

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Waukesha County, Wisconsin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Waukesha County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Waukesha County, Wisconsin, as of December 31, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21 to the financial statements, net position and fund balance as of December 31, 2017, have been restated to report the Bridges Library System as a discretely presented component unit effective January 1, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
June 7, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

This section of Waukesha County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the County exceeded the liabilities and deferred inflows of resources at the close of 2018 by \$486 million (*net position*). Of this amount, \$102.1 million is classified as *unrestricted net position*, \$32.5 million is restricted for specific purposes (*restricted net position*), and \$351.4 million is net investment in capital assets.
- The County's total net position decreased by \$10.4 million. Restricted net position increased by \$16.7 million, unrestricted net position decreased by \$23.1 million, and net investments in capital assets decreased by \$3.8 million.
- On December 31, 2018, the County's governmental funds reported combined fund balances of \$100.6 million, an increase of \$6.2 million. Approximately \$42.4 million, or 42.1% of the combined fund balance, is unassigned and available for use within the County's designations and policies.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements are designed to provide readers with a broad overview of the County's financial statements, in a manner similar to a private-sector business.

The *statement of net position* presents information of all County assets, deferred inflows, liabilities and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

The government-wide financial statements include not only Waukesha County itself (known as the *primary government*) but also a legally separate Bridges Library System for which Waukesha County is accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 35-36 of this report.

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 10 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General, Debt Service and Capital Projects fund, which are considered to be major funds. Data from the other 7 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic *governmental fund* financial statements can be found on pages 39-42 of this report.

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

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

The *proprietary funds* financial statements can be found on pages 46-51 of this report.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

Fiduciary 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County maintains 12 Agency funds. Data from the Agency funds are combined into a single aggregate presentation.

The basic *agency fund* financial statement can be found on page 55 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 57-99 of this report.

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

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the County, assets and deferred outflows exceed liabilities and deferred inflows of resources by \$486 million at the close of the most recent fiscal year.

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

	Governmental activities		Business-type activities		Total	
	2018	2017*	2018	2017	2018	2017*
Current and other assets	\$269,200	\$247,120	\$13,547	\$14,020	\$282,747	\$261,140
Capital assets	381,928	389,154	39,546	41,102	421,474	430,256
Total assets	651,128	636,274	53,093	55,122	704,221	691,396
Pension related amounts	32,502	37,797	684	851	33,186	38,648
Total deferred outflows of resources	32,502	37,797	684	851	33,186	38,648
Current and other liabilities	18,352	20,854	847	587	19,199	21,441
Long-term liabilities	88,721	92,961	-	102	88,721	93,063
Total liabilities	107,073	113,815	847	689	107,920	114,504
Property taxes levied for future periods	107,824	103,330	63	93	107,887	103,423
Pension related amounts	34,934	15,433	702	353	35,636	15,786
Total deferred inflows of resources	142,758	118,763	765	446	143,523	119,209
Net Position:						
Net investment in capital assets	311,809	314,136	39,546	41,102	351,355	355,238
Restricted net position	32,134	15,836	368	-	32,502	15,836
Unrestricted net position	89,857	111,521	12,251	13,736	102,108	125,257
Total net position	\$433,800	\$441,493	\$52,165	\$54,838	\$485,965	\$496,331

* Bridges Library System was recognized as a component unit of the County in 2018 and is excluded from figures. Amounts for 2017 have been restated.

The largest portion of the County's net position (72.3%) reflects its net investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment, net of accumulated depreciation/amortization, less any related debt used to acquire those assets that is still outstanding). The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position comprises 21.0% of the County's net position. These resources may be used to meet the County's ongoing obligations.

The remaining balance of the County's net position, 6.7%, represents resources that are subject to external restrictions (grant or trust terms, laws or regulations of other governments, etc.) on how they may be used.

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

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

As shown on the following table, the County's net position decreased by \$10.4 million during the current year. This results from total 2018 revenues of \$232.2 million and expenses of \$242.6 million. Overall revenues increased by \$7.2 million from the prior year, while expenses increased by \$13 million.

