

WAUKESHA COUNTY

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Year Ending December 31, 2014

WAUKESHA, WISCONSIN

Waukesha County Executive

Daniel P. Vrakas

(Term Expires April 2015)

Board of Supervisors

(Terms Expire April 2016)

Paul L. DeckerChairperson
James A. Heinrich First Vice-Chairperson
David W. Swan.....Second Vice-Chairperson

James Batzko
Janel Brandtjen
Michael Crowley
Kathleen M. Cummings
Jennifer Grant
Keith Hammitt
Eric Highum
Christine M. Howard
Pauline T. Jaske
Robert L. Kolb
William A. Mitchell

Richard Morris
Larry Nelson
Duane E. Paulson
Carl Pettis
Thomas J. Schellinger
Jeremy Walz
Steve Whittow
Peter M. Wolff
Gilbert W. Yerke
William J. Zaborowski
David D. Zimmermann

Cover photo by:
Sarah Spaeth
Legislative Policy Advisor

About the cover:
Springtime at the Waukesha County Courthouse. The five year 2015-2019 County Capital Plan includes Phase I of a two phase plan to provide upgrades to the 1957 facility accommodated by Phase I construction of a criminal court building adjacent to the County Jail.

***Paul Farrow, County Executive 4/21/15**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
COUNTY OF WAUKESHA, WISCONSIN
FOR THE YEAR ENDED
DECEMBER 31, 2014**

PREPARED BY:

**DEPARTMENT OF ADMINISTRATION
ACCOUNTING DIVISION/BUSINESS DIVISION**

WAUKESHA COUNTY WISCONSIN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Paul F. Farrow
County Executive



**Waukesha
COUNTY**
DEPARTMENT OF COUNTY EXECUTIVE

June 17, 2015

The Honorable Chairperson of the County Board and
Members of the County Board of Supervisors
County of Waukesha
Waukesha, Wisconsin

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the County of Waukesha, Wisconsin for the fiscal year ended December 31, 2014. Waukesha County management is responsible for all information presented in the Comprehensive Annual Financial Report and to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The CAFR represents the culmination of all budgeting and accounting activities engaged in by management during the year, covering all funds of the County and its financial transactions. It is organized into three sections: Introductory, financial, and statistical.

- The introductory section includes this transmittal letter, the County's organizational chart and a list of principal officials.
- The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), the audited basic financial statements, disclosure notes, required supplementary information, and supporting statements and schedules necessary to fairly present the financial position and the results of operations of the County in conformity with generally accepted accounting principles. The MD&A is prepared by management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.
- The statistical section includes selected financial and demographic information, typically presented on a multi-year basis.

County policy, in accordance with state and federal requirements, is to provide for an annual audit of the financial records of the government by a competent certified public accountant. In addition to meeting the requirements set forth above, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984 and related U.S. Office of Management and Budget Circular A-133. The independent auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in a separately issued single audit report.

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PROFILE OF THE GOVERNMENT

Waukesha County was incorporated in 1846 under the General Laws of the State of Wisconsin. Since 1991, the County has operated under a County Executive form of government. The County Executive is responsible for the administrative functions of county government. A Board of Supervisors is the governing body of the County and is responsible for the legislative control of the County. The County provides a full range of services, which include justice and public safety; health and human services; environment, parks and education; public works; and general government services.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and the State Single Audit Guidelines issued by the Wisconsin Department of Administration. Information related to the single audit, including the schedule of expenditures of federal and state awards, findings and recommendations, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, is available as a separate document.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

Waukesha County is located in southeastern Wisconsin, directly west of Milwaukee County and 100 miles northwest of Chicago. The County has the third highest equalized property tax base and is the State's third most populous county. The County is second in the State for per capita income. The County covers an area of 576 square miles and consists of 8 cities, 19 villages and 11 towns. The City of Milwaukee (one of the eight cities) has one parcel, a manufacturing plant, in Waukesha County on property annexed to allow access to Milwaukee sewer and water. The County's 2014 population is 392,761.

