

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of County Supervisors
Waukesha County
Waukesha, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waukesha County, Wisconsin, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Waukesha County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to Waukesha County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Waukesha County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Board of County Supervisors
Waukesha County

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Waukesha County, Wisconsin, as of December 31, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, Waukesha County adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waukesha County's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the Honorable Board of County Supervisors
Waukesha County

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waukesha County's basic financial statements. The "Introductory Section" and "Statistical Section" are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of Waukesha County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waukesha County's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 8, 2016

THIS PAGE LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

THIS PAGE LEFT BLANK

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015

This section of Waukesha County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the County exceeded the liabilities and deferred inflows of resources at the close of 2015 by \$506 million (*net position*). Of this amount, \$121.1 million is classified as *unrestricted net position*, \$36.3 million is restricted for specific purposes (*restricted net position*), and \$348.6 million is net investment in capital assets.
- The County's total net position increased by \$12.0 million. Most of this increase (\$9.6 million) occurred in net investment in capital assets, due to construction on the Airport runway 10/28 with \$9.1 million in federal funding.
- On December 31, 2015, the County's governmental funds reported combined fund balances of \$93.8 million, an increase of \$1.3 million. Approximately \$40.3 million, or 43.0% of the combined fund balance, is unassigned and available for use within the County's designations and policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) 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 are designed to provide readers with a broad overview of the County's financial statements, in a manner similar to a private-sector business.

- The *statement of net position* presents information of all County assets, deferred inflows, liabilities and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may 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 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*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include justice and public safety; health and human services; environment, parks, and education; public works, and general government. The business type activities of the County include radio services, golf courses, ice arenas, materials recovery facility, and airport.

The government-wide financial statements can be found on pages 33-34 of this report.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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 county's near-term financial 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. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 10 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, Debt Service and Capital Projects fund, which are considered to be major funds. Data from the other 7 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic *governmental fund* financial statements can be found on pages 37-40 of this report.

- *Proprietary funds* are maintained two ways. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the airport, radio services, golf courses, ice arenas, and materials recovery facility. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for risk management/self-insurance, health and dental self-insurance, vehicle replacement, central fleet maintenance, communications, collections, and end user technology. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The Airport, Radio Services fund and Materials Recovery Facility fund are considered to be major funds of the County. The County's seven internal service funds are combined into a single aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The *proprietary funds* financial statements can be found on pages 44-49 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 55-92 of this report.

Required Supplementary Information is presented for the budgetary schedules of the General fund and pension and contribution schedules.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the County, assets and deferred outflows exceed liabilities and deferred inflows of resources by \$506 million at the close of the most recent fiscal year.

**Waukesha County
Net Position
(in \$000's)**

	Governmental activities		Business-type activities		Total	
	2015	2014 *	2015	2014 *	2015	2014 *
Current and other assets	\$271,974	\$253,262	\$17,907	\$22,740	\$289,881	\$276,002
Capital assets	384,594	383,922	42,453	30,795	427,047	414,717
Total assets	656,568	637,184	60,360	53,535	716,928	690,719
Pension related amounts	15,243	0	327	0	15,570	0
Total deferred outflows of resources	15,243	0	327	0	15,570	0
Current and other liabilities	27,756	25,788	1,266	686	29,022	26,474
Long-term liabilities	92,090	94,030	0	0	92,090	94,030
Total liabilities	119,846	119,818	1,266	686	121,112	120,504
Unearned revenue	105,172	105,078	153	2,173	105,325	107,251
Pension related amounts	33	0	1	0	34	0
Total deferred inflows of resources	105,205	105,078	154	2,173	105,359	107,251
Net Position:						
Net investment in capital assets	306,112	302,396	42,453	30,795	348,565	333,191
Restricted net position	36,013	21,206	316	0	36,329	21,206
Unrestricted net position	104,635	88,686	16,498	19,881	121,133	108,567
Total net position	\$446,760	\$412,288	\$59,267	\$50,676	\$506,027	\$462,964

* Amounts reported for 2014 have not been restated for the County's implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

The largest portion of the County's net position (68.9%) reflects its net investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment, net of accumulated depreciation/amortization, 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 County's net investment in its 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.

