

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2022

This section of Waukesha County's annual comprehensive financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended December 31, 2022. 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 2022 by \$527.8 million (*net position*). Of this amount, \$98.6 million is classified as *unrestricted net position*, \$68.3 million is restricted for specific purposes (*restricted net position*), and \$360.9 million is net investment in capital assets.
- The County's total net position increased by \$14.5 million. Restricted net position increased by \$13.5 million, unrestricted net position increased by \$1.3 million, and net investments in capital assets decreased by \$0.3 million.
- On December 31, 2022, the County's governmental funds reported combined fund balances of \$108.9 million, a decrease of \$1.1 million. Approximately \$45.8 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 outflows, 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.

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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 37-38 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 11 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, Capital Projects and Special Purpose Grant funds, 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 42-48 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 six 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 52-57 of this report.

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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.

Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The County maintains 11 custodial funds. Data from the custodial funds are combined into a single aggregate presentation.

The basic *custodial fund* financial statements can be found on page 61-62 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 63-108 of this report.

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

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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 \$527.8 million at the close of the most recent fiscal year.

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

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$404,379	\$366,472	\$22,566	\$15,420	\$426,945	\$381,892
Capital assets	411,748	414,065	31,634	33,329	443,382	447,394
Total assets	816,127	780,537	54,200	48,749	870,327	829,286
Pension related amounts	94,747	62,670	1,668	1,265	96,415	63,935
Total deferred outflows of resources	94,747	62,670	1,668	1,265	96,415	63,935
Current and other liabilities	124,043	104,345	1,939	996	125,982	105,341
Long-term liabilities	74,146	76,610	-	-	74,146	76,610
Total liabilities	198,189	180,955	1,939	996	200,128	181,951
Deferred Grant Revenue	75	75	2	-	77	75
Property taxes levied for future periods	116,299	113,210	-	-	116,299	113,210
Leases related	155	-	5,643	-	5,798	-
Pension related amounts	114,645	83,027	2,027	1,673	116,672	84,700
Total deferred inflows of resources	231,174	196,312	7,672	1,673	238,846	197,985
Net Position:						
Net investment in capital assets	329,250	327,917	31,634	33,329	360,884	361,246
Restricted net position	67,387	53,990	860	753	68,247	54,743
Unrestricted net position	84,874	84,033	13,763	13,263	98,637	97,296
Total net position	\$481,511	\$465,940	\$46,257	\$47,345	\$527,768	\$513,285

The largest portion of the County's net position (68.4%) 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 18.7% 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, 12.9%, 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.

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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.

As shown on the following table, the County's net position increased by \$14.5 million during the current year. This results from total 2022 revenues of \$258.9 million and expenses of \$244.4 million. Overall revenues decreased by \$8.8 million from the prior year, while expenses decreased by \$4.3 million.

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 49,074	\$ 50,716	\$ 6,961	\$ 7,491	\$ 56,035	\$ 58,207
Operating grants and contributions	74,716	74,543	1,256	1,534	75,972	76,077
Capital grants and contributions	4,487	8,505	-	-	4,487	8,505
General revenues:						
Property taxes	114,874	113,250	-	-	114,874	113,250
Grants and contributions, not restricted for specific programs	2,270	2,533	-	-	2,270	2,533
Investment earnings (losses)	(7,602)	(959)	624	42	(6,978)	(917)
Miscellaneous	11,569	9,255	112	142	11,681	9,397
Gain on disposal/sale of capital assets	548	647	3	-	551	647
Total revenues	249,936	258,490	8,956	9,209	258,892	267,699
Expenses:						
Justice and public safety	63,841	62,916	-	-	63,841	62,916
Health and human services	85,625	87,863	-	-	85,625	87,863
Environment, parks and education	28,225	30,227	-	-	28,225	30,227
Public works	37,484	36,651	-	-	37,484	36,651
General government	17,704	19,221	-	-	17,704	19,221
Interest expense	1,486	1,453	-	-	1,486	1,453
Radio services	-	-	1,235	1,078	1,235	1,078
Golf courses	-	-	2,128	2,874	2,128	2,874
Ice arenas	-	-	1,282	1,166	1,282	1,166
Materials recovery facility	-	-	3,042	3,167	3,042	3,167
Airport	-	-	2,357	2,118	2,357	2,118
Total Expenses	234,365	238,331	10,044	10,403	244,409	248,734
Increase (decrease) before transfers	15,571	20,159	(1,088)	(1,194)	14,483	18,965
Transfers	-	(286)	-	286	-	-
Increase (decrease) in net position	15,571	19,873	(1,088)	(908)	14,483	18,965
Net position beginning of year	465,940	446,067	47,345	48,253	513,285	494,321
Net position end of year	\$ 481,511	\$ 465,940	\$ 46,257	\$ 47,345	\$ 527,768	\$ 513,286