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017*	2018	2017	2018	2017*
Revenues:						
Program revenues:						
Charges for services	\$ 46,053	\$ 45,600	\$ 7,251	\$ 7,897	\$ 53,304	\$ 53,497
Operating grants and contributions	51,770	49,548	1,121	1,185	52,891	50,733
Capital grants and contributions	2,362	36	-	-	2,362	36
General revenues:						
Property taxes	108,461	107,176	93	123	108,554	107,299
Intergovernmental revenues	1,799	1,783	-	-	1,799	1,783
Investment earnings	2,633	2,321	15	14	2,648	2,335
Miscellaneous	10,053	8,566	69	105	10,122	8,671
Gain on disposal/sale of capital assets	531	655	-	-	531	655
Total revenues	<u>223,662</u>	<u>215,685</u>	<u>8,549</u>	<u>9,324</u>	<u>232,211</u>	<u>225,009</u>
Expenses:						
Justice and public safety	64,383	64,390	-	-	64,383	64,390
Health and human services	78,812	77,325	-	-	78,812	77,325
Environment, parks and education	26,983	22,316	-	-	26,983	22,316
Public works	37,671	33,753	-	-	37,671	33,753
General government	21,849	18,841	-	-	21,849	18,841
Interest expense	1,381	1,483	-	-	1,381	1,483
Radio services	-	-	402	345	402	345
Golf courses	-	-	3,158	3,159	3,158	3,159
Ice arenas	-	-	1,294	1,370	1,294	1,370
Materials recovery facility	-	-	4,438	4,393	4,438	4,393
Airport	-	-	2,207	2,235	2,207	2,235
Total Expenses	<u>231,079</u>	<u>218,108</u>	<u>11,499</u>	<u>11,502</u>	<u>242,578</u>	<u>229,610</u>
Increase (decrease) before transfers	(7,417)	(2,423)	(2,950)	(2,178)	(10,367)	(4,601)
Transfers	(277)	(465)	277	465	-	-
Increase (decrease) in net position	<u>(7,694)</u>	<u>(2,888)</u>	<u>(2,673)</u>	<u>(1,713)</u>	<u>(10,367)</u>	<u>(4,601)</u>
Net position beginning of year	441,494	444,382	54,838	56,551	496,332	500,933
Net position end of year	<u>\$ 433,800</u>	<u>\$ 441,494</u>	<u>\$ 52,165</u>	<u>\$ 54,838</u>	<u>\$ 485,965</u>	<u>\$ 496,332</u>

* Bridges Library System was recognized as a component unit of the County in 2018 and is excluded from figures. Amounts for 2017 have been restated.

