262	47,522	40,787	92,543	82,500
<i>Total net position</i>	<u>\$ 199,297</u>	<u>\$ 199,373</u>	<u>\$ 115,273</u>	<u>\$ 112,566</u>	<u>\$ 314,570</u>	<u>\$ 313,391</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 353,935</u>	<u>\$ 341,947</u>	<u>\$ 147,263</u>	<u>\$ 143,068</u>	<u>\$ 501,197</u>	<u>\$ 485,015</u>

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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, 2.1%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$92,543,030, may be used to meet the government's ongoing obligations to citizens and creditors.

Winnebago County's Changes in Net Position

(Amounts Expressed in \$1,000)

	Governmental Activities		Business-type Activities		Total	Total
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 12,129	\$ 9,790	\$ 40,636	\$ 37,772	\$ 52,765	\$ 47,562
Operating grants and contributions	27,454	26,428	16	17	27,470	26,445
General revenues:						
Property taxes	68,280	67,400	-	-	68,280	67,400
Other taxes	1,374	1,334	-	-	1,374	1,334
Grants and contributions not restricted to specific programs	11,521	11,117	2,901	2,851	14,422	13,968
Unrestricted investment earnings	4,082	1,772	1,669	694	5,751	2,466
Miscellaneous	427	431	363	225	790	656
Total revenues	125,267	118,272	45,585	41,559	170,852	159,831
Expenses:						
General Government	20,531	18,830	-	-	20,531	18,830
Public Safety	34,058	31,095	-	-	34,058	31,095
Public Works	4,089	3,528	-	-	4,089	3,528
Health and Human Services	53,527	49,940	-	-	53,527	49,940
Culture, Education, and Recreation	3,530	3,812	-	-	3,530	3,812
Conservation and Development	4,053	2,991	-	-	4,053	2,991
Interest on Long Term Debt	803	584	-	-	803	584
Airport	-	-	3,411	3,187	3,411	3,187
Solid Waste Management	-	-	8,319	9,099	8,319	9,099
Park View	-	-	19,042	17,404	19,042	17,404
Highway	-	-	16,858	14,688	16,858	14,688
Total expenses	120,591	110,780	47,630	44,378	168,221	155,158
Increase (decrease) in net position before transfers and special item	4,676	7,492	(2,045)	(2,819)	2,631	4,673
Transfers	(4,752)	(2,797)	4,752	2,797	-	-
Increase (decrease) in net position	(76)	4,695	2,707	(22)	2,631	4,673
Net position - Beginning of Year	199,373	194,678	112,566	112,588	311,939	307,266
Net position - End of Year	\$ 199,297	\$ 199,373	\$ 115,273	\$ 112,566	\$ 314,570	\$ 311,939

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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.