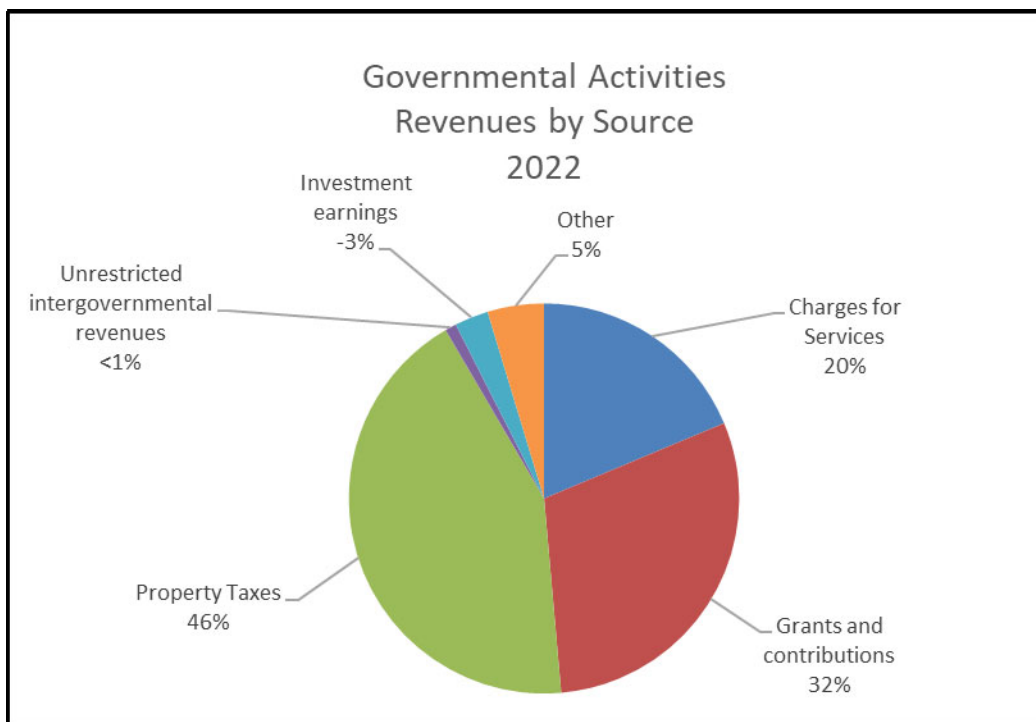
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Governmental Activities

Governmental activities increased the County's net position by \$15.6 million, compared to \$19.9 million increase in 2021. This included a decrease in revenues of \$8.6 million, or 3.3%. Highlights include the following:

- Charges for services decreased by \$1.6 million to \$49.1 million mainly due to decreases in services provided during 2022 across various departments compared to the higher 2021 numbers. This includes \$0.5 million Health and Human Services Mental Health client services based on a reduced patient census related to lower staffing levels restricting the capacity for patients; \$0.7 million retiree health insurance premiums due to drastic drops in membership (72 members in 2021 to 32 members in 2022); \$0.2 million park fees; and \$1.2 million in real estate transfer, recording, and copy/duplicating fees as the result of higher interest rates impacting the real estate market. This decrease is partially offset by \$0.9 million increase in Public Works due to increases in highway maintenance reimbursed by the State of Wisconsin.
- Investment earnings decreased by \$6.6 million resulting in a loss of \$7.6 million in 2022, due to sharply higher market yields as the result of the Federal Reserve raising rates significantly in 2022, resulting in a large negative fair value adjustment to the County's investments.
- Capital grants and contributions decreased by \$4 million to \$4.5 million due to less contributed capital recorded for completed capital projects compared to 2021.
- Property taxes increased by \$1.6 million to \$114.9 million in accordance with the levy limits imposed by the State of Wisconsin.
- Miscellaneous increased by \$2.3 million to \$11.6 million due to the receipt of \$2.9 million in opioid settlement funds (further detail in Special Purpose Grant Fund).