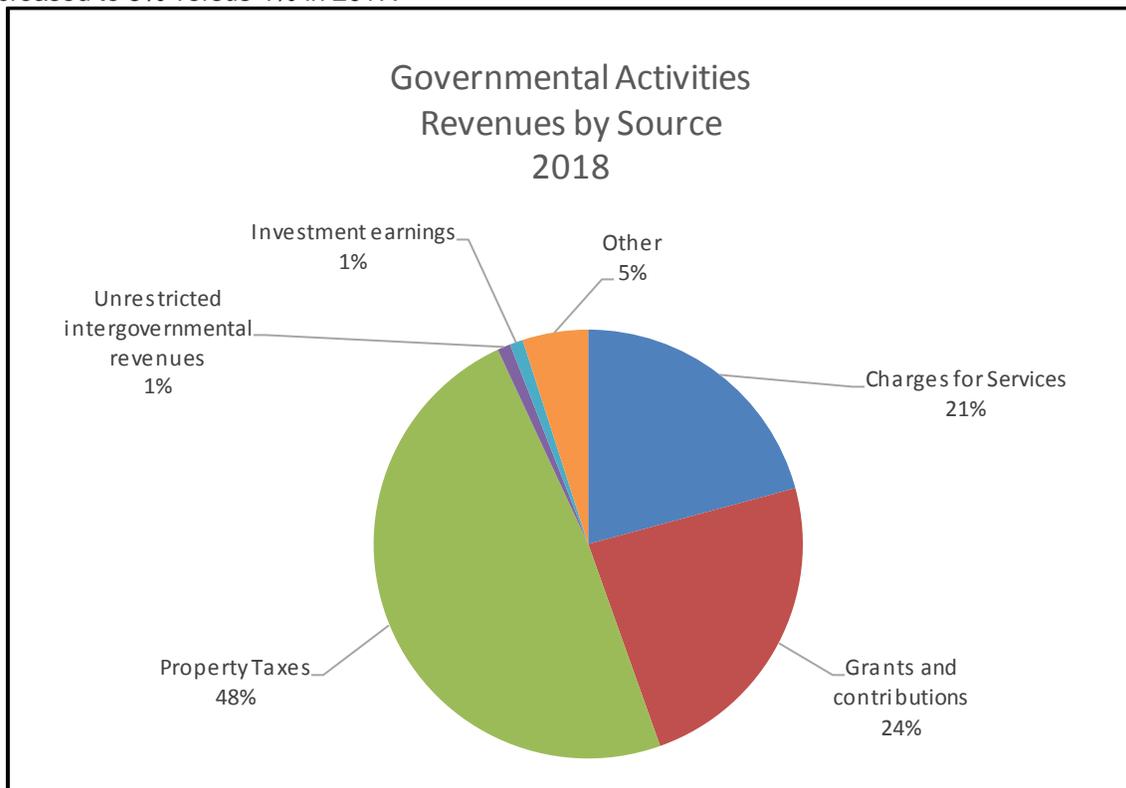
WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

Governmental Activities

Governmental activities decreased the County's net position by \$7.7 million, compared to \$2.9 million decrease in 2017. This included an increase in revenues of \$8 million, or 3.7%. Highlights include the following:

- Capital grants and contributions increased by \$2.3 million to \$2.4 million, which varies between years based on completion of highway capital projects.
- Operating grants and contributions increased by \$2.2 million to \$51.8 million mainly due to an increase in Human Services by \$1.6 million. This is predominately related to an increase of \$0.9 million for Children with Long-Term Support (CLTS) services and \$0.3 million for Substance Abuse and Mental Health treatment services. Additionally, Public Works increased by \$0.6 million for completion of highway capital projects.
- Miscellaneous revenue increased by \$1.5 million to \$10.1 million. The increased revenue is mainly due to increases of \$0.6 million related to closed Tax Increment Districts, \$1.5 million increase in health reinsurance recoveries, and \$0.8 million for Community Development Board Grant (CDBG) related income.
- Property taxes increased by \$1.3 million to \$108.5 million due to increases allocated to Human Services by \$0.5 million, Public Safety by \$0.5 million, and Debt Service by \$0.3 million.

