

GOVERNMENT-WIDE STATEMENTS

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WAUKESHA COUNTY, WISCONSIN

STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 112,623,554	\$ 15,498,041	\$ 128,121,595
Receivables:			
Property taxes - delinquent	4,966,399	-	4,966,399
Property taxes - levied for ensuing year's budget	106,829,936	92,563	106,922,499
Accrued interest	539,606	-	539,606
Accounts	1,717,463	664,247	2,381,710
Due from other governments	12,342,028	184,493	12,526,521
Internal balances	1,370,136	(1,370,136)	-
Prepaid items	306,487	1,855	308,342
Inventories	784,133	100,997	885,130
Advances to/from other funds	1,639,984	(1,639,984)	-
Restricted assets			
Restricted cash and investments	478,946	487,954	966,900
Deposit in WMMIC	2,459,264	-	2,459,264
Long term receivable	6,100,933	-	6,100,933
Capital assets:			
Land	61,126,271	10,288,747	71,415,018
Construction in progress	28,825,270	7,561,379	36,386,649
Buildings	206,661,899	18,829,323	225,491,222
Improvements other than buildings	25,619,681	25,691,021	51,310,702
Machinery and equipment	34,619,296	13,650,134	48,269,430
Software	11,439,274	15,622	11,454,896
Vehicles	18,978,184	-	18,978,184
Infrastructure	272,695,281	-	272,695,281
Accumulated depreciation/amortization	(270,569,606)	(34,934,539)	(305,504,145)
Total assets	\$ 641,554,419	\$ 55,121,717	\$ 696,676,136
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	37,982,164	851,249	38,833,413
Total deferred outflows of resources	\$ 37,982,164	\$ 851,249	\$ 38,833,413
LIABILITIES			
Accounts payable	\$ 10,768,625	\$ 429,686	\$ 11,198,311
Accrued compensation	7,337,206	94,967	7,432,173
Other liabilities	613,038	51,043	664,081
Due to other governments	888,708	-	888,708
Accrued interest payable	386,151	-	386,151
Other unearned revenue	886,348	11,818	898,166
Long-Term Liabilities:			
Compensated absences - current	5,060,662	-	5,060,662
Net pension liability	4,937,304	101,680	5,038,984
Claims payable - current	3,448,899	-	3,448,899
Claims payable - non current	3,164,667	-	3,164,667
Notes payable - current	13,030,000	-	13,030,000
Notes payable - non current	63,375,294	-	63,375,294
Total liabilities	\$ 113,896,902	\$ 689,194	\$ 114,586,096
DEFERRED INFLOWS OF RESOURCES			
Deferred grant revenue	\$ 942,950	\$ -	\$ 942,950
Property taxes levied for future periods	106,829,936	92,563	106,922,499
Pension related amounts	15,507,805	353,391	15,861,196
Total deferred inflows of resources	\$ 123,280,691	\$ 445,954	\$ 123,726,645
NET POSITION			
Net investment in capital assets	\$ 314,377,474	\$ 41,101,687	\$ 355,479,161
Restricted net position for:			
Park development	5,364,446	-	5,364,446
Debt service	858,591	-	858,591
Community development	7,682,258	-	7,682,258
Library purposes	1,180,943	-	1,180,943
Human services	1,319,816	-	1,319,816
Unrestricted net position	111,575,462	13,736,131	125,311,593
Total net position	\$ 442,358,990	\$ 54,837,818	\$ 497,196,808

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
Justice and public safety	\$ 64,390,230	\$ 13,022,915	\$ 3,098,903	\$ -	\$ (48,268,412)	\$ -	\$ (48,268,412)
Health and human services	77,324,688	11,207,298	36,250,432	-	(29,866,958)	-	(29,866,958)
Environment, parks and education	24,275,111	9,123,275	4,036,994	-	(11,114,842)	-	(11,114,842)
Public works	33,752,890	6,891,906	6,635,887	-	(20,225,097)	-	(20,225,097)
General government	18,841,337	6,081,705	771,064	36,440	(11,952,128)	-	(11,952,128)
Interest expense	1,483,300	-	-	-	(1,483,300)	-	(1,483,300)
Total Governmental Activities	220,067,556	46,327,099	50,793,280	36,440	(122,910,737)	-	(122,910,737)
BUSINESS-TYPE ACTIVITIES							
Radio services	345,162	615,512	-	-	-	270,350	270,350
Golf courses	3,159,386	2,868,926	-	-	-	(290,460)	(290,460)
Ice arenas	1,369,575	1,111,015	-	-	-	(258,560)	(258,560)
Materials recovery facility	4,393,321	2,401,167	1,185,023	-	-	(807,131)	(807,131)
Airport	2,235,119	900,618	-	-	-	(1,334,501)	(1,334,501)
Total Business-type Activities	11,502,563	7,897,238	1,185,023	-	-	(2,420,302)	(2,420,302)
Totals	\$ 231,570,119	\$ 54,224,337	\$ 51,978,303	\$ 36,440	\$ (122,910,737)	\$ (2,420,302)	\$ (125,331,039)
GENERAL REVENUES							
Property taxes					107,175,895	122,563	107,298,458
Grants and contributions, not restricted to specific programs					1,783,002	-	1,783,002
Investment earnings					2,330,296	14,222	2,344,518
Miscellaneous					8,566,882	104,819	8,671,701
Gain on disposal/sale of capital assets					654,639	-	654,639
Total General Revenues					120,510,714	241,604	120,752,318
Transfers					(465,000)	465,000	-
Change in Net Position					(2,865,023)	(1,713,698)	(4,578,721)
Net Position - Beginning of Year					445,224,013	56,551,516	501,775,529
Net Position - End of Year					\$ 442,358,990	\$ 54,837,818	\$ 497,196,808

See notes to financial statements.

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND - The General Fund is the primary operating fund of the County. It is used to account for resources traditionally associated with governments, except those required to be accounted for in another fund.

DEBT SERVICE FUND - The debt service fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and service costs.

CAPITAL PROJECTS FUND – The capital projects fund is used to account for and report financial resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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WAUKESHA COUNTY, WISCONSIN

BALANCE SHEET - ALL GOVERNMENTAL FUNDS

December 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 57,917,387	\$ 1,244,742	\$ 27,244,767	\$ 8,826,499	\$ 95,233,395
Receivables:					
Property taxes - delinquent	4,966,399	-	-	-	4,966,399
Property taxes levied for ensuing year's budget	84,980,271	13,554,500	1,747,000	6,548,165	106,829,936
Accrued interest	539,606	-	-	-	539,606
Accounts	715,531	-	-	267,064	982,595
Due from other governments	8,303,880	-	570,911	3,433,542	12,308,333
Due from other funds	967,464	-	-	-	967,464
Prepaid items	123,630	-	-	181	123,811
Inventories	-	-	-	193,824	193,824
Advances to other funds	1,639,984	-	-	-	1,639,984
Long term receivable - Net	-	-	-	6,100,933	6,100,933
Total assets	\$ 160,154,152	\$ 14,799,242	\$ 29,562,678	\$ 25,370,208	\$ 229,886,280
LIABILITIES					
Accounts payable	\$ 5,346,108	\$ -	\$ 3,622,377	\$ 1,155,961	\$ 10,124,446
Accrued compensation	7,012,607	-	-	23,522	7,036,129
Other liabilities	496,236	-	-	-	496,236
Due to other governments	787,218	-	-	101,490	888,708
Due to other funds	-	-	-	967,464	967,464
Other unearned revenue	653,100	-	185,500	47,748	886,348
Total liabilities	\$ 14,295,269	\$ -	\$ 3,807,877	\$ 2,296,185	\$ 20,399,331
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - revolving loans	\$ -	\$ -	\$ -	\$ 6,100,933	\$ 6,100,933
Unavailable revenue - delinquent taxes	570,568	-	-	-	570,568
Deferred grant revenue	-	-	-	942,950	942,950
Property taxes levied for future periods	84,980,271	13,554,500	1,747,000	6,548,165	106,829,936
Total deferred inflows of resources	\$ 85,550,839	\$ 13,554,500	\$ 1,747,000	\$ 13,592,048	\$ 114,444,387
FUND BALANCES					
Non-spendable:					
Non-current interfunds	\$ 2,565,883	\$ -	\$ -	\$ -	\$ 2,565,883
Prepaid items	123,630	-	-	181	123,811
Inventories	-	-	-	193,824	193,824
Delinquent taxes	4,395,830	-	-	-	4,395,830
Restricted:					
Park purposes	190,972	-	-	5,173,474	5,364,446
Debt service	-	1,244,742	-	-	1,244,742
Community development	-	-	-	1,581,325	1,581,325
Library purposes	-	-	-	1,180,943	1,180,943
Human services	-	-	-	1,319,816	1,319,816
Capital projects	-	-	1,387,219	-	1,387,219
Committed:					
Sick leave payout	500,000	-	-	-	500,000
Capital project purposes	-	-	22,620,582	-	22,620,582
Assigned:					
Jail assessment fees	1,150,468	-	-	-	1,150,468
Seized funds	429,529	-	-	-	429,529
Juror donations	18,301	-	-	-	18,301
Public Works PBM	521,342	-	-	-	521,342
Subsequent year's budget	5,319,221	-	-	32,412	5,351,633
Equipment replacement	1,470,271	-	-	-	1,470,271
Contingency fund	1,200,000	-	-	-	1,200,000
Unassigned	42,422,597	-	-	-	42,422,597
Total fund balances	\$ 60,308,044	\$ 1,244,742	\$ 24,007,801	\$ 9,481,975	\$ 95,042,562
Total liabilities, deferred inflows of resources and fund balances	\$ 160,154,152	\$ 14,799,242	\$ 29,562,678	\$ 25,370,208	\$ 229,886,280