The percentage of revenues by source is shown below. The primary changes from 2021 include Property Taxes increased to 46% versus 44% in 2021, Other increased to 5% versus 4% in 2021, and Investment Earnings decreased to -3% versus 0% in 2021. Charges for Services increased, Grants and Contributions, and Unrestricted Intergovernmental remained the same from 2021 at 20%, 32%, and 1% respectively.

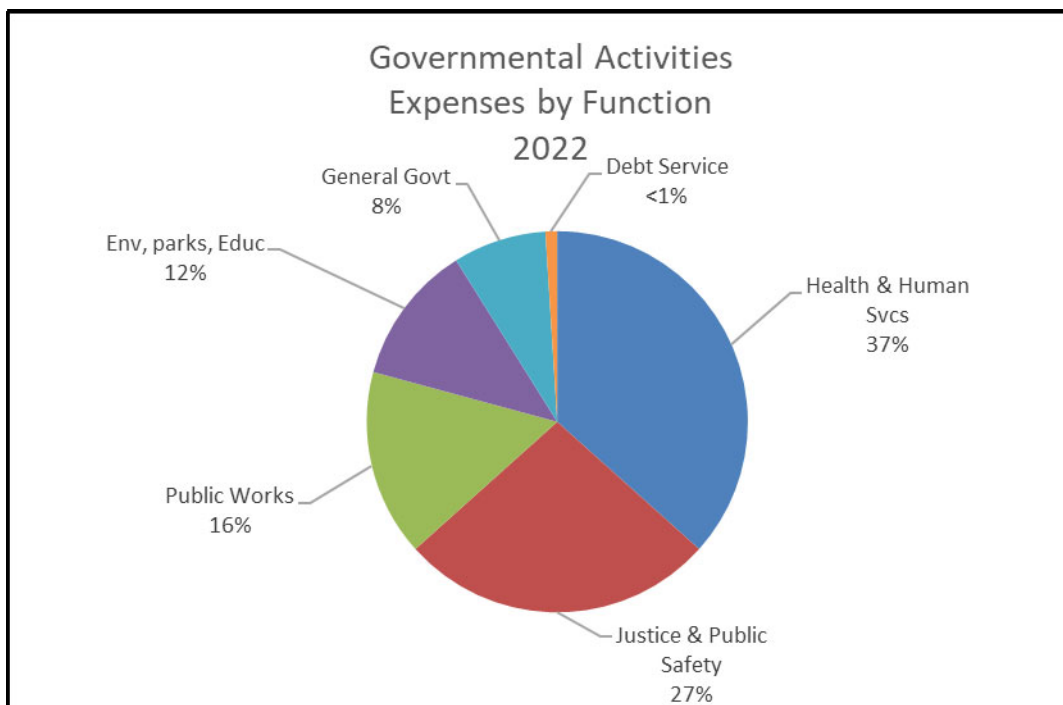


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Expenses for governmental activities decreased by \$4 million from 2021. Decreases in costs are spread across multiple program areas. Highlights include the following:

- Personnel expenses decreased \$2.1 million primarily due to a \$2.9 million decrease in temporary extra help (\$1.8 million) and related expenses for Public Health pandemic response efforts of investigating positive disease results, tracing recent contacts, and vaccine administration that was previously funded by a federal CDC ELC grant. There was also a decrease in financial statement adjustments for pension expenses by \$0.4 million related to Wisconsin Retirement System (WRS) going from 105.26% to 106.02% funded. This was partially offset with a three dollar (\$3.00) per hour salary adjustment for sworn non-represented law enforcement supervisors for the Sheriff's department resulting in a \$0.8 million increase in personnel.
- Operating expenses decreased by \$3.5 million primarily due to a decrease of \$2.6 million in Community Development grants to communities for both the Emergency Rent Assistance Program (\$1.4 million) and CDBG/Home (\$1.2 million). There was also a decrease in health insurance claims by \$1.8 due to fewer claims/large value claims. This is partially offset by an increase in Public Works depreciation expenses by \$0.8 million.
- Capital outlay expenses decreased \$0.3 million, which varies between years based on completion of capital projects.
- Interdepartmental charges increased \$2 million mostly due to increases for correlated expenses for computer maintenance and information systems, vehicle replacements, repairs, gasoline, and bailiff services.

The percentage of expenses by function is shown below.