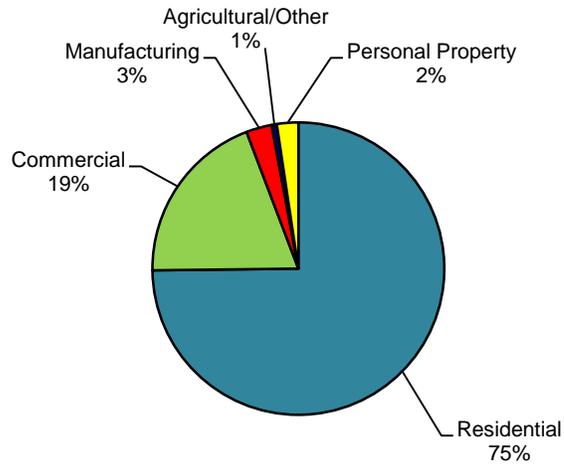
The County's history of sound financial management, a diverse and growing tax base, low unemployment, and a low debt burden suggest why Moody's Investors Service and Fitch, Inc. have enough confidence in the County to issue the highest rating of Aaa/AAA respectively on the County's long-term debt.

The County's equalized property value increased by 3.8% from the 2013 valuation. In 2014, the County experienced the first tax base valuation increase since 2008. Prior to 2009, the County had not experienced a tax base reduction in over 30 years. Annual changes are shown in the table below.

<u>Year</u>	<u>Equalized Value (including TID's)</u>	<u>% Change</u>
2014	\$48,995,016,900	3.8%
2013	\$47,217,366,700	-1.1%
2012	\$47,739,764,800	-3.7%
2011	\$49,552,562,500	-1.5%
2010	\$50,288,874,200	-3.5%
2009	\$52,111,509,500	-1.8%

The graph on the following page shows the change in the equalized value of property by classification over the past five years. Residential classifications had the largest change from the 2013 valuation, with an increase of \$1.4 billion, or 3.9% which was mostly inflation. The second graph shows annual average employment within the County.

WAUKESHA COUNTY, WISCONSIN
 Equalized Value by Classification
 (Includes Tax Incremental District Value)
 2014

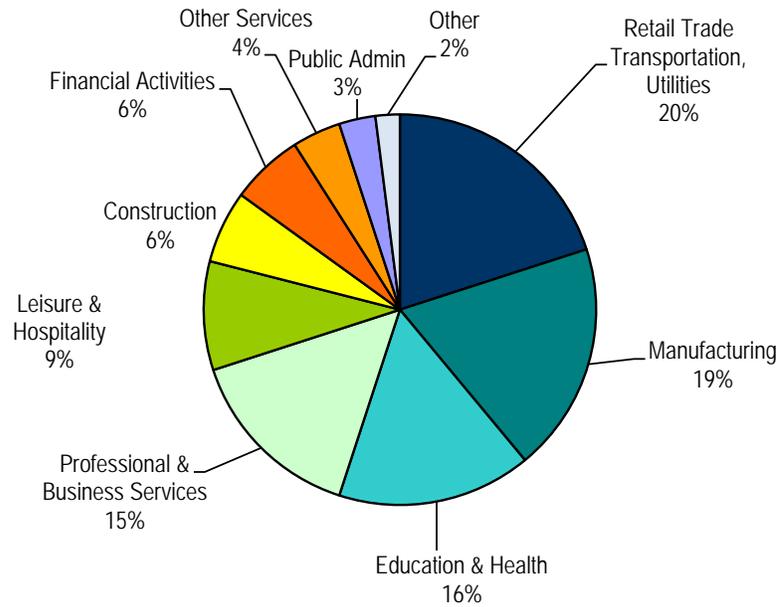


**Mix of Equalized Value by Class of Property
 (Millions of Dollars)**

<u>Real Estate</u>	<u>2014</u>	<u>2009</u>	<u>% Change</u>
Residential	36,655	39,274	-6.7%
Commercial	9,509	10,085	-5.7%
Manufacturing	1,395	1,355	3.0%
Agricultural/Other	<u>276</u>	<u>298</u>	<u>-7.4%</u>
Total Real Estate	47,835	51,012	-6.2%
Personal Property	<u>1,160</u>	<u>1,100</u>	<u>5.5%</u>
Grand Total	48,995	52,112	-6.0%