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2017

Total Fund Balances - Governmental Funds	\$ 95,042,562
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds (excludes internal service funds). (see Note 2.A.)	371,827,255
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (see Note 2.A.)	(81,852,107)
Internal service funds are used by management to charge the costs of various services to individual funds and functional categories. The assets, deferred outflows, liabilities and deferred inflows of the internal service funds are included in governmental activities in the statement of net position.	34,133,420
Other long term assets are not available to pay for current period expenditures and, therefore are not reported in the funds. (See Note 5)	6,671,501
GASB 68 requires that the County's financial statements reflect its share of the net pension liability and related deferred inflows and outflows for the Wisconsin Retirement System (excludes internal service funds).	16,536,359
Total Net Position - Governmental Activities	<u>\$ 442,358,990</u>

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS
For The Year Ended December 31, 2017

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General intergovernmental assistance	\$ 685,000	\$ -	\$ 1,098,002	\$ -	\$ 1,783,002
Intergovernmental contracts/grants	37,385,877	-	2,453,747	16,916,297	56,755,921
Taxes	83,851,904	13,209,500	1,747,000	6,464,737	105,273,141
Fines and licenses	3,500,103	-	-	135,970	3,636,073
Charges for services	25,934,450	-	-	1,731,964	27,666,414
Interdepartmental revenues	3,744,211	-	-	649,000	4,393,211
Investment earnings	2,045,922	58,626	162,023	9,459	2,276,030
Miscellaneous revenues	11,487,463	63,749	220,580	1,477,455	13,249,247
Total revenues	168,634,930	13,331,875	5,681,352	27,384,882	215,033,039
EXPENDITURES					
Current:					
Justice and public safety	60,242,953	-	-	-	60,242,953
Health and human services	71,540,040	-	-	3,116,314	74,656,354
Environment, parks and education	13,150,044	-	-	8,886,489	22,036,533
Public works	7,820,514	-	-	14,604,759	22,425,273
General government	11,580,135	-	-	-	11,580,135
Capital outlay:					
Justice and public safety	144,695	-	3,886,816	-	4,031,511
Health and human services	-	-	137,651	-	137,651
Environment, parks and education	210,195	-	1,322,529	6,199	1,538,923
Public works	396,406	-	12,390,101	81,024	12,867,531
General government	-	-	285,637	-	285,637
Debt service:					
Principal retirement	-	13,005,000	-	-	13,005,000
Interest and fiscal charges	-	1,726,180	-	-	1,726,180
Total expenditures	165,084,982	14,731,180	18,022,734	26,694,785	224,533,681
Excess of Revenues Over (Under) Expenditures	3,549,948	(1,399,305)	(12,341,382)	690,097	(9,500,642)
OTHER FINANCING SOURCES (USES)					
General obligation notes issued	-	-	10,000,000	-	10,000,000
Premium on general obligation notes issued	-	106,316	-	-	106,316
Transfers in	430,483	510,000	1,873,400	124,000	2,937,883
Transfers out	(2,400,454)	-	-	(1,250,483)	(3,650,937)
Total other financing sources (uses)	(1,969,971)	616,316	11,873,400	(1,126,483)	9,393,262
Net change in fund balances	1,579,977	(782,989)	(467,982)	(436,386)	(107,380)
Fund Balances - January 1	58,728,067	2,027,731	24,475,783	9,918,361	95,149,942
Fund Balances - December 31	\$ 60,308,044	\$ 1,244,742	\$ 24,007,801	\$ 9,481,975	\$ 95,042,562

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2017

Net changes in fund balances - total governmental funds	\$ (107,380)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets and contributions exceeded depreciation in the current period. (see Note 2.B.)</p>	1,054,047
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Position.</p>	13,005,000
<p>The issuance of long term debt is an other financing source in the governmental funds, but the issuance increases long term liabilities in the Statement of Net Position.</p>	(10,000,000)
<p>Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the Statement of Activities and are reported as interest expense. This is the amount by which the amortization of prior year balances exceeded the premium on the current year debt issuance.</p>	114,424
<p>Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (see Note 2.B.)</p>	(135,252)
<p>Internal service funds are used by management to charge the costs of various services to individual funds and functional categories.</p>	(188,449)
<p>Governmental funds report loan repayments as revenues and the issuance of new loans as expenditures. These activities are reported as changes in loans receivable in the government-wide statements. Health clinic startup revenue repayment and delinquent property taxes are also not expected to be paid during the current period and are not reported in the governmental funds.</p>	(184,158)
<p>GASB 68 requires that the County's financial statements reflect its share of the net pension liability and related deferred inflows and outflows for the Wisconsin Retirement System.</p>	(6,423,255)
Change in Net Position of Governmental Activities	\$ (2,865,023)

See notes to financial statements.

MAJOR PROPRIETARY FUNDS

AIRPORT OPERATIONS/DEVELOPMENT FUND - To account for the operation and maintenance of the County airport buildings and runways, located in Waukesha, Wisconsin.

RADIO SERVICES FUND - To account for the operation and maintenance of the County radio system, located in Waukesha, Wisconsin.

MATERIALS RECOVERY FACILITY FUND - To account for the operation and maintenance of the County recycling facility, jointly owned with the City of Milwaukee, located in Milwaukee, Wisconsin.

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WAUKESHA COUNTY, WISCONSIN

STATEMENT OF NET POSITION - ALL PROPRIETARY FUNDS
December 31, 2017

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Radio Services Fund	Materials Recovery Facility Fund	Other Non-Major Enterprise Funds			
ASSETS							
Current Assets:							
Cash and investments	\$ 3,107,205	\$ 7,031,219	\$ 4,483,321	\$ 876,296	\$ 15,498,041	\$ 17,390,159	
Receivables:							
Property taxes levied for ensuing year's budget	92,563	-	-	-	92,563	-	
Accounts	32,355	11,075	512,768	108,049	664,247	734,868	
Total receivables	124,918	11,075	512,768	108,049	756,810	734,868	
Due from other governments	-	184,218	-	275	184,493	33,695	
Prepaid items	275	-	-	1,580	1,855	182,676	
Inventories	-	-	-	100,997	100,997	590,309	
Total current assets	3,232,398	7,226,512	4,996,089	1,087,197	16,542,196	18,931,707	
Noncurrent Assets:							
Advances to other funds	-	-	-	461,609	461,609	-	
Restricted assets:							
Restricted cash and investments	-	-	487,954	-	487,954	478,946	
Deposit in WMMIC	-	-	-	-	-	2,459,264	
Capital assets:							
Construction in progress	314,398	6,477,460	-	769,521	7,561,379	826,621	
Land	8,049,032	55,000	-	2,184,715	10,288,747	-	
Buildings	8,379,939	1,422,160	-	9,027,224	18,829,323	4,122,283	
Improvements other than buildings	22,674,248	-	-	3,016,773	25,691,021	22,089	
Machinery and equipment	1,614,158	4,501,157	6,577,440	957,379	13,650,134	14,818,697	
Software	-	-	-	15,622	15,622	196,732	
Vehicles	-	-	-	-	-	17,737,624	
Less accumulated depreciation/amortization	(18,642,848)	(5,087,420)	(1,643,565)	(9,560,707)	(34,934,540)	(20,155,751)	
Total capital assets (net of accumulated depreciation/amortization)	22,388,927	7,368,357	4,933,875	6,410,527	41,101,686	17,568,295	
Total noncurrent assets	22,388,927	7,368,357	5,421,829	6,872,136	42,051,249	20,506,505	
Total assets	\$ 25,621,325	\$ 14,594,869	\$ 10,417,918	\$ 7,959,333	\$ 58,593,445	\$ 39,438,212	
DEFERRED OUTFLOWS OF RESOURCES							
Pension related amounts	\$ 81,870	\$ 170,012	\$ 98,602	\$ 500,765	\$ 851,249	\$ 2,080,760	
Total deferred outflows of resources	\$ 81,870	\$ 170,012	\$ 98,602	\$ 500,765	\$ 851,249	\$ 2,080,760	