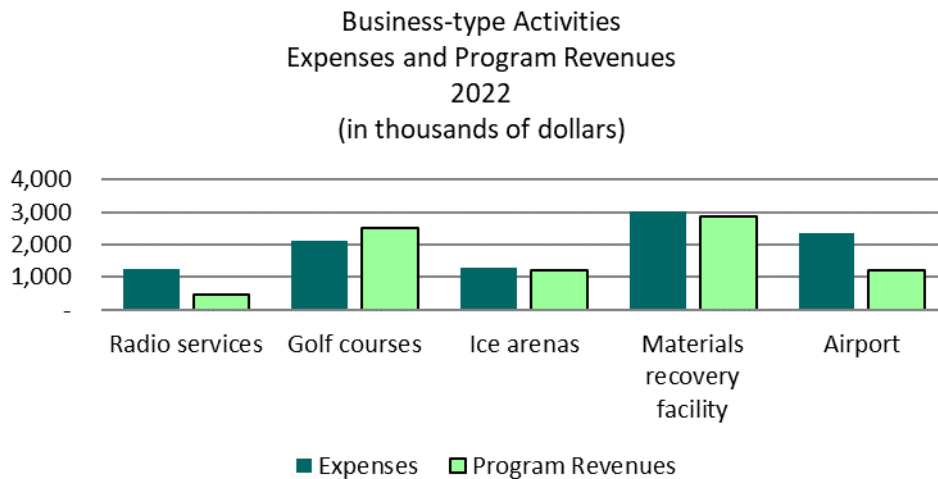


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Business-type Activities

Business-type activities decreased the County's net position by approximately \$1.1 million. Program expenses exceeded program revenues by \$1.8 million. Key results include the following:

- The Airport Fund had a decrease in net position of \$1.1 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. In addition, there was a \$0.2 million increase in runway maintenance expenses for snow removal.
- The Radio Services Fund had a decrease in net position of \$0.3 million. This is mostly due to an increase in operating costs related to additional telecommunications equipment purchased for Health and Human Services, software support costs for P25 systems, and electricity expenses.
- The Golf Course Fund had a decrease in net position of \$0.1 million, mainly due to waiving a \$461,609 interfund loan from the Golf Course Fund to the Ice Arena Fund for initial construction of the arenas (shown as a transfer between the two funds). This is partially offset by an increase in the average revenue amount per round from \$22.91 to \$25.08 due to budgeted increases in greens fees.
- The Ice Arena Fund had an increase in net position of \$0.4 million, mostly due to waiving a \$461,609 interfund loan from the Golf Course Fund to the Ice Arena Fund for initial construction of the arenas (shown as a transfer between the two funds).
- The Materials Recovery Facility (MRF) Fund had a decrease in net position of \$0.1 million, mainly related to a decrease in material sales revenue due to a reduction in recyclable material being processed at the MRF, despite rebounding recycling markets. While the average price per ton for recyclables in 2022 was higher than in 2021 (2022: \$101/ton, 2021: \$95/ton), markets fluctuated because of changing economic conditions, ranging from \$28/ton to \$180/ton, impacting material sales.



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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 \$108.9 million, a decrease of \$1 million from prior year. Approximately \$63 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 \$12.5 million, including \$3.4 million for long-term receivables/advances; \$5.9 million for prepaid items and inventories; and \$3.2 million for delinquent property taxes.
- Restricted fund balance of \$14.1 million, including \$4.3 million restricted for park purposes, \$4.5 million restricted for Human Services purposes, \$3.8 million restricted for debt service, and \$1.5 million restricted for Community development.
- Committed fund balance of \$25.4 million. \$24.9 million is committed for capital projects; and \$0.5 million is committed for sick leave payouts and veteran services.
- Assigned fund balance of \$11 million, including \$7.7 million of funds assigned in the 2022 budget, \$1.4 million assigned for equipment replacement, \$1.2 million of funds assigned to the contingency fund, and the remaining \$0.7 million consists of jail assessment fees, seized funds, juror donations, dog donations and land information systems.

The remaining \$45.8 million, or 42.1%, of fund balance is unassigned, meaning it is available for spending at the government's discretion.

General Fund

The General fund is the chief operating fund of the County. The fund balance decreased by \$4.2 million for the year, reflecting excess expenditures over revenues of \$3.2 million, transfers in of \$1.8 million, and transfers out of \$2.8 million.

The main factor for the \$4.2 million decrease in fund balance is related to a \$8 million loss in investment earnings due to the fair value adjustment on the County's investments. The Federal Reserve increased interest rates significantly in 2022, and the subsequent rise in rates caused the fair value of the County's investments to decrease. This was partially offset by \$3.6 million in Public Health pandemic response funds.

