

LAFAYETTE COUNTY

Darlington, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

LAFAYETTE COUNTY

TABLE OF CONTENTS As of and for the Year Ended December 31, 2016

INDEPENDENT AUDITORS' REPORT	I – iii
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2 – 3
Fund Financial Statements	
Balance Sheet – Governmental Funds	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Net Position – Proprietary Funds	8 – 9
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	10
Statement of Cash Flows – Proprietary Funds	11 – 12
Statement of Assets and Liabilities – Agency Funds	13
Index to Notes to Financial Statements	14
Notes to Financial Statements	15 – 55
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	56 – 61
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Human Services Special Revenue Fund	62
Schedule of Proportionate Share of the Net Pension (Asset) Liability – Wisconsin Retirement System	63
Schedule of Employer Contributions – Wisconsin Retirement System	63
Notes to Required Supplementary Information	64

LAFAYETTE COUNTY

TABLE OF CONTENTS As of and for the Year Ended December 31, 2016

SUPPLEMENTARY INFORMATION

Combining Balance Sheet – Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	66
Combining Statement of Assets and Liabilities – Agency Funds	67
Statements of Net Position – Lafayette Manor Nursing Home of Lafayette County	68
Statements of Revenues, Expenses and Changes in Net Position – Lafayette Manor Nursing Home of Lafayette County	69
Statements of Cash Flows – Lafayette Manor Nursing Home of Lafayette County	70 – 71

INDEPENDENT AUDITORS' REPORT

To the Finance Committee and the Board of Supervisors
Lafayette County
Darlington, 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 Lafayette County, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Lafayette 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 did not audit the financial statements of the Memorial Healthcare Foundation, Inc., the discretely presented component unit of Lafayette County and the Memorial Hospital of Lafayette County, a major enterprise fund of Lafayette County. The Memorial Hospital of Lafayette County represents 52 percent, 56 percent and 56 percent, respectively, of the assets, net position and revenues of the business-type activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Memorial Healthcare Foundation, Inc. and the Memorial Hospital of Lafayette County, are based solely on the reports of the other auditors. 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.

To the Finance Committee and the Board of Supervisors
Lafayette County

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 Lafayette 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 Lafayette 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, based on our audit and the report of other auditors, 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 Lafayette County, Wisconsin, as of December 31, 2016 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.

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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

To the Finance Committee and the Board of Supervisors
Lafayette County

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lafayette 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. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Lafayette Manor Nursing Home of Lafayette County's basic financial statements for the year ended December 31, 2015, which are not presented with the accompanying financial statements. In our report dated July 28, 2016, we expressed an opinion that the 2015 individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2015, as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of Lafayette 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 Lafayette County's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
September 20, 2017

LAFAYETTE COUNTY

STATEMENT OF NET POSITION
As of December 31, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and investments	\$ 5,088,213	\$ 2,583,833	\$ 7,672,046	\$ 107,861
Receivables (net of allowance for uncollectibles)				
Taxes	5,385,930	2,114,614	7,500,544	-
Delinquent taxes	386,637	-	386,637	-
Accounts	239,561	2,089,481	2,329,042	-
Other	-	163,160	163,160	-
Loans	195,255	-	195,255	-
Due from other governments	518,467	1,180,548	1,699,015	-
Inventories	-	872,016	872,016	-
Prepaid items	385,864	341,468	727,332	-
Restricted Assets				
Cash and investments	249,222	6,142	255,364	-
Capital Assets				
Land	188,615	93,476	282,091	-
Construction in progress	510,902	60,772	571,674	-
Other capital assets, net of accumulated depreciation	13,214,329	7,482,960	20,697,289	-
Total Assets	<u>26,362,995</u>	<u>16,988,470</u>	<u>43,351,465</u>	<u>107,861</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related amounts	<u>3,497,622</u>	<u>4,586,821</u>	<u>8,084,443</u>	-
LIABILITIES				
Accounts payable	310,010	1,198,195	1,508,205	-
Accrued liabilities	427,924	433,023	860,947	-
Due to other governments	209,635	-	209,635	-
Unearned revenue	-	110,148	110,148	-
Deposits	63,089	-	63,089	-
Liabilities payable from restricted assets	-	6,142	6,142	-
Noncurrent Liabilities				
Due within one year	662,433	471,347	1,133,780	-
Due in more than one year	3,692,260	2,431,136	6,123,396	-
Total Liabilities	<u>5,365,351</u>	<u>4,649,991</u>	<u>10,015,342</u>	-
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	5,385,930	2,141,141	7,527,071	-
Pension-related amounts	1,320,125	1,762,406	3,082,531	-
Total Deferred Inflows of Resources	<u>6,706,055</u>	<u>3,903,547</u>	<u>10,609,602</u>	-
NET POSITION				
Net investment in capital assets	11,485,464	7,002,345	18,487,809	-
Restricted				
Grant purposes	124,436	-	124,436	-
Jail improvement	91,610	-	91,610	-
Land information	32,407	-	32,407	-
Donor-restricted	5,268	-	5,268	-
UW-Extension	6,897	-	6,897	-
Revolving loans	381,388	-	381,388	-
Debt service	104,726	-	104,726	-
Employee grants	-	-	-	6,207
Unrestricted	<u>5,557,015</u>	<u>6,019,408</u>	<u>11,576,423</u>	<u>101,654</u>
TOTAL NET POSITION	<u>\$ 17,789,211</u>	<u>\$ 13,021,753</u>	<u>\$ 30,810,964</u>	<u>\$ 107,861</u>