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WAUKESHA COUNTY, WISCONSIN

STATEMENT OF NET POSITION - ALL PROPRIETARY FUNDS
December 31, 2017

	Business-type Activities - Enterprise Funds					Total	Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Radio Services Fund	Materials Recovery Facility Fund	Other Non-Major Enterprise Funds			
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 92,450	\$ 15,522	\$ 251,013	\$ 70,700	\$ 429,685	\$ 644,176	
Accrued compensation	13,010	30,559	15,221	36,177	94,967	301,078	
Other liabilities	51,043	-	-	-	51,043	116,802	
Claims payable - current	-	-	-	-	-	3,448,898	
Other unearned revenue	-	-	-	11,818	11,818	-	
Total current liabilities	<u>156,503</u>	<u>46,081</u>	<u>266,234</u>	<u>118,695</u>	<u>587,513</u>	<u>4,510,954</u>	
Long-term liabilities:							
Advances from other funds	\$ -	\$ -	\$ -	\$ 2,101,593	\$ 2,101,593	\$ -	
Net pension liability	10,760	23,191	14,396	53,333	101,680	216,801	
Claims payable	-	-	-	-	-	3,164,667	
Total long-term liabilities	<u>10,760</u>	<u>23,191</u>	<u>14,396</u>	<u>2,154,926</u>	<u>2,203,273</u>	<u>3,381,468</u>	
Total liabilities	<u>167,263</u>	<u>69,272</u>	<u>280,630</u>	<u>2,273,621</u>	<u>2,790,786</u>	<u>7,892,422</u>	
DEFERRED INFLOWS OF RESOURCES							
Property taxes levied for future periods	\$ 92,563	\$ -	\$ -	\$ -	\$ 92,563	\$ -	
Pension related amounts	33,396	71,173	40,841	207,981	353,391	863,266	
Total deferred inflows of resources	<u>125,959</u>	<u>71,173</u>	<u>40,841</u>	<u>207,981</u>	<u>445,954</u>	<u>863,266</u>	
NET POSITION							
Net investment in capital assets	\$ 22,388,927	\$ 7,368,357	\$ 4,933,875	\$ 6,410,527	\$ 41,101,686	\$ 17,568,295	
Unrestricted (deficit)	3,021,046	7,256,079	5,261,174	(432,031)	15,106,268	15,194,989	
Total net position	<u>25,409,973</u>	<u>14,624,436</u>	<u>10,195,049</u>	<u>5,978,496</u>	<u>56,207,954</u>	<u>32,763,284</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(1,370,136)			
Net Position of Business-type Activities					<u>54,837,818</u>		

See notes to financial statements.

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WAUKESHA COUNTY, WISCONSIN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - ALL PROPRIETARY FUNDS
For The Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Radio Services Fund	Materials Recovery Facility Fund	Other Non-Major Enterprise Funds	Total	
OPERATING REVENUES						
Charges for services	\$ 900,618	\$ 615,512	\$ -	\$ 3,979,941	\$ 5,496,071	\$ 4,719,121
Interdepartmental revenues	-	554,983	-	-	554,983	31,385,279
Miscellaneous revenues	40,925	-	2,587,640	13,726	2,642,291	2,453,699
Total operating revenues	941,543	1,170,495	2,587,640	3,993,667	8,693,345	38,558,099
OPERATING EXPENSES						
Salaries	202,040	423,369	261,629	1,420,059	2,307,097	4,060,763
Benefits	80,718	161,557	139,865	402,538	784,678	1,550,634
Insurance and claims expense	-	-	-	-	-	21,943,252
Operating	432,218	123,090	3,147,248	1,239,838	4,942,394	7,730,225
Interdepartmental	210,774	140,322	182,948	927,127	1,461,171	612,829
Depreciation	1,301,658	46,316	660,260	469,418	2,477,652	3,890,807
Total operating expenses	2,227,408	894,654	4,391,950	4,458,980	11,972,992	39,788,510
Operating income (loss)	(1,285,865)	275,841	(1,804,310)	(465,313)	(3,279,647)	(1,230,411)
NON-OPERATING REVENUES						
General property taxes	122,563	-	-	-	122,563	-
Intergovernmental contracts/grants	-	-	1,048,719	-	1,048,719	-
Investment earnings	641	-	-	13,581	14,222	54,266
Gain on disposal of capital assets	-	-	-	-	-	655,087
Total non-operating revenues	123,204	-	1,048,719	13,581	1,185,504	709,353
Income (loss) before transfers	(1,162,661)	275,841	(755,591)	(451,732)	(2,094,143)	(521,058)

(CONTINUED)

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - ALL PROPRIETARY FUNDS

For The Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Radio Services Fund	Materials Recovery Facility Fund	Other Non-Major Enterprise Funds	Total	
Transfers in	\$ -	\$ -	\$ -	\$ 465,000	\$ 465,000	\$ 248,054
Total transfers	-	-	-	465,000	465,000	248,054
Change in net position	(1,162,661)	275,841	(755,591)	13,268	(1,629,143)	(273,004)
Net position - January 1	26,572,634	14,348,595	10,950,640	5,965,228	33,036,288	33,036,288
Net position - December 31	\$ 25,409,973	\$ 14,624,436	\$ 10,195,049	\$ 5,978,496	\$ 32,763,284	\$ 32,763,284

Adjustment to reflect the consolidation of current year internal service fund activities related to enterprise funds

(84,555)

Change in net position of business-type activities

\$ (1,713,698)

See notes to financial statements.

(CONCLUDED)

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS
For The Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds					
	Airport Operations/ Development Fund	Radio Services Fund	Materials Recovery Facility Fund	Other Non-Major Enterprise Funds	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 974,571	\$ 529,363	\$ 2,074,872	\$ 3,809,860	\$ 7,388,666	\$ 7,128,090
Receipts from interfund services provided	-	554,983	-	-	554,983	31,382,994
Payments to suppliers	(415,244)	(149,868)	(3,165,138)	(1,280,956)	(5,011,206)	(30,046,713)
Payments to employees	(268,444)	(522,916)	(381,820)	(1,765,060)	(2,938,240)	(5,412,523)
Payments for interfund services used	(210,774)	(140,322)	(182,948)	(927,127)	(1,461,171)	(612,829)
Total cash flows from operating activities	80,109	271,240	(1,655,034)	(163,283)	(1,466,968)	2,439,019
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers from other funds	-	-	-	465,000	465,000	248,054
Receipts from intergovernmental contracts/grants	-	-	1,048,719	-	1,048,719	-
Receipts from general property taxes	122,563	-	-	-	122,563	-
Total cash flows from non-capital financing activities	122,563	-	1,048,719	465,000	1,636,282	248,054
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(261,310)	(878,956)	-	(504,325)	(1,644,591)	(4,387,359)
Proceeds from sales of capital assets	-	-	-	-	-	660,449
Total cash flows from capital and related financing activities	(261,310)	(878,956)	-	(504,325)	(1,644,591)	(3,726,910)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	641	-	-	13,581	14,222	54,266
Total cash flows from investing activities	641	-	-	13,581	14,222	54,266
Net change in cash and cash equivalents	(57,997)	(607,716)	(606,315)	(189,027)	(1,461,055)	(985,571)
Cash and Cash Equivalents, Beginning of Year	3,165,202	7,638,935	5,577,590	1,065,323	17,447,050	18,854,676
Cash and Cash Equivalents, End of Year	\$ 3,107,205	\$ 7,031,219	\$ 4,971,275	\$ 876,296	\$ 15,985,995	\$ 17,869,105
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES						
None						

(CONTINUED)

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS
For The Year Ended December 31, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Radio Services Fund	Materials Recovery Facility Fund	Other Non-Major Enterprise Funds	Total	
Operating income (loss)	\$ (1,285,865)	\$ 275,841	\$ (1,804,310)	\$ (465,313)	\$ (3,279,647)	\$ (1,230,411)
Depreciation expense	1,301,658	46,316	660,260	469,418	2,477,652	3,890,807
(Increase) Decrease in accounts receivable	33,695	(2,770)	(512,768)	(104,092)	(585,935)	(42,563)
(Increase) Decrease in due from other governments	-	(83,379)	-	75	(83,304)	(4,452)
(Increase) Decrease in prepaid items	(275)	-	1,198	(360)	563	(65,600)
(Increase) Decrease in inventories	-	-	-	(10,177)	(10,177)	(22,371)
(Increase) Decrease in deferred outflows - pension related amount	36,000	80,374	48,571	177,448	342,393	729,513
Increase (Decrease) in accounts payable	17,249	(26,778)	(19,088)	(30,581)	(59,198)	(393,321)
Increase (Decrease) in accrued compensation	(35)	27,919	(1,753)	7,555	33,686	(3,424)
Increase (Decrease) in other liabilities	-	-	-	-	-	24,609
Increase (Decrease) in unearned revenue	(667)	-	-	(79,790)	(80,457)	-
Increase (Decrease) in claims payable	-	-	-	-	-	83,447
Increase (Decrease) in net pension liability	(10,424)	(22,086)	(12,125)	(71,826)	(116,461)	(301,026)
Increase (Decrease) in deferred inflows - pension related amount	(11,227)	(24,197)	(15,019)	(55,640)	(106,083)	(226,189)
Net cash flows from operating activities	\$ 80,109	\$ 271,240	\$ (1,655,034)	\$ (163,283)	\$ (1,466,968)	\$ 2,439,019
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED STATEMENT OF NET POSITION						
Cash and investments - statement of net position	\$ 3,107,205	\$ 7,031,219	\$ 4,483,321	\$ 876,296	\$ 15,498,041	\$ 17,390,159
Restricted cash and investments - statement of net position	-	-	487,954	-	487,954	478,946
Cash and cash equivalents - end of year	\$ 3,107,205	\$ 7,031,219	\$ 4,971,275	\$ 876,296	\$ 15,985,995	\$ 17,869,105

See notes to financial statements.

