


Memo

To: Marathon County Board of Supervisors
From: Samantha Fenske – Finance Director 
Date: November 8, 2024
Re: Fund Balance overview – as requested by County Administrator

This brief memo is offered at the request of Marathon County Administrator Lance Leonhard to provide additional information regarding the purpose of, and the current state of, Marathon County's various fund balances.

Initial Considerations

I have structured this memorandum based on the information available from the 2023 Audited Financial Statements, as that is the most updated audit financial report. That said, to give the most clear and helpful information to supervisors regarding the current state of our various balances, I have also included summary information relative to Board actions that would impact the respective balances that would not be reflected in the financial audit statements.

Applicable Definitions relating to Fund Balances within Governmental Funds:

- *Nonspendable:* Amounts that cannot be spent because they are not in spendable form or legal/contractual requirements require them to be maintained intact.
- *Restricted:* Amounts with constraints placed on their use by external groups or law.
- *Committed:* Amounts constrained for a specific purpose internally imposed through formal action (i.e. resolution).
- *Assigned:* Spendable amounts intended to be used for a specific purpose that do not meet the criteria for restricted or committed. This category includes assignments from oversight committees.
- *Unassigned:* Residual fund balance.

Other Helpful Definitions:

- *Net Position:* Assets less liabilities equals net position
- *Net Investment in Capital Assets:* Capital assets less accumulated depreciation and reduced by any bonds, mortgages, notes, or borrowings.
- *Restricted Net Position:* Net position with constraints placed on their use by (1) an external group such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation
- *Unrestricted Net Position:* All other net position that does not meet the definition of restricted or net investment in capital assets.

General Fund

The General Fund is a major fund of the County and it is the fund in which most departments operate. At the end of 2023, the Fund Balance was \$47,650,821. Any excess fund balance is rolled into the Capital Improvement Projects (CIP) Fund per the guiding principles set forth in county ordinance Section 1.51 and

the policies adopted as a result. The General Fund balance is used as a metric when analyzing the county from a financial aspect as well as qualifies the county for better bonding interest rates.

When assessing the General Fund Balance, it is important to categorize the amounts within the overall fund using the definitions referenced above. Please see below for said categorization.

General Fund Balance 12/31/2023		\$ 47,650,821
Nonspendable		
Inventories and Prepays	\$ 10,000	
Advances	\$ 2,371,150	
Non County Levy Portion of Del Prop Tax Receivable	\$ 3,160,896	
Total Nonspendable		\$ 5,542,046
Restricted		
UW Dorm Capital Maintenance	\$ 186,916	
Land Records	\$ 693,312	
Jail Assessment	\$ 590,298	
Total Restricted		\$ 1,470,526
Assigned		
Conservation (ATC powerline easement)	\$ 1,008,672	
Compensated Absences	\$ 887,900	
Total Assigned		\$ 1,896,572
Unassigned		
UW Extension Carryovers	\$ 60,025	
Sheriff Carryovers	\$ 93,943	
Health Carryovers	\$ 15,151	
CPZ Carryovers	\$ 884,104	
MCDEVCO Loan Program	\$ 1,204,469	
Library Carryovers	\$ 63,085	
Working Capital	\$ 29,798,541	
Remaining Unassigned	\$ 6,622,359	
Total Unassigned		\$ 38,741,677

Important Impacts Since 12/31/2023

- *Solid Waste Reserve Fund* – The lack of sufficient reserves in the Solid Waste Fund, as referenced below, may necessitate an Advance from the General Fund to meet significant capital expenditures, such as opening a new cell.
- *Loans from General Fund* - In 2024, a \$8 million dollar loan to Bug Tussel was approved through Resolution R-48-24. This will reduce the unassigned fund balance and therefore reduce the amount available for Capital Improvement Projects in future years.
- *Funds Applied* - The 2025 Budget includes \$9,523,241 of Funds Applied which includes the capital improvement transfer and carryovers.