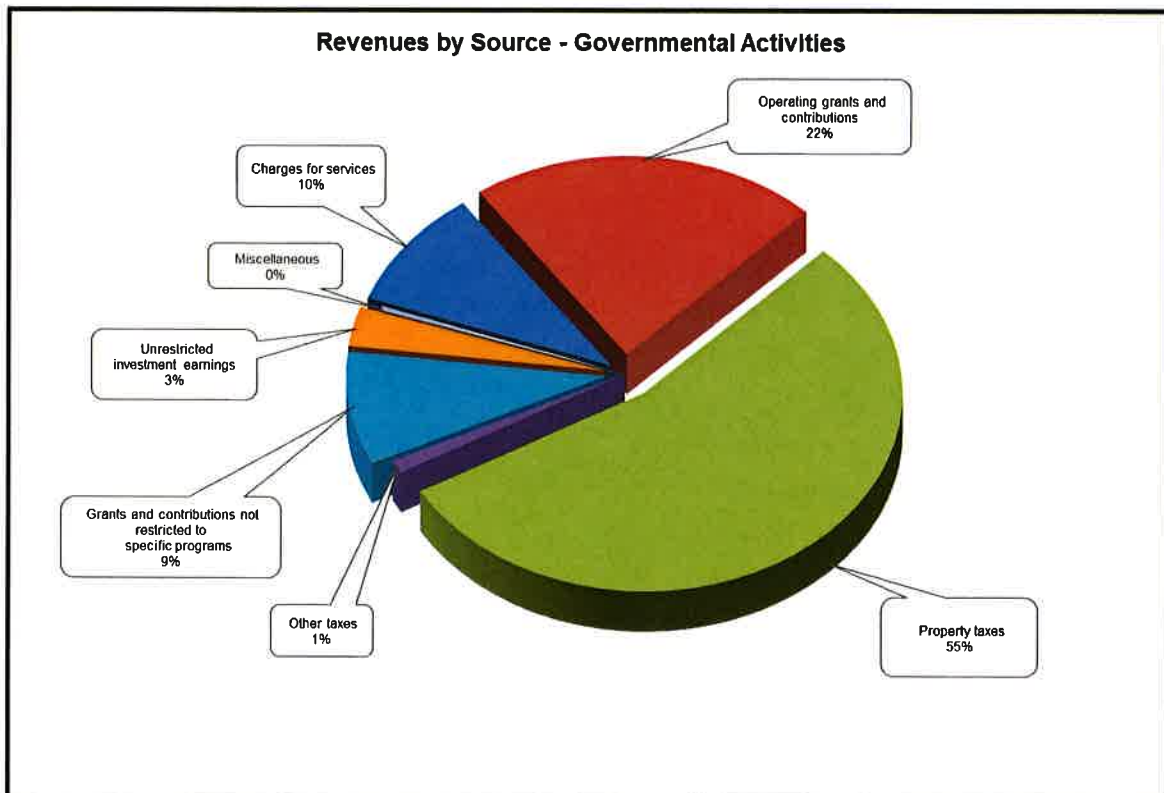
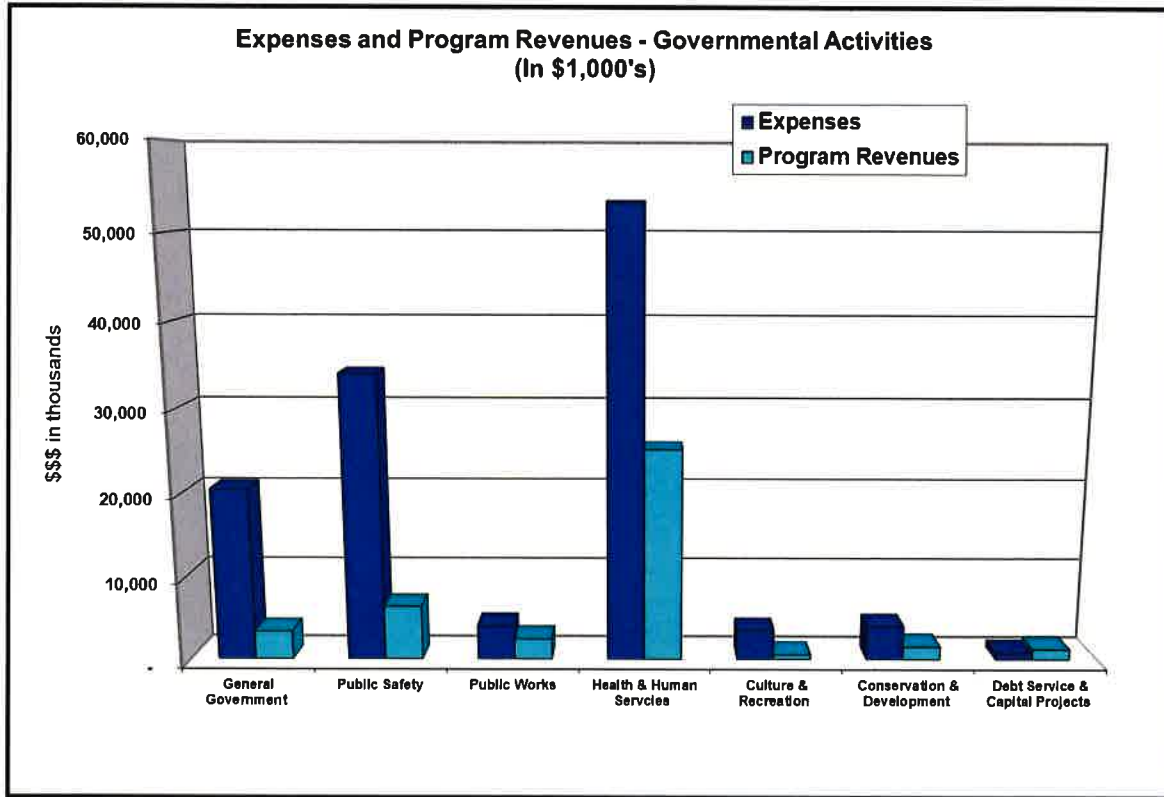
Governmental activities: Governmental activities decreased the County's net position by \$76,447. Key elements of the increase exclusive of the prior period adjustment are as follows:

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.	\$ 7,751,629
Long term debt issued.	(9,100,000)
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, which is recorded as expense in the fund statements but capitalized and depreciated in the statement of net activities.	11,882,929
Net book value of capital asset disposals is an expense in the statement of activities,	(2,162,885)
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.	(5,910,085)
Human Services revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the fund statement. This is the amount by which revenue at the end of year (\$377,398) was higher than revenue at the beginning of the year (\$372,533).	4,865
The net revenues for certain activities of internal service funds are reported with governmental activities. This is the amount by which the decrease in net position (\$499,804) increased by the amount allocated to business-type activities (\$388,647).	(111,157)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net pension liabilities (assets) at the end of year (\$3,785,363) is lower than deferred expenditures and net pension liabilities (assets) at the beginning of the year (\$7,952,884).	(4,167,521)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred expenditures and net WRS Life liabilities (assets) at the end of year (\$2,088,663) is higher than deferred expenditures and net WRS Life liabilities (assets) at the beginning of the year (\$1,913,602).	(175,061)
Expenditures that are currently not available are deferred in the fund statements. This is the amount by which deferred outflows and net OPEB liabilities (assets) at the end of year (\$4,857,030) is higher than deferred outflows and net OPEB liabilities (assets) at the beginning of the year (\$4,418,828).	(122,156)
Revenues that are currently not available are deferred in the fund statements. This is the amount by which deferred revenue at the end of year (\$4,452,913) is higher than deferred revenue at the beginning of the year (\$4,418,828).	(5,778)
Governmental funds surplus generated during 2019 represents an increase in net position on the statement of net position.	2,713,379
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.	(674,606)
Total increase / (decrease) in governmental activities net position	\$ (76,447)