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FIDUCIARY FUNDS

AGENCY FUNDS

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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WAUKESHA COUNTY, WISCONSIN

STATEMENT OF ASSETS AND LIABILITIES - AGENCY FUNDS

December 31, 2017

	Agency Funds
ASSETS	
Cash and investments	\$ 32,246,785
Total assets	<u>\$ 32,246,785</u>
LIABILITIES	
Other liabilities	\$ 5,142,742
Due to other governments	27,104,043
Total liabilities	<u>\$ 32,246,785</u>

See notes to financial statements.

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WAUKESHA COUNTY, WISCONSIN
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December 31, 2017

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WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Waukesha County, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of Waukesha County. The reporting entity for the County consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The county has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fund Financial Statements

Financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the County believes is particularly important to financial statement users may be reported as a major fund.

The County reports the following major governmental and enterprise funds:

Major Governmental Funds

General Fund – accounts for the County’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resources that are restricted, committed, or assigned to expenditures for payments of principal and interest on long-term debt other than proprietary fund debt.

Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of equipment and/or major capital facilities.

Major Enterprise Funds

Airport Operations/Development Fund – Accounts for the operation of the County airport buildings and runways.

Radio Services Fund – Accounts for operations responsible for providing conventional radio services to other County departments and surrounding municipalities.

Materials Recovery Facility Fund – Accounts for the operation responsible for recycling for all County municipalities.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The County reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

- Aging and Disability Resource Center Contract Fund
- Federated Library Fund
- Café Shared Automation Fund
- Walter Tarmann Fund
- Land Information System Fund
- Transportation Fund
- Community Development Fund

Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

- Golf Course Fund
- Ice Arena Fund

In addition, the County reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

- Health and Dental Insurance Fund
- Vehicle Replacement Fund
- Risk Management/Self Insurance Fund
- Central Fleet Maintenance Fund
- Collections Fund
- End User Technology Fund

Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Dog License Fund	Representative Payee Fund
Unclaimed Property Fund	Sheriff Processing Fee
Flexible Spending Account	Deferred Compensation Administration
Workforce Development Center Fund	Main Jail Fund
District Attorney NSF Fund	Municipal Property Tax Collections
Homemaker Fund	Clerk of Courts Fund

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Intergovernmental revenues are considered available if they are collected within 180 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the County is entitled to the resources and the amounts are available. Amounts owed to the County, which are not available, are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include general intergovernmental assistance, intergovernmental contracts/grants, interdepartmental revenues, property taxes, miscellaneous taxes, charges for services, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the County considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

State statutes restrict investment of County funds. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The State of Wisconsin Local Government Investment Pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The County's adopted investment policy is more restrictive than the state statutes in that it limits participation in investment pools to 10% of total pool assets and prohibits investments in foreign securities and the use of leverage. County policy also limits the use of open-ended management investments (mutual funds) to Aaa/AAA rated money market funds.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 4. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment earnings. Investment earnings on commingled investments of various County funds is allocated based on average balances, in accordance with adopted policies. A total of \$336,377 of investment interest was allocated to other funds in 2017.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Statutes Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2017, the fair value of the County's share of the LGIP's assets was substantially equal to the amount as reported in these statements. See Note 4 for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the County, taxes are collected for and remitted to the state and local governments as well as the local school district and technical college district.

Property tax calendar – 2017 tax roll:

Lien date and levy date	December 2017
Tax bills mailed	December 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018
Personal property taxes in full	January 31, 2018
Tax sale – 2017 delinquent real estate taxes	October 2020

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The county collects such taxes and remits them periodically. The 2017 county property tax levy is recognized as a receivable and deferred inflows in fiscal 2017, net the allowance for uncollectible. As the taxes become available to finance current expenditures, they are recognized as revenues. At December 31, 2017, the property taxes receivable and related deferred inflows consisted of the estimated amount collectible from the 2017 levy.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account, which indicates that they do not constitute expendable available financial resources and, therefore are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the average cost method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are valued at cost based on the average cost method and charged to operation and maintenance expense when used. Inventory quantities at December 31, 2017 were determined by physical counts.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

5. Capital Assets

GOVERNMENT –WIDE STATEMENTS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. The County defines capital assets as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest expense was capitalized in 2017. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation/amortization reflected in the statement of net position. Depreciation or amortization is provided over the assets' estimated useful lives using the straight-line method of depreciation or amortization.

The range of estimated useful lives by type of asset is as follows:

Buildings	25-40 Years
Land Improvements	20 Years
Vehicles	2-10 Years
Machinery and Equipment	2-15 Years
Software	5 Years
Infrastructure	15-50 Years

FUND FINANCIAL STATEMENTS

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until that future time.

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2017 are determined on the basis of current salary rates and include salary related payments.

Amounts accrued in the government-wide statement of net position are considered due within one year because the county considers the carryover balances to be used before new benefit allocations.

8. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. The balance at year-end is shown as an increase or decrease in the liability section of the statement of net position.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

10. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, and then unrestricted resources as they are needed.

FUND STATEMENTS

Governmental fund balances are displayed as follows: nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance is inherently so; it is the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Restricted fund balance has externally enforceable limitations on use, either by creditors, grantors, contributors, or laws and regulations. Committed fund balance has self-imposed limitations (through formal action of ordinance by the County Board) set in place prior to the end of the period. Assigned fund balance has limitations established by the Director of Administration; the County Board takes official action to assign amounts through ordinance, adoption of the annual budget, and adoption of the capital projects plan. Unassigned fund balance includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The County considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal document/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The County has a formal fund balance policy. The County will maintain unassigned fund balances to provide necessary working capital to avoid cash flow interruptions and short-term borrowing to fund daily operations. The ratio of unassigned fund balance to general and special revenue fund expenditures will be maintained at a minimum of 11%. Fund balance reserves will not be used to offset continuous operation costs.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

11. Prior Period Information

Prior period information has not been presented in the statements since their inclusion would make the statements unduly complex and difficult to read.

12. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states that “Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.” The details of this are as follows:

Land	\$61,126,271
Construction in progress	28,825,270
Buildings and improvements	232,281,580
Machinery, equipment, and vehicles	53,597,480
Software	11,439,274
Infrastructure	272,695,281
Less: Accumulated depreciation/amortization	(270,569,606)
Less: Internal service fund capital assets, net of depreciation	(17,568,295)
Adjustment for Capital Assets	<u><u>\$371,827,255</u></u>

Another element of that reconciliation states that “Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.” The details of this are as follows:

Notes payable	\$75,125,000
Unamortized debt premium	1,290,593
Unamortized debt discount	(10,299)
Compensated absences	5,060,662
Accrued interest payable	386,151
Total	<u><u>\$81,852,107</u></u>

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONT'D)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets exceed depreciation in the current period.” The details of are as follows:

Capital outlay per fund financial statements	\$18,861,253
Some items are recorded as capital outlay in the fund financial statements, but do not meet the County's capitalization policy, and therefore are not capitalized in the government-wide statements	(\$3,964,052)
Depreciation expense (net of internal service funds)	(13,843,154)
Total	\$1,054,047

Another element of that reconciliation states, “Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this are as follows:

Compensated absences	\$ (157,392)
Accrued interest payable	22,140
Total	\$ (135,252)

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds. Accordingly, a budget has been adopted for the general fund and all special revenue, debt service, capital project, enterprise, and internal service funds. These budgets are prepared on a basis consistent with generally accepted accounting principles. Budgets are not formally adopted for agency funds.

Expenditures cannot legally exceed appropriations at the department level, pursuant to s.65.90, Wisconsin State Statutes. However, for the general and special revenue funds, the County has chosen a more restrictive control in the form of appropriation units, defined as groups of account classes within a department, including personnel costs, operating expenses, interdepartmental charges, and capital outlay. For proprietary funds, budgetary control is at the fund level. For capital project funds, budgetary control is at the individual project level.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

State statutes, (s.65.905 (a)), also provide for the County Board to authorize an amendment of the budget by a vote of two-thirds of the entire membership of the Board. The County Board has authorized the Finance Committee, under County Code Section 2-211(c)(3), the following fund transfer authority:

A transfer of funds from one appropriation unit to another within the department budget.

A transfer of funds from the contingency fund, not to cumulatively exceed 10% of the funds originally appropriated for a department in a fiscal year.

In addition, the statutes allow supplemental budget appropriations to be made from unanticipated revenues received or fund equity, as defined by ordinance and adopted by two-thirds approval of the County Board.

Supplemental appropriations necessary for 2017 were as follows:

	Adopted Budget	Modified Budget*	Change
General	\$ 170,268,311	\$ 172,172,330	\$ 1,904,019
Special Revenue	28,102,388	28,508,869	406,481
Debt Service	14,910,900	14,910,900	-
Capital projects	16,288,400	16,288,400	-
Enterprise	11,765,546	11,765,546	-
Internal Service	42,479,440	42,479,440	-
Totals	\$ 283,814,985	\$ 286,125,485	\$ 2,310,500

*Excludes carryover project funds from prior years for general (\$1,007,315) special revenue (\$3,397,615), capital projects (\$22,206,365), enterprise (\$153,144) and internal service (\$325,222).