Unrestricted net position comprises 23.9% of the County's net position. These resources may be used to meet the County's ongoing obligations.

The remaining balance of the County's net position, 7.2%, represents resources that are subject to external restrictions (grant or trust terms, laws or regulations of other governments, etc.) on how they may be used.

At the end of the current fiscal year, the County reported positive balances in all three categories of net position, both for the County as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015

As shown on the following table, the County's net position increased by \$12.0 million during the current year. This results from total 2015 revenues of \$230.2 million and expenses of \$218.2 million. Overall revenues increased by \$5.2 million from the prior year, while expenses increased by \$7.0 million.

Waukesha County
Changes in Net Position
(in \$000's)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 41,646	\$ 39,722	\$ 7,193	\$ 6,177	\$ 48,839	\$ 45,899
Operating grants and contributions	51,703	47,615	948	947	52,651	48,562
Capital grants and contributions	1,172	11,874	10,753	-	11,925	11,874
General revenues:						
Property taxes	105,875	105,058	162	193	106,037	105,251
Intergovernmental revenues	1,747	1,778	-	-	1,747	1,778
Investment earnings	1,483	3,888	13	16	1,496	3,904
Miscellaneous	6,566	6,582	36	31	6,602	6,613
Gain on disposal/sale of capital assets	323	1,142	594	-	917	1,142
Total revenues	210,515	217,659	19,699	7,364	230,214	225,023
Expenses:						
Justice and public safety	59,261	58,632	-	-	59,261	58,632
Health and human services	74,719	71,813	-	-	74,719	71,813
Environment, parks and education	24,056	23,639	-	-	24,056	23,639
Public works	31,487	29,786	-	-	31,487	29,786
General government	15,490	14,951	-	-	15,490	14,951
Interest expense	1,623	1,707	-	-	1,623	1,707
Radio services	-	-	374	2,157	374	2,157
Golf courses	-	-	3,225	3,101	3,225	3,101
Ice arenas	-	-	1,266	1,250	1,266	1,250
Materials recovery facility	-	-	4,694	2,362	4,694	2,362
Airport	-	-	1,975	1,803	1,975	1,803
Total Expenses	206,636	200,528	11,534	10,673	218,170	211,201
Increase (decrease) before transfers	3,879	17,131	8,165	(3,309)	12,044	13,822
Transfers	211	(7,351)	(211)	7,351	-	-
Increase in net position	4,090	9,780	7,954	4,042	12,044	13,822
Net position beginning of year - as restated	442,670	402,508	51,313	46,634	493,983	449,142
Net position end of year	\$ 446,760	\$ 412,288	\$ 59,267	\$ 50,676	\$ 506,027	\$ 462,964

The 2015 beginning balance includes a restatement to net position of \$31.0 million from the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and implementation of GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Amounts reported for 2014 have not been restated.