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental activities			
General government	\$ 2,806,611	\$ 437,424	\$ 183,215
Public safety	3,687,845	197,440	104,201
Public works	441,561	-	-
Health and human services	5,060,993	769,796	2,054,915
Culture, recreation and education	548,745	149,845	10,142
Conservation and economic development	541,324	65,656	194,389
Interest and fiscal charges	53,233	-	-
Total Governmental Activities	<u>13,140,312</u>	<u>1,620,161</u>	<u>2,546,862</u>
Business-type Activities			
Lafayette Manor	4,911,604	3,921,632	491,714
Memorial Hospital	14,356,409	14,066,296	9,409
Highway	6,468,696	3,292,743	1,318,812
Total Business-type Activities	<u>25,736,709</u>	<u>21,280,671</u>	<u>1,819,935</u>
Total Primary Government	<u>\$ 38,877,021</u>	<u>\$ 22,900,832</u>	<u>\$ 4,366,797</u>
Component Unit			
Memorial Healthcare Foundation, Inc.	\$ 30,681	\$ 12,060	\$ -
General Revenues			
Taxes			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Property taxes, levied for Lafayette Manor			
Property taxes, levied for Highway			
Sales taxes			
Other taxes			
Intergovernmental revenues not restricted to specific programs			
Investment income			
Miscellaneous			
Transfers			
Total General Revenues and Transfers			
Change in Net Position			
NET POSITION - Beginning			
NET POSITION - ENDING			

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	Component Unit
\$ (2,185,972)	\$ -	\$ (2,185,972)	\$ -
(3,386,204)	-	(3,386,204)	-
(441,561)	-	(441,561)	-
(2,236,282)	-	(2,236,282)	-
(388,758)	-	(388,758)	-
(281,279)	-	(281,279)	-
(53,233)	-	(53,233)	-
<u>(8,973,289)</u>	<u>-</u>	<u>(8,973,289)</u>	<u>-</u>
-	(498,258)	(498,258)	-
-	(280,704)	(280,704)	-
-	(1,857,141)	(1,857,141)	-
-	<u>(2,636,103)</u>	<u>(2,636,103)</u>	<u>-</u>
(8,973,289)	(2,636,103)	(11,609,392)	-
-	-	-	(18,621)
4,831,213	-	4,831,213	-
309,927	-	309,927	-
-	298,885	298,885	-
-	1,846,000	1,846,000	-
836,163	-	836,163	-
60,273	-	60,273	-
1,680,514	-	1,680,514	-
166,997	3,049	170,046	458
342,979	207,769	550,748	-
(399,451)	399,451	-	-
<u>7,828,615</u>	<u>2,755,154</u>	<u>10,583,769</u>	<u>458</u>
(1,144,674)	119,051	(1,025,623)	(18,163)
<u>18,933,885</u>	<u>12,902,702</u>	<u>31,836,587</u>	<u>126,024</u>
<u>\$ 17,789,211</u>	<u>\$ 13,021,753</u>	<u>\$ 30,810,964</u>	<u>\$ 107,861</u>

See accompanying notes to financial statements.