The adopted budgets for the general, special revenue, debt service and capital project funds are prepared on a basis consistent with generally accepted accounting principles. A comparison of budget and actual is included in the accompanying financial statements for governmental fund types with annual budgets.

The adopted budgets for enterprise and internal service funds are prepared on a basis consistent with generally accepted accounting principles. Both budget and accounting treat depreciation as an expense and for budget purposes capital outlay is a memo entry only.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

Budget and actual comparisons (excluding capital project revenues and expenses) of the County's enterprise and internal service funds for the year ended December 31, 2017 are as follows:

Enterprise Funds	Revenues		Expenses	
	Budget	Actual	Budget	Actual **
Airport *	\$ 1,025,319	\$ 1,064,747	\$ 1,271,833	\$ 1,190,443
Golf Courses	3,237,729	2,878,170	3,238,844	3,070,422
Ice Arena *	1,211,038	1,129,078	1,220,377	1,221,972
Radio Services	1,075,083	1,170,495	1,833,669	860,563
Materials Recovery Facility	3,052,232	3,636,359	4,353,967	4,370,523
Internal Service Funds				
Heath and Dental Insurance	\$ 21,989,000	\$ 22,583,706	\$ 23,969,143	\$ 22,132,902
Vehicle Replacement	3,245,974	3,388,673	3,245,974	3,233,453
Risk Mgmt/Self-Insurance	2,768,217	2,498,470	2,787,345	2,787,344
Central Fleet Maintenance	3,949,527	3,291,137	4,092,694	3,442,330
Collections	833,825	860,757	886,481	861,814
End User Technology Fund	6,797,661	6,644,709	7,823,025	7,128,369

*Actual expenses exclude depreciation expense for capital assets acquired by grants externally restricted for capital acquisitions and construction (Ice Arena, \$116,604; Airport, \$1,022,616).

**Actual expenses exclude pension expenses caused by unbudgeted GASB 68 pension net assets/liability adjustments (Airport, \$14,349; Golf Courses, \$24,778; Ice Arena, \$25,204; Radio Services, \$34,091; Materials Recovery Facility, \$21,427; Risk Mgmt/Self-Insurance, \$18,972; Central Fleet Maintenance, \$56,996; Collections, \$22,636; End User Technology Fund \$103,694)

Budgetary amounts lapse at year-end, except for unexpended appropriations for capital projects, which carry forward to the ensuing year. The County Board, by ordinance, can authorize the carry forward of prior year's unexpended appropriations to the ensuing year.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

No funds had excess expenditures over appropriations.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)

C. DEFICIT BALANCES

No funds had a deficit balance at December 31, 2017.

D. PROPERTY TAX LEVY INCREASE LIMITS

Wisconsin law limits the County's future tax levies. The County is limited to its prior tax levy dollar amount, increased by the greater of the percentage change in the County's equalized value due to new construction, or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The County is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2017 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

NOTE 4 – DEPOSITS AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds, except Agency Funds. The deposits and investments of the Agency Funds are held separately from those of other County funds. The deposit and investment balances of the various fund types on December 31, 2017 are as follows:

General Fund	\$57,917,387
Special Revenue Funds	8,826,499
Debt Service Funds	1,244,742
Capital Projects Funds	27,244,767
Enterprise Funds	15,498,041
Enterprise Funds – Restricted	487,954
Internal Service Funds	17,390,159
Internal Service Funds – Restricted	478,946
Agency Funds	32,246,785
Total	\$161,335,280

The County has adopted a formal investment policy which delegates authority to the Director of Administration to invest the money of the County, to sell or exchange securities purchased and to provide for the safekeeping of such securities. The Department of Administration contracts with investment advisory firms for investment management services.

Investment Risk Factors

There are many factors that can affect the value of investments, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies, such as Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk. The County's investment policy permits investments in securities only rated in the top two rating categories by Moody's and/or S&P.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

The credit risk profile for fixed income securities at December 31, 2017 is as follows:

U.S. Government Guaranteed	
U.S. Treasury	\$24,269,202
U.S. Agencies	65,560,238
Total U.S. Government Guaranteed	\$89,829,440
Negotiable Certificates of Deposit	
FDIC Fully Insured	\$2,828,283
Money Market Accounts	
AAAm	\$2,227,157
Unrated - Wisconsin Local Government Investment Pool	11,815,979
Total Money Market Accounts	\$14,043,136
U.S. Agencies	
AAA rated	\$3,347,243
Municipal Bonds	
AAA rated	\$2,771,600
AA rated	\$3,037,719
Total Municipal Bonds	\$5,809,319
Corporate Bonds	
AAA rated	\$1,891,584
AA rated	\$9,239,159
A rated	\$3,167,967
Total Corporate Bonds	\$14,298,710
Grand Total	\$130,156,131

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the custodian holding the County's deposits and investments, the deposits and investments may not be returned.

As of December 31, 2017 the carrying amount of the County's deposits was \$31,011,515 and the bank balance was \$31,544,091. \$31,544,091 of the bank balance at year-end was covered by Federal and State depository insurance or by collateral held by the County's agent in the County's name. None of the bank balance was uninsured or uncollateralized at year-end. In addition, the County maintains petty cash funds in the amount of \$167,634. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities.

The County's Investment Policy requires all investment institutions acting as a depository for the County

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)

to enter into a “depository agreement” requiring the depository to pledge collateral to secure deposits over and above the \$250,000 of federal depository insurance and the \$400,000 covered by the State Deposit Guarantee. All securities serving as collateral shall be specifically pledged to the County (not as part of a pooled fund) and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution, or by a letter of credit issued by a Aaa rated Federal Home Loan Bank. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution. The custodian shall send statements of pledged collateral to the Treasurer’s Office on a monthly basis.

The County’s Investment Policy requires all of the County’s investments to be held in the County’s name by a third party custodian (a bank trust company), or be part of an external investment pool. There is no custodial credit risk exposure for these investments.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification of having significant funds invested in a few individual issuers, thereby exposing the County to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

Major issuers (over five percent of total investments) in the County’s portfolio as of December 31, 2017 are as follows:

Issuer	Amount	Percentage
US Treasury	\$24,269,202	20.9%
Federal National Mortgage Association	23,834,212	20.5%
Federal Home Loan Mortgage Corp.	17,932,253	15.4%
US Small Business Administration	16,890,938	14.5%
Government National Mortgage Association	5,241,504	4.5%
Other Issuers (none over 5%)	27,944,886	24.2%
Grand Total	\$116,112,995	100.0%

The County’s Investment Policy limits participation in investment pools or money market funds to no greater than ten percent of the total funds invested in the pool, based on monthly statement ending balances. There are no restrictions relating to concentration of credit risk on investments in debt securities.

Interest Rate Risk

The maturity limits in the County’s investment policy are 120 days average maturity for money markets, 270 days for commercial paper, (which the County does not currently own) and 7 years on out of state general obligation securities. The County doesn’t have any overall restrictions, and instead manages risk on an individual portfolio basis.

The County’s Investment Policy specifies duration as the method to manage interest rate risk for its investments. In practice, the County contracts with professional portfolio management firms for its investments. Each portfolio management firm has been assigned a widely recognized benchmark or combination of benchmarks thereof, consistent with their management strategy. Dana Investment Advisors has been assigned a hybrid index consisting of 70 percent of the Citigroup 1 Year Treasury Index and 30 percent of the Merrill Lynch Mortgage Backed Index as their benchmark. J.P. Morgan Asset Management and Galliard Capital Management have been assigned a hybrid index consisting of 70 percent of the Barclays Capital Intermediate Government Index and 30 percent of the Barclays Capital

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)

Mortgage Index as their benchmark. Galliard Capital Management – Corporate Portfolio has been assigned the Barclays 1-5 Year US Corporate Index. Alberts Investment Management has been assigned the State of Wisconsin Local Government Investment Pool plus 25 basis points.