Source: Wisconsin Department of Revenue

**WAUKESHA COUNTY, WISCONSIN
2014 Employment Diversification**



Number of Employees in Selected Categories

	2014 (1) (NAICS)	2013 (NAICS)
Retail Trade, Transportation, Utilities	46,979	47,562
Manufacturing	43,888	43,617
Education & Health	37,060	38,567
Professional & Business Services	34,558	33,450
Leisure & Hospitality	20,879	19,695
Construction	14,862	12,580
Financial Activities	14,854	14,504
Other Services	8,572	7,960
Public Administration	6,428	5,980
Other	4,718	5,342
TOTAL	232,798	229,257

(1) 2014 numbers are as of 3rd quarter, 4th quarter is not yet available

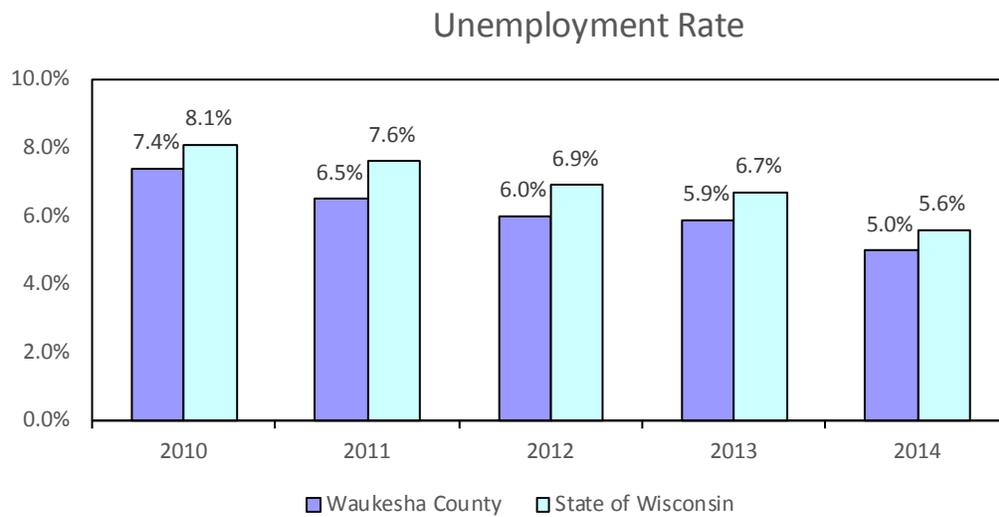
Source: The Wisconsin Department of Workforce Development, Bureau of Workforce Information

Residential property accounts for approximately 75% of the County’s total tax base, so the value of residential building permits has been a good indicator of future year tax base increases.

Waukesha County Residential Permits		
<u>Year</u>	<u>Value in Thousands</u>	<u>Number</u>
2014*	\$ 230,505	644
2013	230,391	671
2012	192,414	566
2011	140,906	448
2010	151,984	445