At the end of the current fiscal year, the General fund's unassigned fund balance was \$49.8 million while total fund balance was \$69.7 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 26.5% percent of total General fund expenditures compared to 28% in 2021. Total fund balance represents 37% percent of General fund expenditures compared to 39% in 2021. 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.

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Special Purpose Grant Fund

The special purpose grant fund has a total fund balance of \$2.9 million, all of which is restricted to Human Services from Opioid Settlement. These funds are to be used to support treatment of Opioid Use Disorder (OUD) and any co-occurring Substance Use Disorder or Mental Health (SUD/MH) conditions through evidence-based or evidence-informed programs or strategies.

Debt Service Fund

The debt service fund has a total fund balance of \$3.8 million, all of which is restricted for the payment of debt service. This increased \$0.2 million from 2021.

Capital Projects Fund

The Capital Projects fund has a total fund balance of \$24.9 million, all of which is committed for existing and future capital projects. This decreased \$0.5 million from 2021 due to less contributed capital recorded for completed capital projects compared to 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 \$4.7 million increase in appropriations. Carryovers and open purchase orders accounted for 23% (\$1.1 million) of the increase. The balance of the increase from the original budget is due to the appropriation of an additional \$3.6 million, which predominately consists of the following appropriated funding:

- \$810,000 to Sheriff's department for a three dollar per hour salary adjustment for sworn non-represented law enforcement supervisors to be funded with American Rescue Plan Act (ARPA) revenues. The adjustment is to help improve retention and recruitment of law enforcement in a tight labor market.
- An additional \$313,000 to Sheriff's department for personnel expenses, including overtime due to coverage needed for COVID-19 sick leave and additional court security services, and operating expenses for personal protective equipment (PPE) related to preventing the spread of COVID-19 to be funded with ARPA revenues.
- \$1 million to Health and Human Services for additional operating expenditures for the Children's Long-Term Support (CLTS) waiver program relation for additional costs associated with reducing the waitlist of children into the program, as well as rising costs from service providers for goods and services. This program is supported with pass-through Medicaid funding from the State of Wisconsin and has no impact to the County.
- An additional \$347,500 to Health and Human Services to expand Comprehensive Community Services (CCS) to individuals, specifically youth, by delivering support to address unique client needs related to mental health and substance use. This expansion will increase capacity with the addition of five Senior Mental Health positions, two Clinical Therapists, two Human Services Supervisors, and one Senior Fiscal Specialist along with correlated technology and training costs.
- \$658,000 appropriated across multiple departments for inflationary impacts related to fuel, vehicle parts, and utilities to be funded with ARPA revenues. The ordinance was for \$1.6 million with the remaining going to Special Revenue and Proprietary Funds.

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Actual revenues in the General fund were below the final amended budget by \$10.7 million mainly due fair value adjustments on County investments as mentioned in Governmental Activities.

Actual expenditures in the General fund were \$12.6 million under budget. Of that amount, \$1.8 million was carried forward for budgeted projects which were not completed in 2022. Operating expenses were \$5.3 million under budget (\$2.9 million excluding carryovers and non-departmental) largely due to Health and Human Services being under budget by \$1.8 million, which mostly consists of following expenses no longer needed or coming in lower than expected: \$0.7 million lower for residential care center and child group homes expenses due to more placements into foster care; and \$1.1 million lower for CLTS contracted services due to lower spending for the CLTS service coordinators as there has been a lot of turnover in the contracted positions. General Fund personnel costs were under budget by \$6.3 million (5.3% of budget) with Health and Human Services making up \$3.6 million and Emergency Preparedness \$0.8 million. The Non-Departmental fund had an additional \$1.3 million in unallocated expenditure authority. The balance of the budget variance was spread across several program areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business-type activities at December 31, 2022, amounted to \$443.4 million (net of accumulated depreciation/amortization), a decrease of \$4 million from 2021. 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 61,885	\$ 61,838	\$ 10,289	\$ 10,289	\$ 72,174	\$ 72,127
Buildings	146,485	150,102	4,317	4,674	150,802	154,776
Land improvements	4,704	5,577	7,524	8,161	12,228	13,738
Machinery and equipment	5,402	6,057	8,912	9,976	14,314	16,033
Software	3,134	2,937	10	14	3,144	2,951
Vehicles	9,064	9,023	-	-	9,064	9,023
Infrastructure	152,927	153,090	-	-	152,927	153,090
Construction in Progress	28,147	25,441	582	215	28,729	25,656
Total	\$ 411,748	\$ 414,065	\$ 31,634	\$ 33,329	\$ 443,382	\$ 447,394

Further details of the County's capital assets can be found in Note 9 of the notes to the financial statements, pages 88-89.