In addition to using the assigned benchmarks to evaluate the performance of the portfolio management firms, the firms also manage interest rate risk by maintaining the effective duration of their portfolios consistent to the duration of the assigned benchmark. The duration of the County's overall investments at December 31, 2017 is as follows (total duration includes money market accounts, which are not listed in the table):

Investment Type	Amount	Effective Duration
Federal Agency Coupon Securities	12,015,846	4.51 years
Federal Agency Discount Securities	159,343	4.81 years
U.S. Treasury Coupon Securities	10,239,843	2.77 years
U.S. Treasury Discount Securities	13,202,443	1.68 years
U.S. Treasury Inflation Protected Securities	826,916	7.82 years
Federal Agency Mortgage Pass Through Securities	56,598,285	3.80 years
Reverse Mortgage Securities	134,007	0.74 years
Negotiable Certificates of Deposit	2,828,283	0.45 years
Municipal Bonds	5,809,319	2.18 years
Corporate Bonds	14,298,710	2.30 years
Grand Total	\$116,112,995	2.44 years

For money market fund investments, weighted average maturity is used to measure interest rate risk. The weighted average maturity of all of the County's money market investments at December 31, 2017 is as follows:

Fund Name	Amount	Weighted Average Maturity
Wisconsin Local Government Investment Pool	\$11,815,979	25 days
Federated Government Obligations Fund	236,367	26 days
First American Government Obligations Money Market Fund	1,990,790	30 days
Grand Total	\$14,043,136	

Foreign Currency Risk

The County's Investment Policy does not permit investments in securities of foreign issuers or in securities denominated in a currency other than the U.S. Dollar.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)

Fair Value

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Market valuations for the County's investment securities are provided by its third party custodial bank, US Bank. The valuation methods used by US Bank for recurring fair value measurements are as follows:

Investment Type	Primary Vendor/Source	Update Frequency	Methodology	Secondary Vendor/Source	Hierarchy Level
Federal Agency Coupon Securities	ICE (Intercontinental Exchange)	Daily	Institutional Bond Quotes – evaluations based on various market and industry inputs	Standard & Poors, Bloomberg	2
Federal Agency Discount Securities	ICE (Intercontinental Exchange)	Daily	Institutional Bond Quotes – evaluations based on various market and industry inputs	Standard & Poors, Bloomberg	2
U.S. Treasury Coupon Securities	ICE (Intercontinental Exchange)	Daily	Institutional Bond Quotes – evaluations based on various market and industry inputs	Standard & Poors, Bloomberg	1
U.S. Treasury Discount Securities	ICE (Intercontinental Exchange)	Daily	Institutional Bond Quotes – evaluations based on various market and industry inputs	Standard & Poors, Bloomberg	2
U.S. Treasury Inflation Protected Securities	ICE (Intercontinental Exchange)	Daily	Institutional Bond Quotes – evaluations based on various market and industry inputs	Standard & Poors, Bloomberg	1
Federal Agency Mortgage Pass Through Securities	ICE (Intercontinental Exchange)	Daily	Mortgage-Backed Securities Pricing – evaluations based on various market and industry inputs	Standard & Poors, Bloomberg	2
Reverse Mortgage Securities	ICE (Intercontinental Exchange)	Daily	Mortgage-Backed Securities Pricing – evaluations based on various market and industry inputs	Standard & Poors, Bloomberg	2
Negotiable Certificates of Deposit	ICE (Intercontinental Exchange)	Monthly	Market Prices	Standard & Poors, Bloomberg	2
Municipal Bonds	Standard & Poors	Daily	Evaluations based on various market and industry inputs	FT Interactive Data, Bloomberg	2
Corporate Bonds	FT Interactive Data	Daily	Institutional Bond Quotes – evaluations based on various market and industry inputs	Standard & Poors, Bloomberg	2

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 4 – DEPOSITS AND INVESTMENTS (CONT'D)

The breakdown of the County's investments by the fair value hierarchy is as follows:

Investment Type	Level 1	Level 2	Total
Federal Agency Coupon Securities		\$12,015,846	\$12,015,846
Federal Agency Discount Securities		\$159,343	\$159,343
U.S. Treasury Coupon Securities	\$10,239,843		\$10,239,843
U.S. Treasury Discount Securities		\$13,202,443	\$13,202,443
U.S. Treasury Inflation Protected Securities	\$826,916		\$826,916
Federal Agency Mortgage Pass Through Securities		\$56,598,285	\$56,598,285
Reverse Mortgage Securities		\$134,007	\$134,007
Negotiable Certificates of Deposit		\$2,828,283	\$2,828,283
Municipal Bonds		\$5,809,319	\$5,809,319
Corporate Bonds		\$14,298,710	\$14,298,710
Grand Total	\$11,066,759	\$105,046,236	\$116,112,995

The County does not have any Level 3 investments.

NOTE 5 – RECEIVABLES

Property Taxes

The County's property taxes are levied on or before December 31 on the equalized valuation as of the prior January 1 for all general property located in the County. The taxes are due and payable in the following year. Such amounts are recorded as property taxes receivable and deferred inflows in the accompanying financial statements. The aggregate levy of \$106,922,499 will be recognized as revenue during 2018.

Property taxes are recognized in the appropriate fund as revenues in the succeeding year when they are collected and available to finance services. If not collected by July 31st the delinquent property taxes are recorded as receivables and deferred inflows in the general fund. Delinquent property taxes are recognized as revenue when collected. Simple interest and penalty of 1 1/2 percent per month on delinquent property taxes are assessed by the County and recognized as revenue when received.

The County purchases uncollected property taxes from other taxing authorities at the unpaid amount to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues.

Local treasurers collect property taxes levied, typically through the last day of January in each year.

At this time, a settlement process between the county treasurer and local treasurers determines the amount due to the various taxing districts. Tax collection becomes the responsibility of the County and taxes receivable represent unpaid taxes levied for all taxing entities within the County. The exceptions to this process are the Cities of Muskego, New Berlin, Oconomowoc and Waukesha and the Villages of Mukwonago and Sussex, wherein the settlement process does not occur until August of each year. Periodic advances from these taxing districts to the County are made prior to August of each year.

On August 31, the tax lien date, all unpaid taxes are reflected as tax certificates. No allowance for losses on delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the property.

Delinquent property taxes purchased from other taxing authorities are reflected as nonspendable fund balance at year-end. Delinquent property taxes levied by the County are shown as unavailable revenue and are excluded from the fund balance until collected.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - RECEIVABLES (CONT'D)

At December 31, 2017, delinquent property taxes by year levied consisted of the following:

Tax Certificates	Total	County Levied	County Purchased
2016	\$ 2,705,328	\$ 308,407	\$ 2,396,921
2015	1,318,029	151,178	1,166,851
2014	639,541	74,251	565,290
2013	50,226	5,540	44,686
2012	26,299	2,940	23,359
2011	15,726	1,752	13,974
2010 and prior	1,499	163	1,336
Tax Deeds	209,751	26,337	183,414
Total Delinquent Property Taxes Receivable	\$ 4,966,399	\$ 570,568	\$ 4,395,831

Noncurrent Receivables

The amount of receivables not expected to be collected within one year includes an estimated \$2.0 million of property taxes and \$5.3 million of CDBG loans.

Unearned and Unavailable Revenue

Governmental funds report unearned and unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable for subsequent year	\$0	\$106,829,936
Delinquent property taxes receivable	570,568	0
CDBG loans receivable	6,100,933	0
Grant draw downs prior to meeting all eligibility requirements	0	942,950
Other unearned revenue	0	886,348
Total unavailable/unearned revenue for governmental funds	\$6,671,501	\$108,659,234

Unearned revenue included in liabilities	\$886,348
Unearned revenue included in deferred inflows	107,772,886
Total unearned revenue for governmental activities	<u>\$108,659,234</u>

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 6– DUE FROM OTHER GOVERNMENTS

At December 31, 2017, amounts due from other governments consisted of the following:

Federal:	
CDBG Grants	\$ 461,283
Health and Human Services Aid	4,553,783
Dept of Justice/U.S. Marshall	88,302
Other Federal	3,044
State:	
Health and Human Services Aid	2,835,819
Dept of Transportation	1,876,224
Other State	1,708,929
County and Municipal	999,137
Total per Statement of Net Position	\$ 12,526,521

NOTE 7– RESTRICTED ASSETS

Mandatory segregation of assets is presented on the statement of net position as restricted assets. External parties require such segregations. Proprietary fund deposits are restricted as amounts are held by a third party on behalf of the County

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Materials Recovery Facility Fund	Equipment Replacement Fund held by Milwaukee	487,954
Risk Management/Self Insurance	SIR deposit held by WMMIC	478,946
Risk Management/Self Insurance	Deposit with WMMIC	2,459,264
Total Restricted Assets per Statement of Net Position		\$ 3,426,164

NOTE 8– LONG TERM RECEIVABLES

Community Development Programs. As of December 31, 2017, \$6,100,933 is receivable from cities, villages, towns and non-profit corporations for federally funded Housing Assistance, Economic Development, and HOME loan programs.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

Governmental Activities	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets not being depreciated:				
Land	\$ 61,126,271	\$ -	\$ -	\$ 61,126,271
Construction in progress	\$ 22,195,600	\$ 14,063,288	\$ 7,433,618	\$ 28,825,270
Other Capital Assets				
Buildings	\$ 201,162,475	\$ 5,532,008	\$ 32,584	\$ 206,661,899
Land improvements	25,520,533	99,148	-	25,619,681
Machinery and equipment	34,189,602	1,602,519	1,172,825	34,619,296
Software	11,351,028	88,246	-	11,439,274
Vehicles	17,810,319	3,109,846	1,941,981	18,978,184
Infrastructure	270,473,779	2,306,192	84,690	272,695,281
Total other capital assets at historical cost	<u>\$ 560,507,736</u>	<u>\$ 12,737,959</u>	<u>\$ 3,232,080</u>	<u>\$ 570,013,615</u>
Less: Accumulated Depreciation/Amortization for:				
Buildings	\$ 75,088,095	\$ 6,086,817	\$ 32,583	\$ 81,142,329
Land improvements	15,502,391	795,675	-	16,298,066
Machinery and equipment	26,771,760	1,894,433	1,167,463	27,498,730
Software	6,242,449	1,108,888	-	7,351,337
Vehicles	9,827,229	2,444,780	1,941,981	10,330,028
Infrastructure	122,626,204	5,403,368	80,456	127,949,116
Total Accumulated Depreciation/Amortization	<u>\$ 256,058,128</u>	<u>\$ 17,733,961</u>	<u>\$ 3,222,483</u>	<u>\$ 270,569,606</u>
Net Other Capital Assets	<u>\$ 304,449,608</u>	<u>\$ (4,996,002)</u>	<u>\$ 9,597</u>	<u>\$ 299,444,009</u>
Total Governmental Activities Capital Assets	<u>\$ 387,771,479</u>	<u>\$ 9,067,286</u>	<u>\$ 7,443,215</u>	<u>\$ 389,395,550</u>