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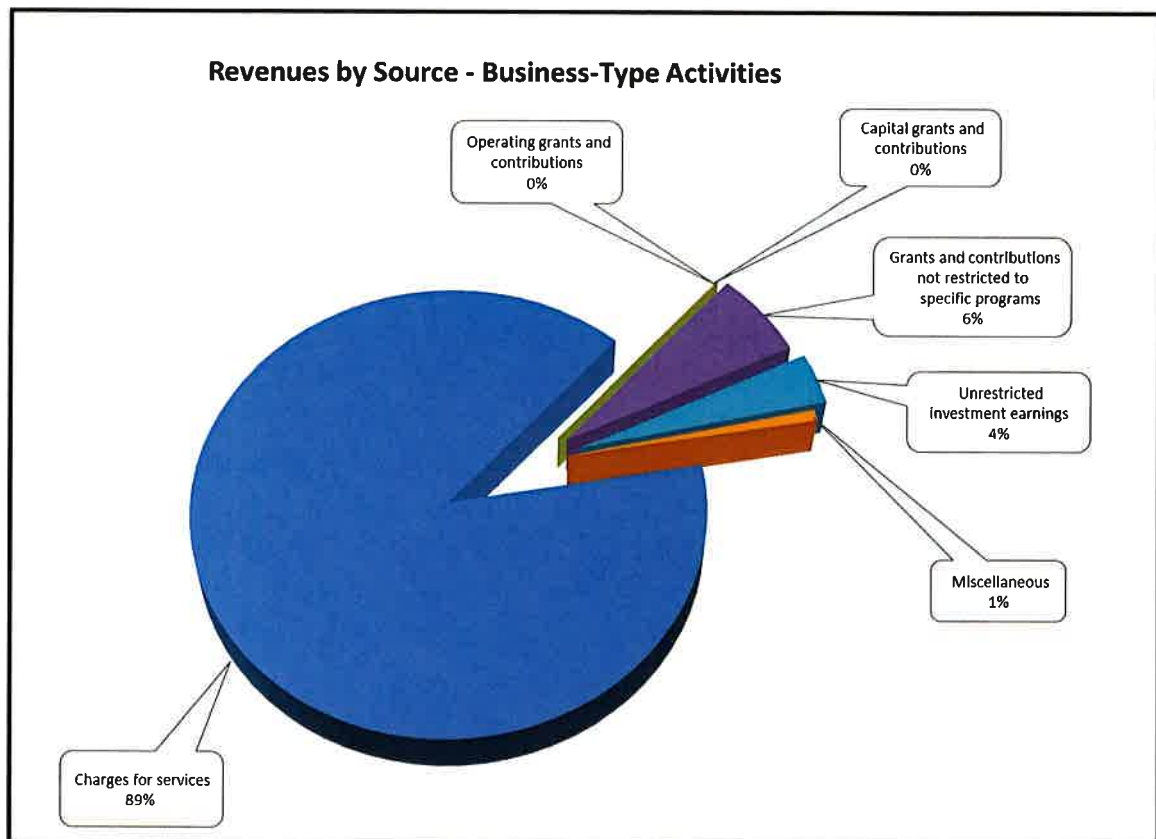
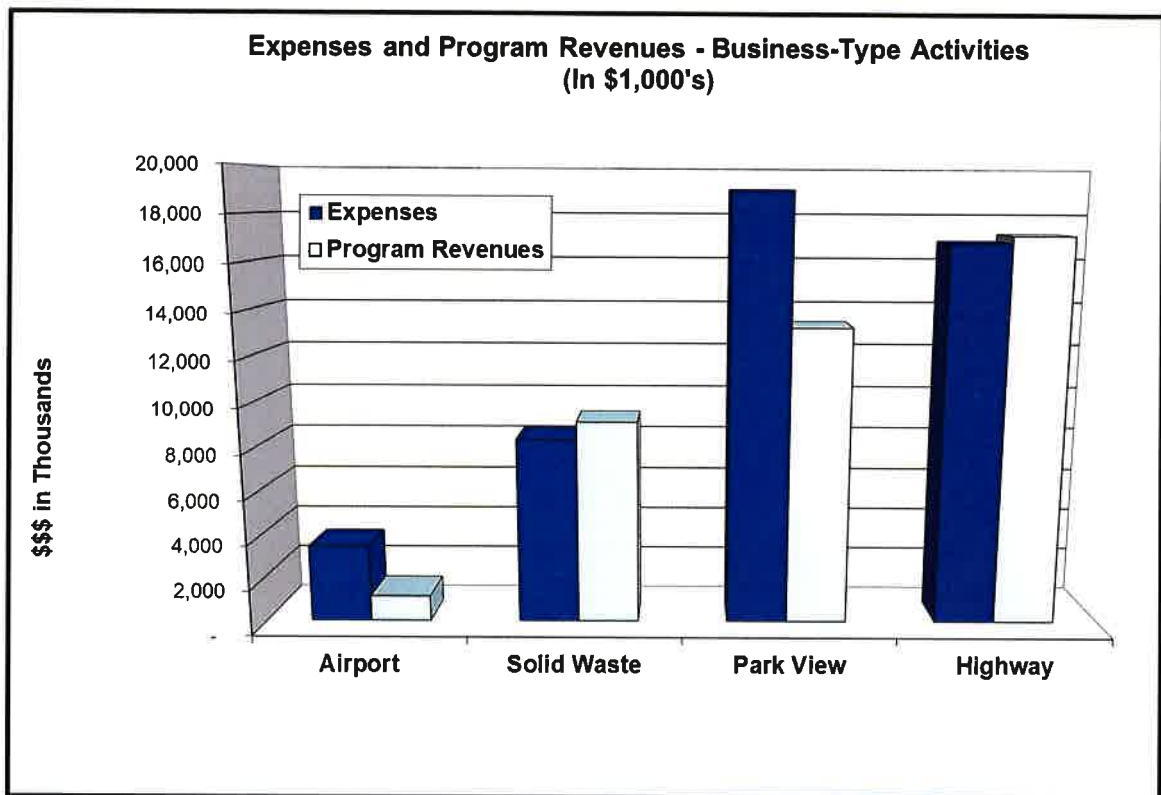
Business-type activities: Business-type activities increased the County's net position by \$2,707,414. Key elements of this increase are as follows:

- The Airport Fund's net position increased by \$541,262. A deficit of \$1,502,468 was budgeted for the year. This large variance is due to a \$2,000,000 transfer from the general fund to the airport fund to assist in funding the new general aviation terminal that was approved to be built.
- The Solid Waste Fund net position increased by \$2,479,241. A surplus of \$18,517 was budgeted for the year. The majority of this excess was due to investment income and mark to market on investments coming in much higher than anticipated. Rates were at their peak in 2019 which generated excess interest income. There were also adjustments made for the Sunnyview Landfill and Sludge long-term liability accounts, which were favorable on the expenditure side.
- Park View Health Center's net position decreased by \$707,007. A deficit of \$3,320,500 was budgeted for the year. Revenues came in higher than expected with operating revenues exceeding budget by \$1,465,486. Approximately \$547,000 was due to Medicare/Medicaid census being up over prior years. In addition, an unbudgeted one-time Certified Public Expenditure (CPE) grant was received in the amount of \$1,016,195. The other large difference was due to a total savings of almost \$379,000 in labor and fringes from vacancies, turnover and benefit elections.
- The Highway Department's net position increased by \$782,565. A surplus of \$102,804 was budgeted for the year. The majority of this difference was due to additional work done for the state, county and local towns/municipalities, which resulted in economies of scale allowing the highway department to operate its equipment below the state established equipment rates – yielding revenues in excess of expenditures.
- The remaining amount of the change in net position \$388,647 is the amount of internal service funds activity that is reflected in the enterprise funds.

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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, 2019, the County's governmental funds reported combined ending fund balances of \$51,362,334, an increase of \$2,713,379 in comparison with the prior year. More than half of this total - \$28,648,921 - 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: \$3,618,561,
- 2) Prepayments that benefit periods beyond the end of the current year: \$570,606,
- 3) Non-liquid industrial development loans receivable: \$135,547,
- 4) Unspent bond proceeds: \$4,422,031,
- 5) For other restricted purposes: \$253,912,
- 6) To pay debt service: \$1,122,965,
- 7) For prior year commitments: \$4,718,274,
- 8) Assigned to special projects, economic development, subsequent year's expenditures and prior years appropriations: \$7,871,517.

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 \$32,445,475, while total fund balance is \$45,548,225. 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 53.5% of total general fund expenditures, while total fund balance represents 75.1% of that same amount. The fund balance of the county's general fund increased by \$2,493,311 during the current fiscal year. This represents an increase of 5.8%. Reasons for the net increase in fund balance are as follows:

The Human Services Fund needed \$2.6 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 a much of the change to the General Fund balance.