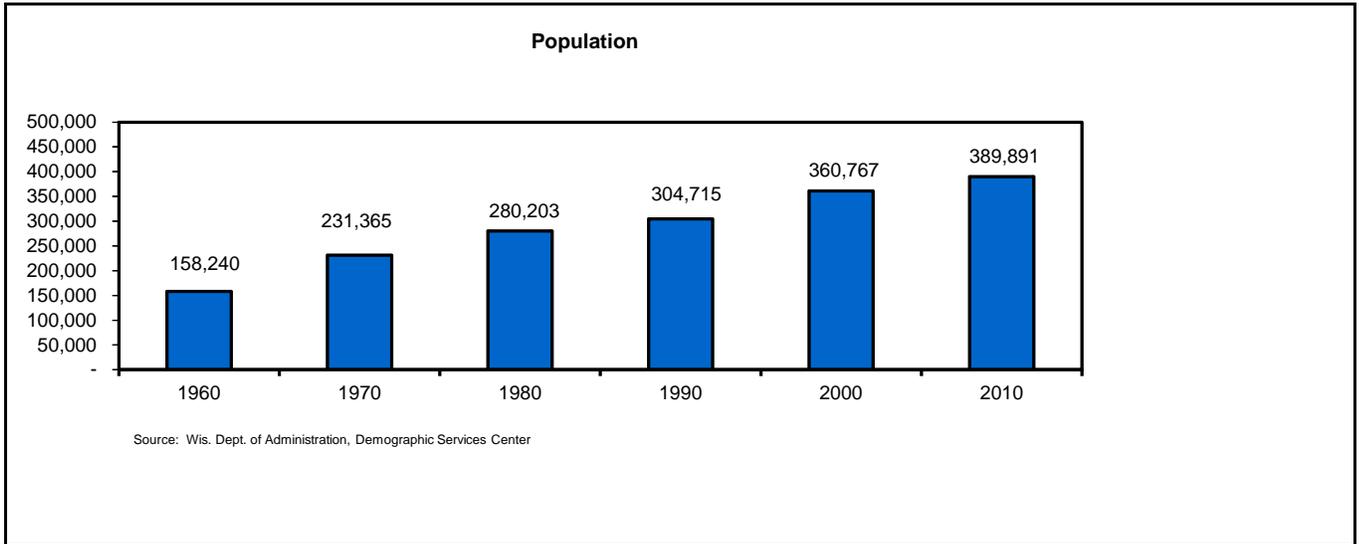
Source: U.S. Department. of Commerce
*Preliminary

As the chart below shows, the County unemployment rate has remained consistently lower than the State of Wisconsin.



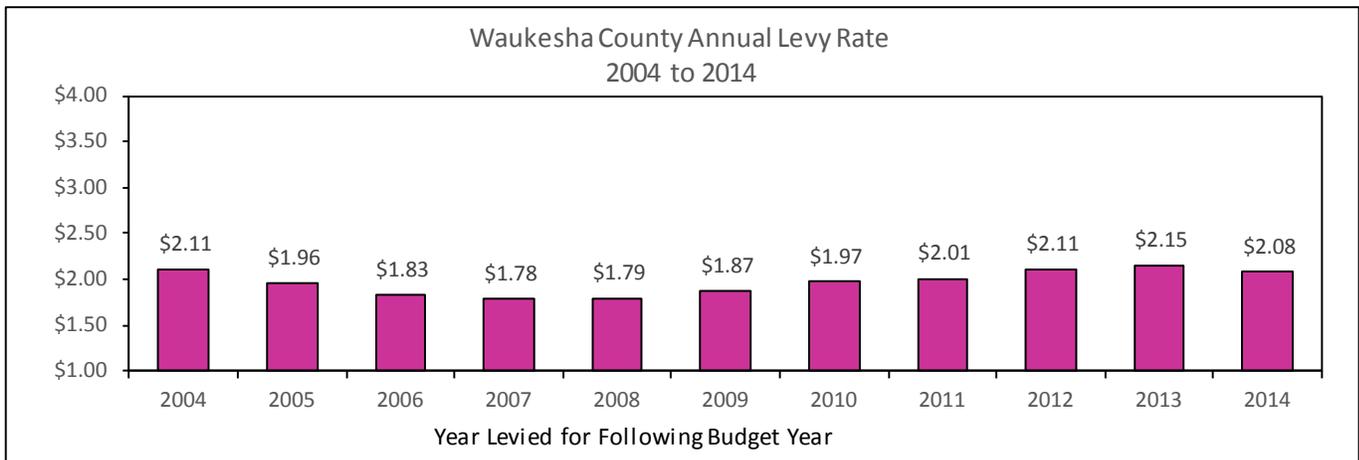
Source: Wisconsin Department of Workforce Development – Bureau of Workforce Information

Population has continued to increase. The 2014 population is estimated at 392,761, an increase of 0.7% from the 2010 census.