Depreciation/amortization expense was charged to functions as follows:

Justice and Public Safety	\$2,317,233
Health & Human Services	1,028,607
Environment, Parks, and Education	1,478,137
Public Works (includes roads, bridges, signals, buildings)	7,960,240
General Government	1,058,937
Vehicle Replacement Fund	3,131,774
Central Fleet	156,847
Collections	2,507
End User Technology Fund	599,679
Total Governmental Activities Depreciation/Amortization Expense	<u>\$17,733,961</u>

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 – CAPITAL ASSETS (CONT'D)

Business-Type Activities	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
Capital assets not being depreciated:				
Land	<u>\$ 10,288,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,288,747</u>
Construction in progress	<u>\$ 5,981,024</u>	<u>\$ 1,580,355</u>	<u>\$ -</u>	<u>\$ 7,561,379</u>
Other Capital Assets				
Buildings	\$ 18,772,343	\$ 56,979	\$ -	\$ 18,829,322
Land improvements	25,683,763	7,259	-	25,691,022
Machinery and equipment	13,674,628	-	24,494	13,650,134
Software	15,622	-	-	15,622
Total other capital assets at historical cost	<u>\$ 58,146,356</u>	<u>\$ 64,238</u>	<u>\$ 24,494</u>	<u>\$ 58,186,100</u>
Less: Accumulated Depreciation/Amortization				
Buildings	\$ 11,862,596	\$ 625,739	\$ -	\$ 12,488,335
Land improvements	12,933,779	1,123,188	-	14,056,967
Machinery and equipment	7,681,562	725,246	24,494	8,382,314
Software	3,444	3,479	-	6,923
Total Accumulated Depreciation/Amortization	<u>\$ 32,481,381</u>	<u>\$ 2,477,652</u>	<u>\$ 24,494</u>	<u>\$ 34,934,539</u>
Net Other Capital Assets	<u>\$ 25,664,975</u>	<u>\$ (2,413,414)</u>	<u>\$ -</u>	<u>\$ 23,251,561</u>
Total Business-Type Activities Capital Assets	<u>\$ 41,934,746</u>	<u>\$ (833,059)</u>	<u>\$ -</u>	<u>\$ 41,101,687</u>

Depreciation/Amortization expense was charged to functions as follows:

Radio Services	\$ 46,316
Golf Courses	175,259
Ice Arenas	294,159
Materials Recovery Facility	660,260
Airport Operations/Development	1,301,658
Total Business-type Activities Depreciation/Amortization Expense	<u>\$ 2,477,652</u>

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 10 – INTERFUND RECEIVABLES/PAYABLES/ADVANCES AND TRANSFERS

Individual fund interfund receivable and payable balances for overdrafts on pooled cash accounts at December 31, 2017 were as follows:

Receivable Fund	Payables Fund	Amount	Amount Not Due Within One Year
General Fund	Transportation Fund	\$967,464	\$967,464
Less fund eliminations		(967,464)	
Governmental Activities – internal services allocations	Business-type Activities – internal services allocations	1,370,136	
Total - Government-wide statement of Net Position		\$1,370,136	

Individual balances for interfund advances at December 31, 2017 are shown below. The principal purpose of these interfunds is to provide funding for capital projects through internal borrowing.

Receivable Fund	Payables Fund	Amount	Amount Not Due Within One Year	Purpose
General Fund	Ice Arena Fund	\$1,639,984	\$1,639,984	Building Construction
Golf Course Fund	Ice Arena Fund	461,609	461,609	Building Construction
Subtotal - Fund financial statements		\$2,101,593	\$2,101,593	
Less fund eliminations		(461,609)		
Total – Government-wide statement of net position		\$1,639,984		

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - INTERFUND RECEIVABLES/PAYABLES/ADVANCES AND TRANSFERS (CONT'D)

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The following is a schedule of interfund transfers:

Fund Transferred From	Fund Transferred To	Amount	Principal Purpose
Transportation Fund	General Fund	\$430,483	Surplus Funds
General Fund	Transportation Fund	124,000	Operating budget support
General Fund	End User Techonolgy Fund	231,500	Operating budget support
General Fund	Debt Service	510,000	Debt retirement
General Fund	Risk Management/Self Insurance	16,554	Operating budget and additional support
General Fund	Capital Projects Fund	1,518,400	Capital project support
Tarmann Fund	Capital Projects Fund	355,000	Capital project support
Tarmann Fund	Golf Course Fund	465,000	Capital project support
Sub-total		\$3,650,937	
Subtotal Fund Financial Statements		\$3,650,937	
Less: Fund Eliminations		(3,185,937)	
Grand Total - Statement of Activities		\$465,000	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 11 – LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Debt	\$78,130,000	\$10,000,000	(\$13,005,000)	\$75,125,000	13,030,000
Unamortized debt premium (discount)	1,394,718	106,316	(220,740)	1,280,294	-
Compensated Absences (Note 1.D.7)	4,903,270	5,060,662	(4,903,270)	5,060,662	5,060,662
Total Governmental Activities	\$84,427,988	\$15,166,978	(\$18,129,010)	\$81,465,956	\$18,090,662

General Obligation Debt

The County has issued general obligation debt for the purpose of financing various capital improvements. All general obligation notes and bonds payable are backed by the full faith and credit of the County. Notes and bonds in the governmental funds will be retired by future property tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the County may not exceed five percent of the equalized value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2017, based on an equalized value of \$54,158,131,600 was \$2,707,906,580. Total general obligation debt outstanding at year-end was \$75,125,000.

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/17
Governmental Activities					
2008A GOPN	05/01/08	04/01/18	3.25%-3.50%	\$10,000,000	\$1,000,000
2009A GOPN	04/15/09	04/01/19	1.50%-3.375%	15,700,000	2,400,000
2010A TGOPN (RZEDB)	06/08/10	04/01/20	0.85%-4.05%	9,000,000	3,405,000
2011A GOPN	07/19/11	04/01/21	1.25%-2.75%	19,490,000	4,500,000
2012B GOPN	06/12/12	04/01/22	2.00%-2.125%	20,000,000	11,700,000
2013B GOPN	05/14/13	04/01/23	2.00%-2.25%	17,000,000	13,300,000
2014B GOPN	06/17/14	04/01/24	2.00%-2.25%	10,000,000	8,700,000
2015A GOPN	05/28/15	04/01/25	1.00%-2.00%	10,000,000	9,300,000
2016A GOPN	07/27/16	04/01/26	2.00%-3.00%	11,500,000	10,820,000
2017A GOPN	05/25/17	04/01/27	1.90%-2.15%	10,000,000	10,000,000
				Total	\$75,125,000

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 11– LONG-TERM OBLIGATIONS (CONT'D)

Debt service requirements to maturity are as follows:

Governmental Activities General Obligation Debt		
	Principal	Interest
Years		
2018	\$13,030,000	\$1,497,840
2019	12,165,000	1,197,518
2020	11,065,000	940,904
2021	10,260,000	713,400
2022	8,835,000	504,538
2023-2027	19,770,000	692,400
Total	\$75,125,000	\$5,546,600

As of December 31, 2017, \$1,244,742 is available in the governmental funds to service the general obligation debt.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

NOTE 12– LEASE DISCLOSURES

The County has no material capital leases as lessee or lessor.

Operating Leases

The County, through the Airport Commission, oversees the overall operation of the airport, and is lessor of the facility under various operating leases for periods ranging from 2018 through 2048. Operating leases at December 31, 2017 provide for the following future minimum lease payments receivable by the County:

Year	Amount
2018	\$ 392,196
2019	392,196
2020	349,124
2021	343,879
2022	332,337
2023 - 2027	1,661,683
2028 - 2032	1,555,350
2033 - 2037	1,034,829
2038 - 2042	710,320
2043 - 2048	551,154
Total	\$ 7,323,066

The leased facilities have a cost of \$2,947,806, accumulated depreciation of \$2,356,406, and a net book value of \$591,400.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government wide statement of net position at December 31, 2017 includes the following:

Net investment in capital assets:	
Land	\$61,126,271
Construction in progress	28,825,270
Other capital assets, net of accumulated depreciation/amortization	299,444,009
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(75,018,076)</u>
Total net investment in capital assets	<u><u>\$314,377,474</u></u>

NOTE 14– EMPLOYEES’ RETIREMENT SYSTEM

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee’s date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable services to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) year of creditable service, and (3) a formula factor.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 14 – EMPLOYEES’ RETIREMENT SYSTEM (CONT’D)

Final average earnings is the average of the participant’s three highest years’ earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system’s consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the “floor”) set at retirement.