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Some departments spending was significantly under budget in 2019 helping to contribute to the surplus:

- **Facilities** - \$612,877 under budget. Labor costs were under budget by approximately \$157,000 primarily due to several vacancies for an extended period of time and seasonal employees working fewer hours than estimated. Other operating expenses including building, equipment and grounds maintenance, building repairs, professional services, and snow removal were considerably under budget by approximately \$432,000. In some cases, projects were not completed by the end of the year and were carried over to 2020. In others, the costs came in lower than expected. Repairs and maintenance were considerably less than estimated by \$266,430.
- **Sheriff** - \$1,511,559 under budget. Revenues resulted in an excess of approximately \$350,500. Due to the reduced jail population, there was an opportunity to house Department of Corrections inmates for a fee, resulting in excess revenues. Labor costs were under budget by approximately \$923,000 which resulted primarily from lower than anticipated fringe benefit rates, as well as averaging 15 vacant positions throughout the year. Other operating expenses were under budget approximately \$235,000 from telephone, uniform tools allowance, professional supplies, vehicle repairs, equipment repairs, professional services and other contract services. Some explanations are as follows: the recent jail camera system replacement resulted in less repairs, saving approximately \$27,000. Vehicle repair costs were down by over \$9,000 due to lower than anticipated repair costs because there were fewer major squad crashes needing major repairs. Uniform tools allowance was down almost \$28,000 due to grants received from Homeland Security to purchase protective equipment. Professional supplies and small equipment came in under budget by \$40,000 due to delayed ammunition purchases because of the transition to the 9MM platform. Food service and medical and dental services was under budget by almost \$28,000 due to the reduced average daily jail population.

Human Services (Special Revenue) Fund: The Human Services Fund has a total fund balance of \$104,002. Of this amount, \$12,705 (or 12.2%) represents prepayments that benefit periods beyond the end of the current year. The balance of \$91,297 represents assigned fund balance. Total fund balance of the Human Services Fund increased by \$5,044 from the prior year.

Winnebago County's practice is to maintain a minimal fund balance in the Human Services Fund because of its need for tax levy support. As a result, the tax levy that is not needed is left in the General Fund at the end of the year.

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.

	<u>Airport</u>	<u>Solid Waste</u>	<u>Park View</u>	<u>Highway</u>
Unrestricted Net Position - 2018	\$ 393,650	\$ 28,441,086	\$ 9,298,297	\$ 324,324
Unrestricted Net Position - 2019	2,942,149	29,391,628	10,737,823	2,510,193
Total Growth(Decline) in Unrestricted Net Position	<u>\$ 2,548,499</u>	<u>\$ 950,542</u>	<u>\$ 1,439,526</u>	<u>\$ 2,185,869</u>

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The Airport Fund's unrestricted net position increased by \$2,548,499. There was a net income of \$541,262 for 2019. The remainder of the increase in unrestricted net position can be attributed to a transfer from the general fund of \$2,000,000 to help fund the new general aviation terminal that was approved.

The Solid Waste Fund's unrestricted net position increased by \$950,542. There was a net surplus of \$2,479,241, versus a budget surplus of \$18,517. The majority of this excess was due to investment income and mark to market on investments coming in much higher than anticipated. Rates were at their peak in 2019 which generated excess interest income. There were also adjustments made for the Sunnyview Landfill and Sludge long-term liability accounts, which were favorable on the expenditure side.

Park View Health Center's unrestricted net position increase by \$1,439,526. The main reason for the increase in unrestricted net position can be attributed to a change from prior year where there was \$1,752,460 restricted for pensions due to an accounting reclassification. The Wisconsin Retirement System (WRS) was over 100% funded in 2018, which created a net pension asset. When there is a net pension asset, there is a corresponding restriction of net position. In 2019 there was a net pension liability, so there was not a restriction on the net position for pensions.

The Highway Department's unrestricted net position increased by \$2,185,869. There was a net income of \$782,565 for 2019. In 2018, \$675,837 was reserved for open purchase orders for expenditures, versus \$4,400 this year. In addition, there was a change from prior year where there was \$691,595 restricted for pensions due to an accounting reclassification. The Wisconsin Retirement System (WRS) was over 100% funded in 2018, which created a net pension asset. When there is a net pension asset, there is a corresponding restriction of net position. In 2019 there was a net pension liability, so there was not a restriction on the net position for pensions.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget amounted to a net increase in appropriations of approximately \$5,628,995 and can be briefly summarized as follows:

- \$2,000,000 transfer to the Airport to help fund the new general aviation terminal facility.
- \$832,524 carryovers of prior year appropriations
- \$824,000 transfer to the self-funded health insurance fund from the 2019 budget
- \$450,000 for Emergency Management 's mobile command post vehicle.
- \$477,800 for Parks department to purchase additional land (Netzer property), boat landing improvements and soccer shelter.
- \$100,000 for Facilities to demolish the Williams building.
- \$270,000 for District Attorney for Opioid grant expenditures.
- \$448,000 for Public Health for additional grant expenditures.
- \$220,000 for Land and Water for additional grant expenditures.