Additional Context

To provide additional context with respect to the amount of our General Fund balance, I have included the following chart below, which was prepared by our auditor, Baker Tilly, in connection with the 2023 Audit. From my perspective, there are two primary takeaways from the chart. First, our unrestricted general fund balance, as a percentage of our annual expenditures, has remained relatively stable since 2019. Second, our unrestricted general fund balance remains below the median

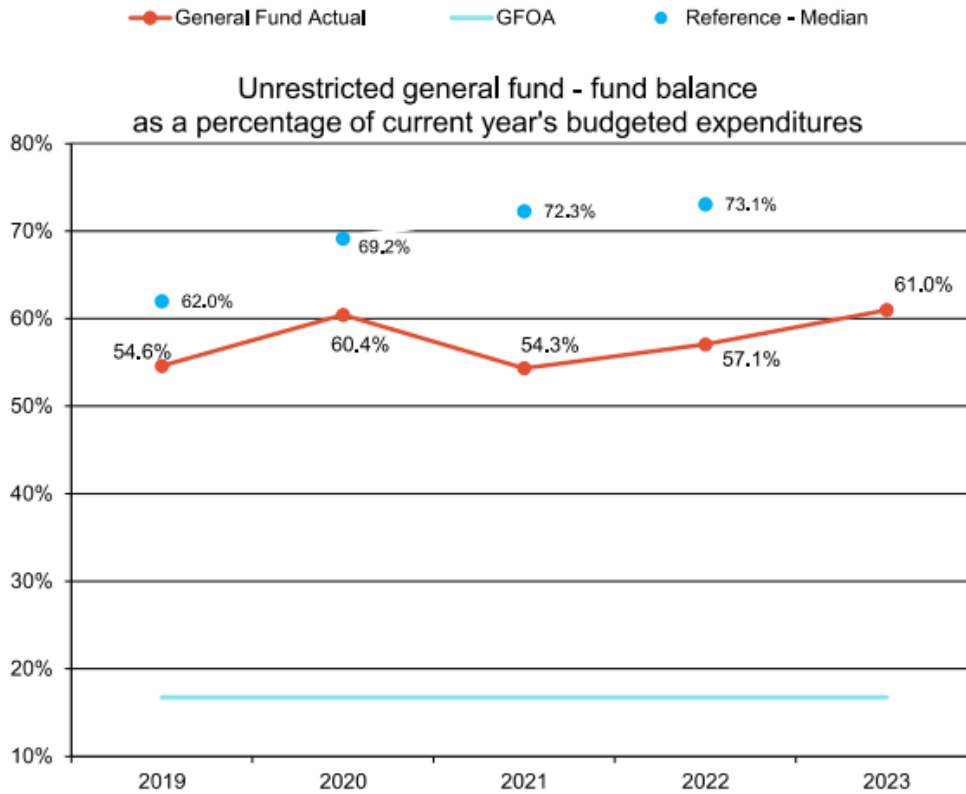
rate of Wisconsin counties audited by Baker Tilly. Moreover, that gap in fund balance between Marathon County and said peer counties grew to 16% in 2022.



Marathon County General fund - fund balance trends

Fund balance policy:

To maintain a working capital fund of 8.3% of general, social improvement and debt service fund's budgeted expenditures. This amount is reported in the unassigned fund balance each year.



Other reference values

GFOA recommends a minimum of no less than 2 months (16.7%) of general fund expenditures.

Median reference value generated from 2019 - 2022 Baker Tilly county client data.

Social Improvement Fund

Social Services is the sole department in the Social Improvement Fund. It currently is used for Social Services operations as their grants are now mainly in the Grant Fund. The ending fund balance for Social Services was \$6,042,170.

Marathon County Social Services serves as fiscal agent for the Income Maintenance Consortium for our region. Essentially, this means that we receive and expend the funds associated with this program. The funds are assigned and cannot be spent on any other purpose.

Similarly, Children’s Community Options Program (CCOP), Social Security Trust Account-SSA Beneficiaries, and Social Security Trust Account – SSA Dedicated are also only able to be spent on their respective programs.

In late 2023, the County Board Approved Resolution R-76-23 to be used as match for the construction of the Morgue up to \$4,230,000. Essentially, these funds are committed funds, which are not available for other uses, despite the fact they remain recorded on the 2023 audit.