The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarial determined contribution rate for General category employees and Executives and Elected Officials. Starting January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$5,803,835 in contributions from the County.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 14 – EMPLOYEES’ RETIREMENT SYSTEM (CONT’D)

Contribution rates as of December 31, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the County reported a liability of \$5,038,984 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The county’s proportion of the net pension liability was based on the county’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the county’s proportion was 0.61135010%, which was a decrease of 0.00560967% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the county recognized pension expense of \$13,044,836. Contributions to the plan are different than pension expense. Pension expense includes actuarial determined amounts for service cost, interest, changes in benefit terms, plan administrative costs, projected earnings on plan investments, and amortization of deferred outflows of resources and deferred inflows of resources.

At December 31, 2017, the county reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,921,365	\$ 15,847,170
Changes in assumptions	5,268,453	-
Net differences between projected and actual earnings on pension plan investments	25,082,469	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	261,694	14,026
Employer contributions subsequent to the measurement date	6,299,432	-
Totals	<u>\$38,833,413</u>	<u>\$ 15,861,196</u>

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 14 – EMPLOYEES’ RETIREMENT SYSTEM (CONT’D)

The \$6,299,432 reported as deferred outflows related to pension resulting from the WRS Employer’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows
2018	\$ 11,816,957	\$ 5,065,316	\$ 6,751,641
2019	11,816,957	5,065,316	6,751,641
2020	9,693,575	5,061,708	4,631,867
2021	(803,598)	668,856	(1,472,454)
2022	10,090	-	10,090

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Senior/Merit	0.2% – 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*:	2.1%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 14 – EMPLOYEES’ RETIREMENT SYSTEM (CONT’D)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
Total Core Fund	110	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.2% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.2% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.2% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 14 – EMPLOYEES’ RETIREMENT SYSTEM (CONT’D)

Sensitivity of the county’s proportionate share of the net pension liability to changes in the discount rate. The following presents the county’s proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the county’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.20%)
County’s proportionate share of the net pension liability (asset)	\$66,291,071	\$5,038,984	\$(42,127,897)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

At December 31, 2017, the county reported a payable to the pension plan of \$988,596, which represents contractually required contributions outstanding as of the end of the year.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 15 – RISK MANAGEMENT/SELF INSURANCE

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and workers compensation. The County purchases commercial insurance to provide coverage for losses from theft of, damages to, or destruction of assets. The County also participates in a public entity risk pool called the Wisconsin Municipal Mutual Insurance Company (WMMIC) to provide coverage for losses from torts, errors and omission, and workers compensation. Such risks are accounted for and financed by the County in an internal service fund – the risk management fund.

Public Entity Risk Pool

Wisconsin Municipal Mutual Insurance Company (WMMIC) was organized in 1987 by municipal members in the State of Wisconsin under Wisconsin Insurance Laws as a non-assessable municipal mutual insurance company. WMMIC writes general, auto and other liability insurance, and workers compensation insurance for participating members in the State of Wisconsin on terms calling for recognition of premium upon the effective date of the policy. Responsibility for the operations and management of WMMIC is vested in its executive director and Board of Directors, which is comprised of various municipal officials. At December 31, 2017 WMMIC was owned by nineteen members.

WMMIC limits the maximum net loss that can arise from large risks or risks in concentrated areas of exposure by reinsuring (ceding) certain levels of risks with other insurers or reinsurers. Ceded reinsurance is treated as the risk and liability of the assuming companies. Such reinsurance includes all lines of insurance.

WMMIC had a general, automobile and other liability reinsurance contract in force for the year ended December 31, 2017. This is a quota share reinsurance agreement with General Reinsurance Corporation (66.7%) and Governmental Entities Mutual (GEM) Insurance Company (33.3%) for excess of loss reinsurance. The contract covered losses (in excess of the self-insured retention for each member) which exceed \$1,000,000 per occurrence up to the maximum loss of \$10,000,000 per occurrence. WMMIC retains the first \$1,000,000 of the loss excess of each member's self-insured retention. The members retain all losses greater than \$10,000,000 per occurrence or greater than \$15,000,000 of aggregate losses for public officials' liability only. GEM has established and funded a trust account for its anticipated loss obligations to WMMIC to satisfy state regulatory requirements due to its current status as an unauthorized reinsurer in Wisconsin.

WMMIC has contracted with Safety National to provide 100% reinsurance coverage for workers compensation insurance in excess of the members' self-insured retention limits, which are \$500,000 for all but one member that has a retention of \$650,000.

The County's investment in WMMIC is reported on the risk management fund balance sheet as a deposit. The amount reported is the initial investment of \$2,459,264.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 15 – RISK MANAGEMENT/SELF INSURANCE (CONT'D)

WMMIC requires that the County maintain a minimum reserve amount for the payment of liability claims equal to the expected present value of unpaid losses as determined by the company's actuary consultant. At December 31, 2017, the county's minimum reserve amount required by WMMIC is \$1,349,569.

Self Insurance – Worker's Compensation

The worker's compensation internal service fund is maintained to provide for self-insured worker's compensation insurance coverage and employee safety and loss control programs. The County contracts with a third party claims administrator for the purpose of adjusting worker's compensation claims. An excess insurance policy covers individual claims in excess of the County's \$400,000 self-insured retention up to statutory requirements (unlimited) per claim. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. Costs associated with the worker's compensation program are billed to other County departments based on exposure and historical loss experience and include amounts necessary to fund current year claims to be paid in the current year and in the future.

At December 31, 2017, the expected present value of unpaid losses, as determined by the County's actuary consultant, is \$2,355,253.

<u>Liability and Workers Compensation Claims</u>	<u>2016</u>	<u>2017</u>
Unpaid claims, including incurred but not reported -		
Beginning of Year	\$4,477,505	\$4,774,502
Estimated future claims expense	1,128,007	1,031,557
Current year claim payment and changes in estimates	<u>(831,010)</u>	<u>(1,235,110)</u>
Unpaid claims - End of Year	<u>\$4,774,502</u>	<u>\$4,570,949</u>
Amount not due within one year		<u>\$3,062,536</u>
In addition, net position can be analyzed as follows:		
WMMIC deposit		\$2,459,264
Reserves for losses not captured within actuary analysis (e.g., pollution liability, employment litigation back wages, etc.) and for catastrophic losses		<u>(615,620)</u>
Total Net Position		<u>\$1,843,644</u>

Claims Liability

The liability for both risk management and worker's compensation is accounted for in the same fund on a combined basis. At December 31, 2017, the County's liability and worker's compensation combined claims reserve totals \$4,570,949, which approximates an expected confidence level slightly above 75%.

Self-Insurance - Health Coverage

The County has established a self-insurance program for health claims. Claims are accounted for in an internal service fund, the health and dental insurance fund. Claims are processed by a third party claims administrator. The uninsured risk of loss is \$275,000 per individual claimant per year. The County has purchased commercial stop-loss insurance for claims in excess of the \$275,000 retention.

The County also has a self-funded dental plan. The insurance claim payments shown below include both self-funded health and dental.

All funds of the County participate in the health and dental insurance programs. Amounts payable to the health and dental insurance fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims.

WAUKESHA COUNTY, WISCONSIN
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 15 – RISK MANAGEMENT/SELF INSURANCE (CONT'D)

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The County does not allocate overhead costs or other non-incremental costs to the claims liability.

<u>Insurance Claims Liability</u>	<u>2016</u>	<u>2017</u>
Unpaid claims – Beginning of Year	\$2,387,693	\$1,755,616
Current year claims and changes in estimates	16,065,045	16,296,219
Claim payments	<u>(16,697,122)</u>	<u>(16,009,219)</u>
Unpaid claims - End of Year	<u>\$1,755,616</u>	<u>\$2,042,616</u>
 Amount not due within one year		 <u>\$ 102,131</u>

NOTE 16– COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments is only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and corporation counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The County has active construction projects as of December 31, 2017. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The County has the following encumbrances as of December 31, 2017:

General Fund	Capital Projects Fund	Other Governmental Funds	Radio Services Fund	Materials Recovery Facility Fund	Other Enterprise Funds	Internal Service Funds
\$ 721,758	\$ 4,027,872	\$ 1,466,311	\$ 958,221	\$ 185,414	\$ 50,543	\$ 141,768

The County has entered into a multi-year intergovernmental agreement with the City of Milwaukee to operate a Material Recycling Facility located in the City of Milwaukee.

The County has entered into a multi-year intergovernmental agreement to operate an On-Site Health Clinic with the City of Waukesha and the School District of Waukesha.

WAUKESHA COUNTY, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 17 – SUBSEQUENT EVENT

On March 27, 2018 the County Board approved the issuance of \$12,500,000 General Obligation Promissory Notes to fund 2018 capital projects. The General Obligation Promissory Notes are planned to be issued on June 20, 2018.

NOTE 18 – RELATED ORGANIZATION

Housing Authority

The county executive is responsible for appointing the board members of the Waukesha County Housing Authority, but the County's accountability for this organization does not extend beyond making the appointments.

NOTE 19 – EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 85, *Omnibus 2017*
- Statement No. 86, *Certain Debt Extinguishment Issues*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

When they become effective, application of these standards may restate portions of these financial statements.

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