Revenues were over budgetary estimates – explanation:

During this year, revenues exceeded budget by \$2,704,525. This represents a variance of 3% from budget. A few items to note are as follows:

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- Tax revenues were over budget by \$331,570. Interest on delinquent property taxes was up by \$121,741 due to an increased amount of delinquencies being paid. Also, property taxes were up approximately \$130,000 because of the new property tax aid the County receives. Lastly, sales and use tax were up almost \$80,000 over budget.
- Intergovernmental revenues were under budget by \$708,278. The largest areas include Land and Water Conservation and Child Support. In the Land and Water area, many of these grants are reimbursement programs. If we don't spend the money, we don't get the reimbursement grant revenue. Some projects were not done in 2019 due to the wet weather and were carried over to 2020, which is why the Land and Water grant money was not received.
- Fines, Forfeitures and Penalty revenues were over budget by \$211,122 due to the new State Debt Collection (SDC) process put into place by the Clerk of Courts.
- Investment income was over budget by approximately \$2,292,093. Higher interest rates obtained in the stronger market this year accounted for almost \$1,248,465 of this. The remaining overage can be attributed to the Clerk of Courts collections process. In 2017, the Clerk of Courts wanted to hone in on all the outstanding receivables that were owed to the County and State regardless of age of the receivable. The Clerk of Courts began restructuring the office so there were more financial employees to begin an anticipated multi-year collection project working with the State Debt Collection (SDC) and canceling their contract with the collection agency who was entitled to keep 19% of what they were collecting. SDC has several avenues to collect including tax intercept, bank levy and garnishment of wages. In order to do this transition, there were notices sent out to over 80,000 debts that were owed to the County and State and intensive manual input to get these in the SDC system. These efforts have paid off, and collections have increased exponentially. This increase in collections of the past due debt has brought in approximately \$1,100,389 of interest revenue. This is the interest that judgments accrue during non-payment of court-ordered fines and fees owed to the County and State.

Expenditures were less than budgetary estimates – explanation:

Actual operating expenditures were less than budget by \$5,203,619. Some of the main reasons include:

General Government – \$1,509,329 under budget

Information Systems – \$281,993 under budget: Labor costs are under budget by \$82,902 due to multiple staff changes and taking time to fill the vacancies. Other operating expenditures are under by \$175,776 because of decreased professional services and equipment repairs. Software was off due a change in how licenses are purchased compared to when it was budgeted (core/processor), and one large server that was not needed which reduced licensing by approximately \$10k alone.

Facilities – \$617,708 under budget: Labor costs were under budget by \$156,554 primarily due to several vacancies for an extended period of time and seasonal employees working fewer hours than estimated. Other operating expenditures are under by \$431,612. In some cases, projects were not completed by the end of the year and were carried over to 2020. In others, the costs came in lower than expected. Repairs and maintenance were considerably less than estimated by \$266,430.

Miscellaneous Unclassified – \$403,267 under budget: Labor costs were under budget by \$110,996 primarily due to less sick pay buyouts. Other Operating expenditures are under by \$292,271 due to operating grants, repairs and maintenance and contractual services coming in under budget.

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Public Safety - \$2,323,755 under budget

Sheriff – \$1,171,717 under budget. Labor costs were under budget by approximately \$923,000 which resulted primarily from lower than anticipated fringe benefit rates, as well as averaging 15 vacant positions throughout the year. Other operating expenses were under budget by including telephone, uniform tools allowance, professional supplies, vehicle repairs, equipment repairs, professional services and other contract services were under budget by approximately \$235,000. Some explanations are as follows: the recent jail camera system replacement resulted in less repairs, saving approximately \$27,000. Vehicle repair costs were down by over \$9,000 due to lower than anticipated repair costs because there were fewer major squad crashes needing major repairs. Uniform tools allowance was down almost \$28,000 due to grants received from Homeland Security to purchase protective equipment. Professional supplies and small equipment came in under budget by \$40,000 due to delayed ammunition purchases because of the transition to the 9MM platform. Food service and medical and dental services was under budget by almost \$28,000 due to the reduced average daily jail population.

Emergency Management – \$502,250 under budget: Capital outlay was under budget by \$450,000. This is due to the purchase of an emergency management mobile command post being carried over to the 2020 budget. This vehicle was ordered but will not be ready for pick-up until late summer in 2020.

Courts – \$156,389 under budget: Other operating expenditures came in under budget by \$155,099 due to less trials taking place than budgeted for, which resulted in lower jury costs and legal fees.

District Attorney – \$385,392 under budget: Labor costs were down by \$67,718 because of being down two paralegal positions toward the end of the year. Other operating expenditures were under budget by \$314,806 due to the Bureau of Justice Assistance Grant for Comprehensive Opioid Abuse Site based program expenditures not occurring as of the end of the year. This grant will be used for prosecutor-led initiatives to identify and divert opioid-involved persons into community-based care by providing medication-assisted treatment. The Winnebago County District Attorney's Office will be working with community providers to ensure treatment is provided and financially covered for these opioid-involved persons. This is a three-year grant, total awarded was \$899,763.00 with a start date of October 1, 2018 through September 30, 2021.

Public Works – \$321,908 under budget

This area consists of county road maintenance, which accounts for all of the variance. Maintenance expenditures were lower primarily because they were offset by an increase in work load resulting from capital projects, project and maintenance requests from the Wisconsin Department of Transportation, and local governments. As workload increases for the department, resources are re-directed to provide requested services to customers and completing capital projects. Maintenance work completed was prioritized to focus on needs that are at an elevated level of importance and lower priority maintenance activities were postponed to be completed later.