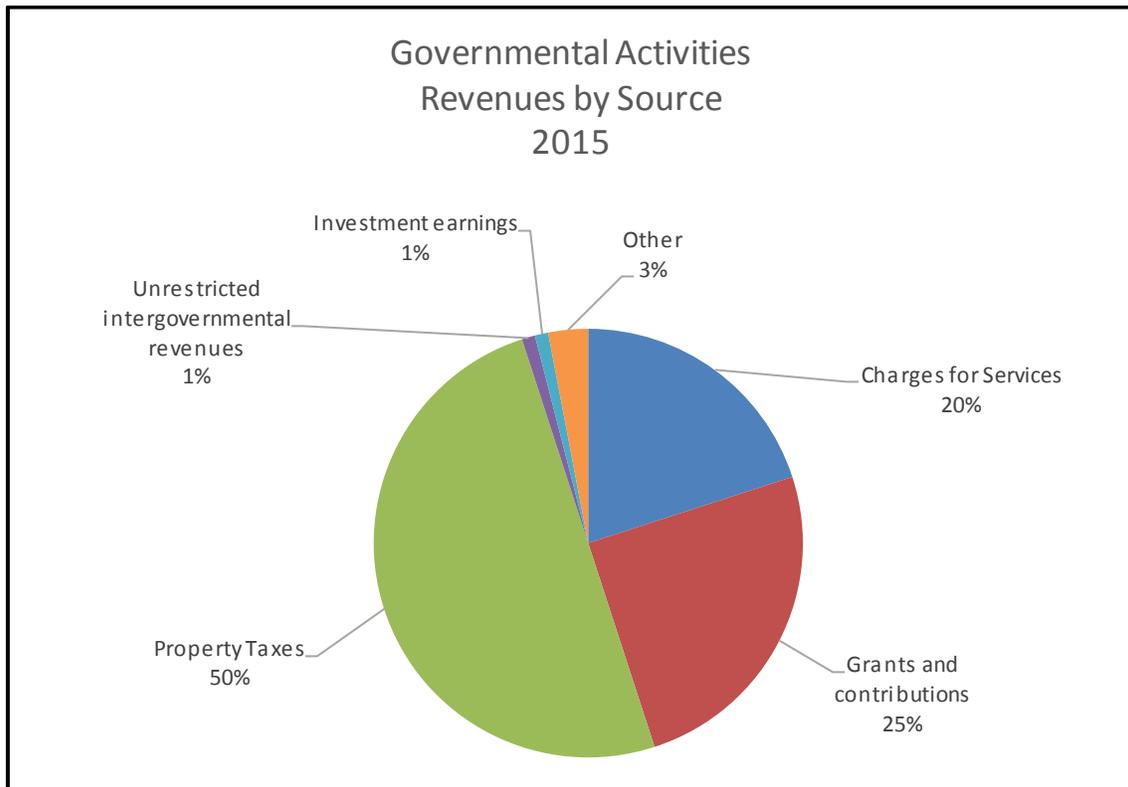
WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015

Governmental Activities

Governmental activities increased the County's net position by \$4.1 million, compared to \$9.8 in 2014. This included a decrease in revenues of \$7.1, or -3.3%. Highlights include the following:

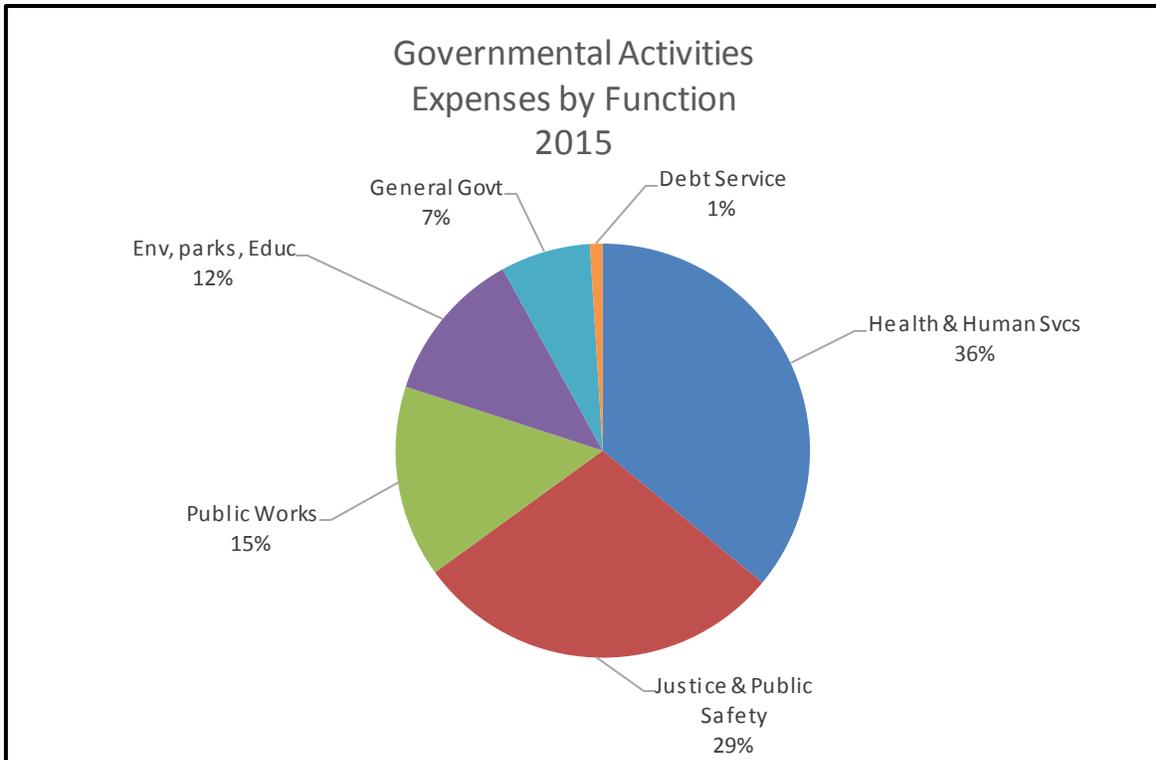
- Capital grants and contributions decreased by \$10.7 million to \$1.2 million which varies between years based on completion of highway capital projects.
- Investment earnings decreased by nearly \$2.4 million mainly due to a decrease in the fair market value adjustment as required by GASB statement 31 of \$1.3 million from 2014 to 2015. There was also a decrease in realized gains on the sale of investments of \$1.0 million in 2015 compared to 2014.
- Operating grants and contributions increased by \$4.1 million to \$51.7 million mainly due an increase in Housing and Economic assistance grants in CDBG of \$1.4 million and an increase in Children with Long-Term Support (CLTS) revenue of \$1.3 million.
- Charges for services increased by \$1.9 million to \$41.6 million mostly due to an additional \$0.5 million in service revenue related to Waukesha County providing contracted Medical Examiner services to Walworth and Washington County starting in 2015. Charges for services revenue increased by \$0.5 million in 2015 related to a higher collection rate in Mental Health Inpatient client fees from third parties.