Property Tax Levy Rate

The County's tax levy rate, which had decreased for 18 consecutive years--from tax year 1989 to tax year 2007—increased in the six year period from 2008-2013 and decreased in 2014 due to an increase in property values and a small tax levy change.



The County also has available an unlevied 0.5% local option sales tax, with an annual estimated value in excess of \$35 million.

Tax Levy Limits

Wisconsin law limits local tax levy increases to the County's increase in its total property tax levy by the percentage change in the County growth in equalized value based on the net new construction value between the previous year and the current year. The 2014 Waukesha County Budget meets the tax levy limit.

See note 3 for further information.

Long Term Financial Planning

To plan for the future, the County engages in a strategic planning process which focuses on long term planning and the desire to be a mission driven organization continuously improving its services and operations.

The County develops a five-year capital projects and debt financing plan. In addition, a five-year operating budget plan is developed which incorporates key assumptions, significant strategic budget initiatives and budget drivers.

The County has processes to identify and plan for recurring operational needs for the following: building and grounds maintenance; vehicle and equipment replacements; technology and transportation infrastructure, jail equipment replacement and highway pavement maintenance.

Major Initiatives

The 2014-2018 Capital Projects Plan includes \$22.7 million for the first phase (2018-2020) of construction on eight new courtrooms. An additional \$3.4 million of the plan is dedicated to existing park roadways maintenance and \$3.0 for a new multi-use trail. The new multi-use trail is being mostly funded with \$2.8 in federal, state and municipal revenues. Another \$39.8 million or 43% of planned 2015-2019 capital spending is dedicated to highway improvements (2014-2018). This will be combined with \$24.1 million of Federal funds.

Financial Information

Management of the County is responsible for establishing and maintaining a system of internal controls designed to ensure that the assets of the County are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The system of internal controls is designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls

The County maintains budgetary controls, with the objective of ensuring compliance with legal provisions as embodied in the annual appropriations budget, which is adopted by the County's Board of Supervisors and approved by the County Executive. Activities of the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Internal Service funds are included in the annual appropriation budget. Budgetary control is maintained by a formal appropriation and encumbrance system. Expenditures cannot legally exceed appropriations at the agency level, pursuant to s65.90, Wisconsin State Statutes. Proprietary fund budget controls are maintained at the agency/fund level. However, the County has chosen a more restrictive control within agency budgets in the governmental (general and special revenue) funds. The annual budget approved by the County Board is by agency appropriation unit in each fund. An appropriation unit is a group of account classes (e.g. personnel, operating, interdepartmental) within an agency. Purchase orders and/or payment vouchers which would exceed the appropriation unit are not released until additional appropriations are available. As demonstrated by the statements included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial reports for the fiscal year ended December 31, 2013. This was the twenty-seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the County also received the GFOA's Award for Distinguished Budget Presentation for twenty-eight of the past twenty-nine fiscal years beginning 1987 through 2015 (the 1996 Budget was not submitted). In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories including policy documentation, financial planning, organization and communication.

Acknowledgements

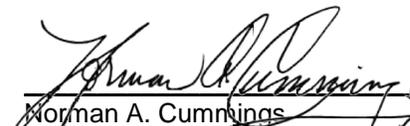
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the Department of Administration's Accounting, Business, Budget, and Administrative Division's staff. We would like to express our appreciation to all members of our staff, including Accounting Services Manager, Lawrence Dahl; Principal Financial Projects Analyst, Danielle Igielski; Principal Financial Projects Analyst, Robert Ries; Budget Management Specialist, William Duckwitz; Administrative Services Coordinator, Linda Gebhard; and Administrative Assistant, Susan Scholl, who assisted and contributed to the preparation of this report.