Health & Human Services - \$714,674 under budget

Public Health – \$437,681 under budget: Labor costs were under budget \$330,246 due to several staff vacancies and turnover. Capital outlay was under by \$24,000 because a vehicle purchased did not get delivered until 2020, thus the budget was carried over from 2019 to 2020. In addition, other operating expenditures were down by \$48,092 due to pass-through grants that are complex to estimate because of the timing of state or federal fiscal calendar versus calendar year. These grants included Region 6 Hospital Emergency Readiness Coalition, Healthy Wisconsin Partnership Program/NEW Mental Health Connection and the Regional Trauma Advisory Council.

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Veterans – \$157,957 under budget: Labor costs were under budget by \$119,721 due to employee turnover and retirements. In addition, some of the new hires did not take health insurance benefits that were budgeted. Other operating expenditures were under by \$31,698. Cemetery expenses were down this year, because the department has been working with the cemeteries the last couple years to correct the perpetual care fees being charged to the county which are starting to go down now. Also, due to the strong economy last year the Veterans relief assistance funds received less applications than previous years causing the funds distributed from that account to go down.

Child Support – \$119,036 under budget: Labor costs were under budget by \$115,946 due to due to vacancies in the department, including the director position, which was vacant for five months of 2019, as well as the paralegal position, which was left vacant all year and then converted to a new attorney position in 2020, and several other shorter-term vacancies caused by retirements.

Culture, Education and Recreation - \$632,744 under budget

Parks Department - \$402,245 under budget: The largest area was capital outlay, which was under budget by \$312,044 because of budget carryovers to 2020 for the Asylum bridge reconstruction and the northern dog park fencing. The other cause was due to other operating expenditures being under by \$80,845 due to decreased refuse costs and savings in repairs and maintenance costs due to delays in ground maintenance because of the wet weather in 2019.

University Extension – \$129,262 under budget: Labor costs were under budget by \$26,765 due to staff changes, two employees being on Family Medical Leave Act (FMLA) and a vacancy. Other operating expenditures were down by \$85,339 due to staff changes in the Contracted Services where there were vacant Extension Educator positions for a few months early in the 2019 year.

Conservation and Development - \$298,791 over budget

Economic Development – \$936,832 over budget: Other operating expenditures were over budget by \$936,832 due to the Community Development Block Grant (CDBG) being closed. The County sent the money back to the State and can reapply for these funds at a later date for a one-time use.

Land and Water Conservation – \$423,945 under budget: Other operating expenditures are under budget by \$413,255. This is due to approximately \$167,313 being carried over to the 2020 budget. In addition, there were larger grants not yet received that expenditures were budgeted for. The wet weather in 2019 delayed many of the projects.

Planning, Land Records, Register of Deeds and Property Lister consist of small variances that accounted for the remaining amounts under budget.

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, 2019 amounts to \$251,618,915 (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 \$3,245,664, or 1.31%, which is a 2.28% increase for governmental activities and a 1.2% 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 \$4,077,273.

Major assets placed in service during 2019:

- Information Services added new servers and more data storage for \$224,318.
- The Facilities department purchased two vehicles for \$60,792, an emergency generator for \$28,990 and a snowblower attachment for \$5,890.
- UWO-Fox Cities campus relocated the science lab station for \$7,552 and renovated the library for \$17,393.
- The Parks department purchased another portion of the land adjacent to the expo center for expansion in the amount of \$309,285, purchased a new plow for \$60,669 and a stadium cover for \$38,315.
- Human services purchased a new scanner and software for \$29,533 and a new van for \$22,973.
- The Sheriff's office purchased eight fleet vehicles for \$286,985, nine squad video cameras for \$46,296, upgraded the video surveillance system for \$89,575, upgraded the radio system for \$83,625, purchased and installed a dishwasher in the jail for \$149,000, and implemented a new Computer Aided Dispatch (CAD) / Records Management System (RMS) system for \$2,004,300.
- Infrastructure increased by \$8,225,429 for paving of roads.
- The Courts upgraded Branch I boardroom for \$62,665.

Major assets retired during 2019:

- There were no major dispositions during the year, except for the removal of replaced road infrastructure (\$3,195,189).
- Total dispositions were approximately \$267,332 consisting of old vehicles. Most of these vehicles were fully depreciated and at the end of their useful lives.

Other changes to capital assets:

- Many of the assets placed in service during 2019 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 (net of depreciation) for the business type activities was a net decrease of approximately \$831,609.

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Major assets placed in service during 2019:

- The Airport purchased a new mower for \$16,570 and did several building improvements in the amount of \$31,324.
- The Solid Waste Department purchased three vehicles for \$74,933, a grappling bucket for \$17,700 and sweeper for \$130,000. The Department also spent \$1,951,023 on three projects not completed at year-end; \$957,457 on a new office building, \$791,528 on a new electrical generator engine, and \$202,038 on a recloser.
- Park View health care center purchased two full body lifts with scales for \$14,070, a bariatric sit to stand for \$5,160 and an industrial garbage disposal system for \$10,518.
- The Highway Department annually replaces road maintenance vehicles, construction and snow plowing vehicles and other road maintenance equipment costing around \$1 million per year as part of an equipment rotation program. Approximately \$1 million of old vehicles are traded in or sold.