Social Improvement Fund Balance 12/31/2023		\$ 6,042,170
Nonspendable		
Inventory	\$ 4,876	
<i>Total Nonspendable</i>		\$ 4,876
Assigned		
Income Maintenance Consortium	\$ 1,798,867	
CCOP	\$ 40,444	
Reserved for Morgue R-76-23	\$ 4,230,000	
Social Sec Trust Acct-SSA Beneficiaries	\$ 117,902	
Social Sec Trust Acct-SSA Dedicated	\$ 18,215	
<i>Total Assigned</i>		\$ 6,205,428
Unassigned	\$ (168,134)	
<i>Total Unassigned</i>		\$ (168,134)

Important Considerations:

- *High-Cost Placement Reserve* - In 2024, there is consideration to approve a \$400,000 out of home placement commitment in the Social Improvement Fund Balance.
- *Growing Out of Home Placement Costs* – As explained in detail in the 2025 budget message, out of Home Placement Costs continue to increase. Most notably, in the 2025-2027 Wisconsin Department of Corrections budget, the correctional care rate for youth placements is proposed to increase by 82% (which equates to an annual increase of \$390,000 per child in correctional care)

Highway Fund

The sole department in the Highway Fund is the Highway Department. Their ending fund balance as of 12/31/23 was \$64,230,213. The Highway Fund receives approximately \$3,000,000 of revenue from the vehicle registration fees (i.e., wheel tax). These funds are restricted in use by state statutes and are currently used to fund approximately half of our annual bituminous surfacing costs.

Highway Fund Balance 12/31/2023		\$ 64,230,213
Restricted		
Net Investment in Capital Assets	\$ 7,985,075	
<i>Total Restricted</i>		\$ 7,985,075
Unassigned		
Reserve for Capital Replacement	\$ 7,000,000	
Working Capital Calculation	\$ 3,409,253	
Remaining Unassigned	\$ 45,835,885	
<i>Total Unassigned</i>		\$ 56,245,138

Important Considerations:

- 2024 Reserve Expenditures
 - o 2024 annual budget provided for \$4,113,272 in funding from highway reserves.
 - o Resolution R-36-24 for Emergency Culvert funding in the amount of \$230,000
- 2025 Proposed Budget contains \$2,949,319 in reserve usage
- 2026 & 2027 STP Match Portions - \$4,728,565
 - o The county has been awarded projects with State/Local funding splits that will be constructed in future years, in which the county will be mandated to provide the above referenced funding.
- Highway Department (Wausau/Mosinee shop) Relocation
 - o A new Highway Building is the planning stages and is expected to use \$26,000,000 of reserves to fund the project.

Overall Impact - Future considerations total \$38,021,156 which, if subtracted from the “Remaining Unassigned” amount in the Fund Balance on 12/31/2023, would leave \$7,814,729. Stated differently, \$45,835,885 less the \$38,021,156.

Solid Waste Fund Balance:

Solid Waste is the sole department under the Solid Waste Fund. Pursuant to state law and applicable administrative code, municipal landfills are required to have funding allocated for sufficient long-term care and closure expenses.

As demonstrated in the chart below, the Solid Waste Fund does not have sufficient assets to meet the above referenced long-term care and closure expenses.

Solid Waste Fund Balance 12/31/2023		\$ 7,159,339
Restricted		
Net Investment in Capital Assets	\$ 16,439,774	
<i>Total Restricted</i>		\$ 16,439,774
Unrestricted		
Unrestricted	\$ (9,280,405)	
<i>Total Unassigned</i>		\$ (9,280,405)

Important Considerations:

- Potential support may be needed from the General Fund for significant capital expenditures.
- Long Term Care and Closure calculations are based on inflation and fall under WI DNR regulations. This requires the county to have special funding available for each of these. These changes can result in large cash reserves or letters of credit. Staff are working with the Solid Waste Management Board to evaluate opportunities to improve financial position while also meeting our long-term care and closure requirements.

Grants Funds:

The Grants Fund is used for grants. Revenues and expenditures will equal each other and any amounts in the Fund Balance are Restricted and cannot be used for anything other than for the grant allowable costs. This fund is also where Opioid and ARPA are recorded as both sources are restricted in their purposes.

Capital Improvements Fund:

This is a Fund for Capital Improvement projects. Any projects surpluses are allocated to the CIP funding plan. Excess fund balances from the General Fund and Social Improvement Fund are swept into CIP per the CIP funding policy.

Debt Service Fund:

The Debt Service Fund is restricted to debt payments and related costs.

Insurance Funds:

There is a fund for Property Casualty and Employee Benefits. These are custodial funds.