Appreciation is also expressed for the excellent assistance received from our independent auditors, Baker Tilly Virchow Krause LLP. We would also like to thank the County Board and Finance Committee Chairpersons, the County Board of Supervisors, and the Finance Committee for their interest and support in planning and conducting financial operations of the County in a responsible and forward thinking manner.

Respectfully submitted,



Paul F. Farrow
County Executive



Norman A. Cummings
Director of Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Waukesha County
Wisconsin**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

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WAUKESHA COUNTY
 Department Heads
 as of December 31, 2014

Administration	Norman A. Cummings
Chief Judge	J. Mac Davis
Clerk of Courts	Kathleen A. Madden
Corporation Counsel	Thomas P. Farley
* County Board Chairperson	Paul L. Decker
* County Clerk	Kathleen O. Novack
* County Executive	Daniel P. Vrakas**
* District Attorney	Brad D. Schimel**
Emergency Preparedness	Gary Bell
Federated Library	Connie Meyer
Health & Human Services	Antwayne Robertson
Medical Examiner	Lynda M. Biedrzycki
Parks & Land Use	Dale R. Shaver
Public Works	Allison M. Bussler
* Register of Deeds	James R. Behrend
* Sheriff	Dan Trawicki**
* Treasurer	Pamela F. Reeves
University of Wisconsin-Extension	Jerry Bratz

* Elected Position

** Paul Farrow, County Executive 4/21/15
 Sue Opper, District Attorney 3/5/15
 Eric Severson, Sheriff 1/13/15

**OFFICIALS OF WAUKESHA COUNTY
COUNTY BOARD OF SUPERVISORS**

BOARD YEAR #169 (2014)

(Term Expires April, 2016)

Chairperson Paul L. Decker
First Vice Chairperson James A. Heinrich
Second Vice Chairperson David W. Swan

EXECUTIVE COMMITTEE

Paul L. Decker, Chairperson
James A. Heinrich, Vice Chair
Pauline T. Jaske
David W. Swan
Peter M. Wolff
Gilbert W. Yerke
David D. Zimmerman

FINANCE COMMITTEE

James A. Heinrich, Chairperson
Eric Highum
Richard Morris
Larry Nelson, Vice Chair
Duane E. Paulson
Steve Whittow
William J. Zaborowoski

HEALTH AND HUMAN SERVICES COMMITTEE

Gilbert W. Yerke, Chairperson
Janel Brandtjen
Christine M. Howard
Duane E. Paulson .Vice Chair
Thomas J. Schellinger
Jeremy Walz
William J. Zaborowoski

HUMAN RESOURCES COMMITTEE

David D. Zimmerman, Chairperson
Michael A. Crowley, Vice Chair
Jennifer A. Grant
Christine M. Howard
William A. Mitchell
Larry Nelson
Jeremy Walz