Other changes to capital assets:

- Many of the assets placed in service during 2019 were from construction in process from prior years. This results in a shift from construction in process to a capital asset category such as buildings, equipment, improvements and other. The result is that there may not be a large overall changes to capital assets in total.
- The change in accumulated depreciation during the year would usually reduce total capital assets as it is part of total capital assets.

Winnebago County's Capital Assets (net of accumulated depreciation) (Amounts Expressed in \$1,000's)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Land	\$ 4,243	\$ 3,934	\$ 9,833	\$ 9,833	\$ 14,076	\$ 13,767
Buildings	44,077	45,498	28,359	29,318	72,436	74,816
Improvements other than buildings	13,472	14,124	12,315	13,606	25,787	27,730
Machinery, equipment and vehicles	14,974	13,826	11,632	12,134	26,606	25,960
Infrastructure	97,934	93,094	-	-	97,934	93,094
Construction in progress	8,422	8,569	6,358	4,437	14,780	13,006
Total	\$ 183,122	\$ 179,045	\$ 68,497	\$ 69,328	\$ 251,619	\$ 248,373

Additional information on the County's capital assets can be found in the footnotes on pages 79-81 of this report.

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Long-term debt: At the end of the current fiscal year, the County had total bonded debt outstanding of \$35,172,028 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	
	2019	2018	2019	2018	2019	2018
General obligation notes	\$ 32,376	\$ 30,947	\$ 1,631	\$ 1,513	\$ 34,007	\$ 32,460
General obligation notes - Other entities	572	665	-	-	572	665
General obligation bonds	558	638	35	277	593	915
Total	\$ 33,506	\$ 32,251	\$ 1,666	\$ 1,789	\$ 35,172	\$ 34,040

The County's total general-obligation debt increased by \$1,131,792, or 3.2%, during the current year. There was a new borrowing during 2019 totaling \$9,575,000. The notes were issued to finance the following projects:

Project	Proceeds
Highway road resurface and reconstruction	\$ 5,695,000
Mental health crisis center	1,392,000
Winnebago County courthouse window replacement	632,823
Airport taxiway A reconstruction	475,000
Winnebago County courthouse elevator upgrades	343,475
2019 obsolete building demolitions	325,000
Parks - soccer complex parking lot lighting installments and roadway replacements	269,000
Parks - 5 yard dump plow truck	169,444
Coughlin building roof replacement	160,000
Orrin King building masonry repairs	110,000
Debt issue costs	3,258
Total 2019 Bonding	\$ 9,575,000

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the County is \$710,153,000, which is significantly in excess of its outstanding general obligation debt of \$35,172,028. The County has a debt service fund balance of \$1,122,965.

Additional information on the County's long-term debt can be found in the footnotes on pages 83-86 of this report.

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ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- At the end of 2019 the US unemployment rate was 3.7%, Wisconsin's rate was 3.3% and Winnebago County's rate was 3%.
- Winnebago County continues to be a very affordable area to live with median home prices at \$166,900 compared to the Wisconsin median price of \$197,000 and US average of \$269,800.
- Home sales in Winnebago County increased from 2,730 in 2018 to 2,980 in 2019.
- The labor force in Winnebago County remains stable at around 91,474 persons.
- Non-farm employment increased slightly at around 97,900 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 1.43% which limits increases in spending.

These factors were considered in preparing the County's budget for the 2021 fiscal year.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Winnebago County, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes Winnebago County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing. These events will also be considered in preparing the County's budget for the 2021 fiscal year.

Currently, we are aware of revenue shortfalls occurring in several departments throughout the County. Park View Health Center has lower census at this time due to the pandemic. Almost all community events have been cancelled for the spring and summer of fiscal year 2020, this will impact the Airport and Parks department who rely on these events for some of their revenue streams.

Expenditures are being incurred due to the COVID-19 pandemic for personal protection equipment (PPE), sanitizers, employees for contact tracing, social distancing supplies, etc. The federal and state governments are providing grant monies to the County and Public Health departments. At this point in time, the County feels that they will be reimbursed for expenditures incurred during the pandemic.

The Winnebago County Board passed a resolution in May of 2020 to authorize a taxation district to waive interest on property tax payment installments due on or after April 1, 2020. Winnebago County makes the taxation districts 'whole' each August. Therefore, the County takes on the responsibility of collecting any remaining unpaid property taxes. Delaying the due date of tax payments to October 1, 2020, will have a negative impact on County cash flow. In addition, the County will incur a loss of investment income on cash paid out in August ahead of the October 1st collection deadline. Total fiscal impact on the County is unknown at this time. However, the County has a strong cash position and should be able to manage the cash flow issues.

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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 2019 budget is \$0.67. We have been able to exceed the limit by using the 2nd exception listed below:

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

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

The 2019 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.