The percentage of revenues by source is shown below. The primary changes from 2014 include Charges for Services increased to 20% of the total, versus 18% in 2014, Grants and contributions decreased to 25% of the total, versus 27% in 2014, and property taxes increased to 50% versus 48% in 2014.



WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015

Expenses for governmental activities increased by \$6.1 million from 2014. The percentage of expenses by function is shown below.

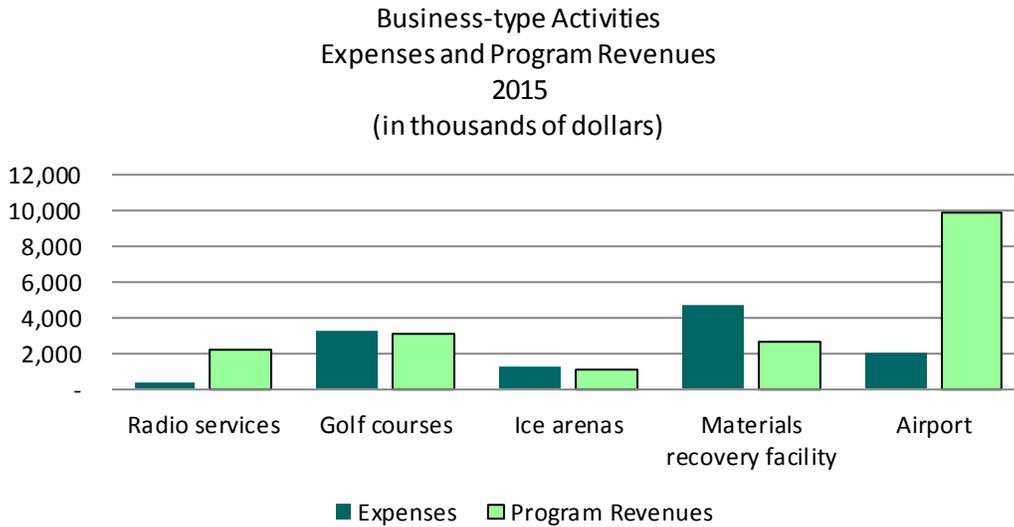


Business-type Activities

Business-type activities increased the County's net position by approximately \$8.0 million. Program revenues exceeded Program expenses by \$8.2 million and key results include the following:

- The airport had an increase in net position of approximately \$8.1 million, mainly related to the completion of Airport runway 10/28 which included \$9.1 million in federal funding. Increased revenue is partially offset by \$1 million in depreciation expenses which the operation is not expected to recoup on assets funded by State or Federal dollars. The County will not replace airport facilities funded substantially with state and federal dollars unless available for such expenses.
- The Radio Services fund had an increase in net position of \$1.9 million. This is mostly due to the recognition of \$1.6 million in municipal loan prepayments for the implementation of the Digital Radio System upgrade from analog to digital technology.
- The Materials Recovery Facility Fund had a decrease in net position of \$1.4 million. This is mostly due to capital project related expenses of \$0.9 million of non-capitalized costs required as part of the implementation of the new Materials Recovery Facility.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of 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 financing requirements. In particular, 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.