JUDICIARY AND LAW ENFORCEMENT COMMITTEE

Peter M. Wolff, Chairperson
Jim Batkzo,
Janel Brandtjen
Michael A. Crowley

Kathleen Cummings, Vice Chair
Robert L. Kolb
Carl Pettis

LAND USE, PARKS, AND ENVIRONMENT COMMITTEE

Pauline Jeske, Chairperson
Jim Batkzo
Jennifer A. Grant
Keith Hammit

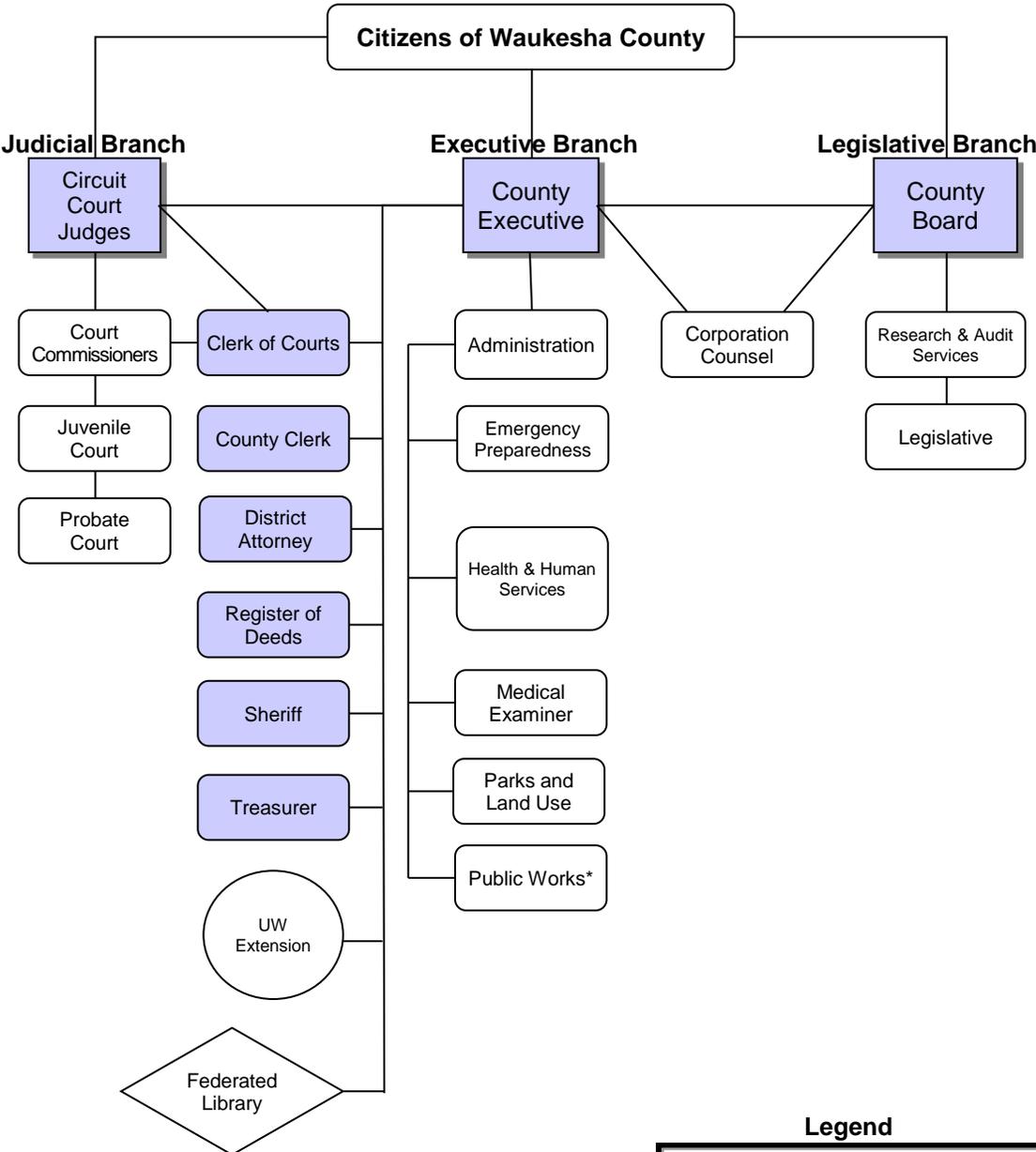
Eric Highum
William A. Mitchell
Thomas J. Schellinger

PUBLIC WORKS COMMITTEE

David W. Swan, Chairperson
Kathleen Cummings
Keith Hammit, Vice Chair
Robert L. Kolb

Richard Morris
Carl Pettis
Steve Whittow

Waukesha County Organizational Chart



* Airport became part of the Department of Public Works in 2011

Legend

	Elected Officials
	County and State Shared Governance
	Board or Commission Governance