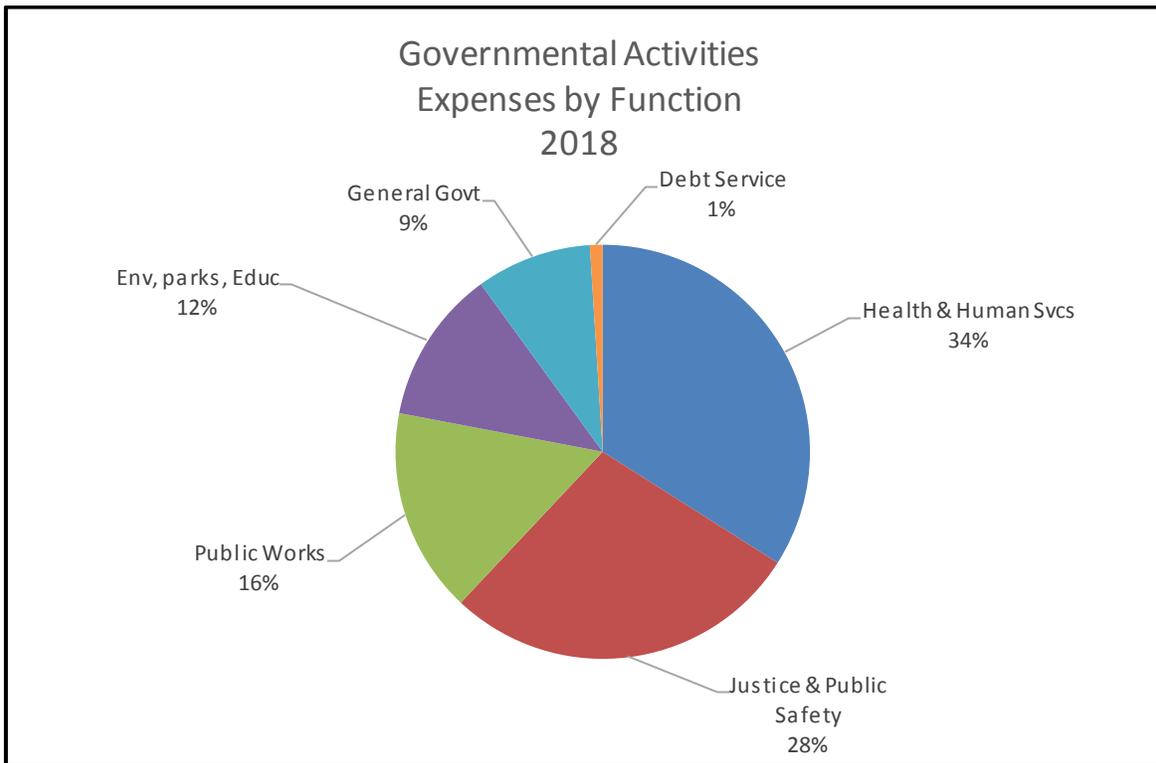
The percentage of revenues by source is shown below. The primary changes from 2017 include Property Taxes decreased to 48% versus 50% in 2017, Grants and contributions increased to 24% versus 23% in 2017, and Other increased to 5% versus 4% in 2017.



WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

Expenses for governmental activities increased by \$13 million from 2017. Increases in costs are spread across multiple program areas.

The percentage of expenses by function is shown below.



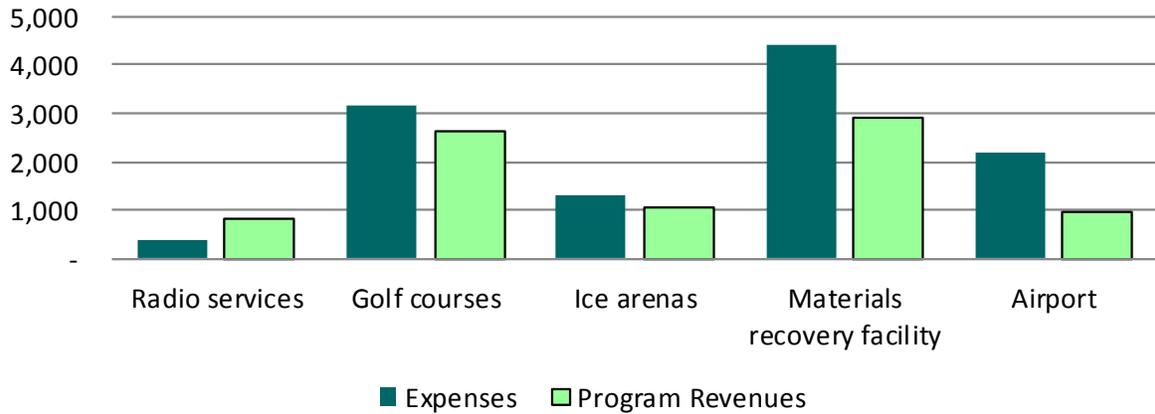
Business-type Activities

Business-type activities decreased the County's net position by approximately \$2.7 million. Program expenses exceeded program revenues by \$3 million and key results include the following:

- The Materials Recovery Facility (MRF) Fund had a decrease in net position of \$1.5 million. This is mostly due to planned use of fund balance to cover the additional costs that communities pay to haul recyclables directly to the Join MRF in Milwaukee, Recycling Container purchases, and Recycling incentives and dividends. Material sales revenue decreased \$0.6 million from the prior year reflecting a significant decrease in commercial recycling markets with average revenue per ton sold decreasing.
- The airport had a decrease in net position of approximately \$1.2 million, mainly related to depreciation expenses, which the operation is not expected to recoup on assets funded by State or Federal dollars. The County will not replace airport facilities funded substantially with state and federal dollars unless similar funds are available for such expenses.

WAUKESHA COUNTY, WISCONSIN
 MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
 December 31, 2018

Business-type Activities
Expenses and Program Revenues
2018
 (in thousands of dollars)



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Waukesha County's governmental funds reported combined fund balances of \$100.6 million, an increase of \$6.1 million from prior year. Approximately \$58.2 million or 57.9% of the combined fund balance is non-spendable, restricted, committed, or assigned for specific purposes, so it is not available for new spending. This includes the following.

- Non-spendable fund balance of \$7.5 million, including \$2.9 million for long-term receivables/advances; \$0.8 million for prepaid items and inventories; and \$3.8 million for delinquent property taxes.
- Restricted fund balance of \$15.2 million, including \$5.8 million restricted for capital projects, \$5.1 million restricted for park purposes, \$1.3 million restricted for Human Services purposes, \$1.2 million restricted for debt service, and \$1.2 million restricted for Community development.
- Committed fund balance of \$24.7 million. Most of this is committed for capital projects.
- Assigned fund balance of \$10.8 million, including \$6.4 million of funds assigned in the 2018 budget and \$1.3 million of funds assigned for jail assessment fees.

The remaining \$42.4 million, or 42.1%, of fund balance is unassigned, meaning it is available for spending at the government's discretion.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

General fund

The General fund is the chief operating fund of the County. The fund balance increased by \$0.4 million for the year, reflecting excess revenues over expenditures of \$1.9 million, transfers in of \$0.4 million, and planned transfers out of \$2 million.

The main factor for the \$0.4 million increase in fund balance is due to personnel costs being about \$0.9 million (or 0.9%) less than anticipated, due to employee turnover and position vacancies.

At the end of the current fiscal year, the General fund's unassigned fund balance was \$42.4 million while total fund balance was \$60.7 million. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25.1% percent of total General fund expenditures compared to 25.7% in 2017. Total fund balance represents 36% percent of General fund expenditures compared to 36.5% in 2017. For unassigned fund balance cash availability, the County uses unassigned fund balance for both general and special revenue expenditures to provide liquidity to those funds.

Debt Service Fund

The debt service fund has a total fund balance of \$1.2 million, all of which is restricted for the payment of debt service. This remained consistent with 2017.

Capital Projects Fund

The Capital Projects fund has a total fund balance of \$30 million, of which \$24.2 million is committed for existing and future capital projects, and \$5.8 million of unspent bond proceeds is restricted for incomplete capital projects, which will be spent by May of 2021.

Proprietary Funds

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in a \$1.5 million increase in appropriations. Carryovers and open purchase orders accounted for 67.3% (\$1.0 million) of the increase. The balance of the increase from the original budget is mostly due to the appropriation of an additional \$200,000 for required repairs to the School Section Lake dam by Park's department. An additional \$123,000 in seized funds revenues for expenditures to enhance law enforcement as required by federal seized asset guidelines by the Sheriff's department. In addition, \$114,000 in over budget charges for service revenue in the Sheriff's department was appropriated for increased overtime in the Sheriff's department.

Actual revenues in the General fund were slightly above final amended budget.