At the end of the current fiscal year, Waukesha County's governmental funds reported combined fund balances of \$93.8 million, an increase of \$1.3 million from prior year. Approximately \$53.5 million or 57.0% of the combined fund balance is non-spendable, restricted, committed, or assigned for specific purposes, so is not available for new spending. This includes the following.

- Non-spendable fund balance of \$8.4 million, including \$2.4 million for long term receivables/advances; \$0.8 million for prepaid items and inventories; and \$5.2 million for delinquent property taxes.
- Restricted fund balance of \$14.8 million, including \$7.0 million restricted for park purposes, \$2.2 million restricted for debt service, \$2.0 million restricted for capital projects and \$1.3 million restricted for Human Services purposes.
- Committed fund balance of \$22.0 million. Most of this is committed for capital projects.
- Assigned fund balance of \$8.5 million, including \$5.9 million of funds assigned in the 2016 budget and \$0.9 million of funds assigned for equipment replacement.

The remaining \$40.3 million, or 43.0%, of fund balance is unassigned, meaning it is available for spending at the government's discretion.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015

General fund

The General fund is the chief operating fund of the County. The fund balance increased by \$2.3 million for the year, reflecting excess revenues over expenditures of \$1.7 million, transfers in of \$1.4 million, and planned transfers out of \$0.8 million.

Key factors for the \$2.3 million increase in fund balance are as follows:

- Personnel costs were about \$1.9 million (or 1.9%) less than anticipated, due to employee turnover and position vacancies.
- Planned inter-fund transfers out of \$280,000 to the debt service fund, \$225,000 to the Transportation Fund, \$220,000 to the capital project fund, and \$119,000 to Risk Management/Self Insurance fund. These inter-fund transfers from the General fund are more than offset by \$1.4 million inter-fund transfer into the General fund primarily from the Transportation fund. Since the implementation of GASB 54, all unrestricted fund balance in the Transportation fund are transferred into the General fund. The 2015 Transportation fund positive variance is mostly due to the lower than expected salt purchases mainly due to favorable winter weather and higher than expected state reimbursements for state highway maintenance.
- Recognition of \$400,000 collected from local municipalities for early partial repayment of loans for the Digital Radio upgrade.

At the end of the current fiscal year, the General fund's unassigned fund balance was \$40.3 million while total fund balance was \$57.1 million. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25.3% percent of total General fund expenditures compared to 24.7% in 2014. Total fund balance represents 35.8% percent of General fund expenditures compared to 35.1% in 2014.

Debt Service Fund

The debt service fund has a total fund balance of \$2.2 million, all of which is restricted for the payment of debt service. This is a decrease of \$1.0 million from 2014.

Capital Projects Fund

The Capital Projects fund has a total fund balance of \$23.5 million, of which \$21.5 million is committed for existing and future capital projects, and \$2.0 million of unspent bond proceeds is restricted for future capital projects.

Proprietary Funds

Waukesha County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in a \$1.5 million increase in appropriations. Carryovers and open purchase orders accounted for 53.9% (\$0.8 million) of the increase. The balance of the increase from the original budget is attributable to the appropriation of an additional \$191,000 of funding for the Patient Protection and Affordable Care Act to fund economic support specialists and related expenses. Also, \$166,000 in Federal Seized Funds was appropriated for various one-time Sheriff Department expenditures and distributions to municipal police agencies participating in drug related enforcement.