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Long Term Debt

At December 31, 2022, the County had \$81.9 million 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, 2022 the County's total amount applicable to debt margin (outstanding notes less debt service fund balance) is \$78.2 million, which was well below the legal limit of \$3.8 billion. The net debt per capita equaled \$190 at year-end.

During the year, the County issued \$11.3 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 91-92.

ECONOMIC FACTORS AND THE 2023 BUDGET AND RATES

Revenue increased by \$39.5 million in the 2023 budget, including an increase in intergovernmental contracts and grant revenue of \$34 million, largely due to federal American Rescue Plan Act (ARPA) – Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) funding of \$29.3 million. This also includes \$1.7 million in case management and other revenues as part of a state mandate to eliminate the CLTS wait lists and an increase in CLTS-third party administrator revenues of \$2.5 million.

Charges for services increase by \$0.7 million largely due to a \$0.9 million increase in Comprehensive Community Services (CCS) revenues related to additional billable services for adolescents, a \$0.6 million increase in municipal police services provided by the Sheriff's department, a \$0.3 million increase for park system fees, and a \$0.2 million increase in Register of Deeds revenues for real estate transfer fees.

Interdepartmental revenues increase \$1.7 million, primarily from a \$0.7 million increase in Public Works - Central Fleet fuel charges related to higher fuel costs; a \$0.6 million increase in Non-Departmental-Health and Dental Insurance Fund premiums and HSA contributions charged to county departments, reflecting a 2.5% premium rate increase; and a \$0.4 million increase in End User Technology charges.

Other revenues increase \$0.7 million, or 3.7% to a total of \$20.2 million, mostly Health and Human Services revenues including \$729,800 of opioid class action lawsuit settlement proceeds, \$421,800 of Wisconsin Medicaid Cost Reporting (WIMCR) prior year settlement revenue, and \$348,800 of state institution collections revenue.

The federal American Rescue Plan Act (ARPA) of 2021, allocated approximately \$65.1 billion of funding to counties, including \$79 million to be allocated to the County based on population. Funds may be used to respond to the pandemic and its negative economic impacts (including assistance to affected households, businesses, and nonprofits), to pay for general government services to the extent of calculated revenue loss. The County received the first half of the funding in 2021 and the remaining in 2022. The County may use or obligate these funds through December 31, 2024 (with final spend by end of 2026). \$40.3 million in ARPA projects are incorporated in the 2023 budget including: \$20 million for a courthouse renovation project, \$3 million for economic impact programs, \$2.9 million for ERP system replacement, \$2.5 million for renovations of the Medical Examiner's office, \$1.2 million for Mental Health Center redesign, and \$1 million for pavement management plan (2023-2027).

WAUKESHA COUNTY, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
December 31, 2022

As the opioid crisis continues to tear across the country, more than 3,000 state and local governments have targeted opioid makers and distributors in hopes of recouping billions in tax dollars spent dealing with the opioid epidemic. In 2021, nationwide settlements were reached against Johnson & Johnson, a manufacturer of prescription opioids, and the three major pharmaceutical distributors — Amerisource Bergen, Cardinal Health, and McKesson. The three distributors collectively will pay up to \$21 billion over 18 years. Johnson & Johnson will pay up to \$5 billion over nine years with up to \$3.7 billion paid during the first three years. The total funding distributed will be determined by the overall degree of participation by both litigating and non-litigating state and local governments. Most of the money is to be spent on opioid treatment and prevention. Each state's share of the funds was determined by agreement among the states using a formula that considers the impact of the crisis on the state—including the number of overdose deaths, the number of residents with substance use disorder, the quantity of opioids delivered—and the population of the state. In late 2022, agreements were announced with three pharmacy chains—CVS, Walgreens, and Walmart—and two additional manufacturers—Allergan and Teva.

The County will receive approximately \$24.4 million, in total, through 2038 from these settlements. In 2022, the County received \$2.9 million in Opioid Settlements funds. The 2023 budget includes \$0.7 million to Health and Human Services divisions for youth placement services, outpatient treatment, drug testing, and inmate treatment.

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 Annual Comprehensive Financial Reports section.