Actual expenditures in the General fund were \$9 million under budget. Of that amount, \$1.2 million was carried forward for budgeted projects which were not completed in 2018. Human Services Children with Long-Term Support (CLTS) expenditures were below budget by \$3.3 million due to Autism services now being a Medicaid card service. General Fund personnel costs were under budget by \$0.9 million (0.9% of budget) due to vacancy and turnover. The contingency fund had \$1.1 million in unallocated expenditure authority. The balance of the budget variance was spread across several program areas.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities at December 31, 2018, amounted to \$421.5 million (net of accumulated depreciation/amortization), a decrease of \$8.8 million from 2017. This investment in capital assets includes land and easements, infrastructure, structures and improvements, equipment, software, and construction in progress.

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

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 61,152	\$ 61,126	\$ 10,289	\$ 10,289	\$ 71,441	\$ 71,415
Buildings	126,891	125,520	5,841	6,341	132,732	131,861
Land improvements	6,897	9,322	11,335	11,634	18,232	20,956
Machinery and equipment	6,853	7,110	4,575	5,268	11,428	12,378
Software	6,683	3,858	5	9	6,688	3,867
Vehicles	8,688	8,648	-	-	8,688	8,648
Infrastructure	142,651	144,745	-	-	142,651	144,745
Construction in Progress	22,113	28,825	7,501	7,561	29,614	36,386
Total	\$ 381,928	\$ 389,154	\$ 39,546	\$ 41,102	\$ 421,474	\$ 430,256

* Bridges Library System was recognized as a component unit of the County in 2018 and is excluded from figures. Amounts for 2017 have been restated.

Further details of the County's capital assets can be found in Note 9 of the notes to the financial statements, pages 80-81.

Long Term Debt

At December 31, 2018, the County had \$74,595,000 of general obligation promissory notes outstanding. The County maintains an Aaa rating from Moody's Investors Service and AAA from Fitch Investors Service on general obligation note issues. Under current state statutes, the County's general obligation note issuances are subject to a legal limitation based on five percent of the equalized value of taxable property in the County. As of December 31, 2018 the County's total amount applicable to debt margin (outstanding notes less debt service fund balance) is \$73.4 million, which was well below the legal limit of \$2.8 billion. The net debt per capita equaled \$183 at year-end.

During the year, the County issued \$12.5 million in general obligation promissory notes to finance part of the cost of capital improvements within the County.

Further details of the County's long-term debt activity can be found in Note 11, pages 84-85.

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2018

ECONOMIC FACTORS AND THE 2019 BUDGET AND RATES

Revenue increased by \$13.7 million in the 2019 budget, largely due to increases in intergovernmental contracts and grant revenues of \$6.1 million. Some of the key revenue changes included the following:

- The new Workforce Innovation and Opportunity Act (WIOA) Fund increased the budget \$1.7 million in grant funding to provide contracted assistance to adults, youth, and dislocated workers to access employment and other support services to gain employment.
- Health and Human Services budget increased by \$0.8 million, mostly related to Children with Special Needs Program revenue reimbursements for Children's Long Term Support (CLTS) due to state mandate to eliminate wait lists and an increase in contracted staff and waiver clients served.
- Capital project funding increased \$2.4 million mostly related to intergovernmental cost share revenues to construct an underpass for Lake Country trail.

Charges for services increased by \$1.2 million, this includes the following key changes:

- Health and Human Services Clinical inpatient and outpatient services increased by \$0.5 million for a psychological and social rehabilitation.
- Justice and Public Safety increased by \$0.6 million partially due to an increase in per day reimbursements for federal prisoners from \$77 to \$88 in the Sheriff's department.

In addition, budgeted other revenue increased by nearly \$0.3 million. This increased funding level includes the following:

- Treasurer's budget increased by \$0.5 million, related to improved rates of return on invested funds, which is partially offset by decreases in penalty and interest on delinquent taxes of \$0.3 million.

Debt borrowing to fund capital project expenditures increased \$5 million.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Administration, Accounting Services Division, 515 West Moreland Blvd., Waukesha, WI 53188. This report can be found online at <https://waukeshacounty.gov/adminstration/accounting> under the Comprehensive Annual Financial Reports section.

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