Actual revenues in the General fund were \$0.5 million below the final amended budget.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015

Actual expenditures in the General fund were \$6.3 million under budget. Of that amount, \$0.9 million was carried forward for budgeted projects which were not completed in 2015. Public Works expenditures were \$0.9 million below budget mainly due to \$265,000 in lower than budget utility costs related to mild weather, and under budget facility maintenance costs of \$140,000 due to fewer needed facility repairs than anticipated. Sheriff expenditures were \$0.8 million below budget mainly due to under budget personnel costs of \$260,000 due to vacancy and turnover. The contingency fund had \$1.2 million in unallocated expenditure authority. The balance of the budget variance was spread across several program areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities at December 31, 2015, amounted to \$427.0 million (net of accumulated depreciation/amortization), an increase of \$12.3 million from 2014. This investment in capital assets includes land and easements, infrastructure, structures and improvements, equipment, software, and construction in progress.

The County's infrastructure assets are recorded at estimated historical cost in the government-wide financial statements. The County has elected to use the depreciation method of reporting capital assets.

**Waukesha County's Capital Assets
(net of depreciation/amortization)
(in 000's)**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 60,802	\$ 60,073	\$ 10,289	\$ 10,289	\$ 71,091	\$ 70,362
Buildings	127,392	131,756	6,917	7,890	134,309	139,646
Land improvements	8,904	6,819	13,896	5,159	22,800	11,978
Machinery and equipment	6,862	6,904	6,669	647	13,531	7,551
Software	4,559	4,716	8	-	4,567	4,716
Vehicles	7,065	7,368	-	-	7,065	7,368
Infrastructure	153,044	154,148	-	-	153,044	154,148
Construction in Progress	15,966	12,138	4,674	6,810	20,640	18,948
Total	\$ 384,594	\$ 383,922	\$ 42,453	\$ 30,795	\$ 427,047	\$ 414,717

Further details of the County's capital assets can be found in Note 9 of the notes to the financial statements, pages 76-77.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2015

Long Term Debt

At December 31, 2015, the County had \$79,335,000 of general obligation promissory notes outstanding. The County maintains an Aaa rating from Moody's Investors Service and AAA from Fitch Investors Service on general obligation note issues. Under current state statutes, the County's general obligation note issuances are subject to a legal limitation based on five percent of the equalized value of taxable property in the County. As of December 31, 2015 the County's total amount applicable to debt margin (outstanding notes less debt service fund balance) is \$77.1 million, which was well below the legal limit of \$2.5 billion. The net debt per capita equaled \$196 at year-end.

During the year, the County issued \$10 million in general obligation promissory notes to finance part of the cost of capital improvements within the County.

Further details of the County's long-term debt activity can be found in Note 11, pages 80-81.

ECONOMIC FACTORS AND THE 2016 BUDGET AND RATES

Major revenue sources were increased by about \$4.3 million in the 2016 budget as a result of the federal and state net funding increases. Some of the key revenue increases included the following:

- Intergovernmental funding increased by \$2.6 million for highway capital projects mainly related to the local share of road projects to cover the cost of street amenities such as sidewalks on County Truck Highway NN in the Village of Mukwonago and County Truck Highway C in the City of Delafield.
- Highway Maintenance Operations funding increased by \$289,000 for work done on State roads as directed by DOT based on anticipated increases in State Routine Maintenance Agreement reimbursements, and increases in the County's State General Transportation Aids funding level.
- Children with Special needs program includes an increase in revenue reimbursements for payments made by a third party administrator by \$574,000.
- Economic Services Administration and Support Program funding increased by \$237,000 to fund two additional Economic Support Specialists to assist with implementing Food Share Employment and Training.
- Federated Library budgeted State Aid revenues increased by \$258,000, related to additional revenues received as a results of the creation of the new two-county library system with Jefferson County.

In addition, budgeted charges for services revenue increased by nearly \$700,000. This increased funding level includes the following items

- Human Services charges for services revenue increased by \$683,000 mainly due to a higher funding reimbursement level for Comprehensive Community Services program activity, which provides community living support services, including employment and peer support through psychosocial rehabilitation.
- Parks, Environment, Education & Land use revenues increased by approximately \$164,000 related to an increase in parks fees such as the annual park stickers in all parks and Golf Course fees across all courses, reflecting market conditions.
- Public Works Transportation revenues decreased by \$125,000 related to lower anticipated salt sales to municipalities.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County'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 Department of Administration, Accounting Services Division, 515 West Moreland Blvd., Waukesha, WI 53188. This report can be found online at <http://waukeshacounty.gov/cafr>.