LAFAYETTE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	<u>General</u>	<u>Human Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 4,852,461	\$ 16,286	\$ 219,466	\$ 5,088,213
Receivables (net of allowances for uncollectibles)				
Taxes	3,173,319	1,767,904	444,707	5,385,930
Delinquent taxes	386,637	-	-	386,637
Accounts	129,299	84,961	25,301	239,561
Loans	-	-	195,255	195,255
Due from other governments	323,433	178,770	16,264	518,467
Prepaid items	346,415	35,581	3,868	385,864
Restricted Assets				
Cash and investments	-	63,089	186,133	249,222
TOTAL ASSETS	\$ 9,211,564	\$ 2,146,591	\$ 1,090,994	\$ 12,449,149
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 193,711	\$ 112,808	\$ 3,491	\$ 310,010
Accrued liabilities	365,207	58,061	4,656	427,924
Due to other governments	79,906	129,729	-	209,635
Deposits	-	63,089	-	63,089
Total Liabilities	<u>638,824</u>	<u>363,687</u>	<u>8,147</u>	<u>1,010,658</u>
Deferred Inflows of Resources				
Unearned revenue	3,173,319	1,767,904	444,707	5,385,930
Unavailable revenue	89,465	15,000	-	104,465
Total Deferred Inflows of Resources	<u>3,262,784</u>	<u>1,782,904</u>	<u>444,707</u>	<u>5,490,395</u>
Fund Balances				
Nonspendable	623,489	35,581	3,868	662,938
Restricted	260,618	-	634,272	894,890
Committed	750,000	-	-	750,000
Assigned	836,535	-	-	836,535
Unassigned	2,839,314	(35,581)	-	2,803,733
Total Fund Balances	<u>5,309,956</u>	<u>-</u>	<u>638,140</u>	<u>5,948,096</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 9,211,564	\$ 2,146,591	\$ 1,090,994	\$ 12,449,149

See accompanying notes to financial statements.

LAFAYETTE COUNTY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION For the Year Ended December 31, 2016

Total Fund Balances - Governmental funds	\$ 5,948,096
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and therefore, are not reported in the funds.	
Land	188,615
Construction in progress	510,902
Other capital assets, net of accumulated depreciation	13,214,329
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. See Note III.C.	104,465
The net pension liability does not relate to current financial resources and is not reported in the governmental funds.	(624,182)
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	3,497,622
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.	(1,320,125)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and notes payable	(2,886,735)
Compensated absences	<u>(843,776)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 17,789,211</u>

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2016

	General	Human Services	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,019,120	\$ 1,747,914	\$ 384,846	\$ 6,151,880
Intergovernmental	2,418,410	1,562,155	124,840	4,105,405
Licenses and permits	73,857	-	-	73,857
Fines, forfeitures and penalties	74,151	10,622	-	84,773
Public charges for services	804,695	822,767	28,268	1,655,730
Investment income	43,546	-	9,147	52,693
Miscellaneous	226,881	1,087	6,680	234,648
Total Revenues	7,660,660	4,144,545	553,781	12,358,986
EXPENDITURES				
Current				
General government	3,137,113	-	-	3,137,113
Public safety	3,370,785	-	-	3,370,785
Health and human services	790,951	3,956,065	282,464	5,029,480
Culture, recreation and education	535,197	-	-	535,197
Conservation and economic development	543,912	-	691	544,603
Capital outlay	395,992	-	-	395,992
Debt Service				
Principal	-	-	222,617	222,617
Interest and fiscal charges	-	-	53,233	53,233
Total Expenditures	8,773,950	3,956,065	559,005	13,289,020
Excess (deficiency) of revenues over (under) expenditures	(1,113,290)	188,480	(5,224)	(930,034)
OTHER FINANCING SOURCES (USES)				
Debt issued	1,526,431	-	-	1,526,431
Sale of capital assets	39,317	-	-	39,317
Transfers in	336,095	-	(100,000)	236,095
Transfers out	(448,929)	(188,480)	-	(637,409)
Total Other Financing Sources (Uses)	1,452,914	(188,480)	(100,000)	1,164,434
Net Change in Fund Balance	339,624	-	(105,224)	234,400
FUND BALANCES - Beginning	4,970,332	-	743,364	5,713,696
FUND BALANCES - ENDING	\$ 5,309,956	\$ -	\$ 638,140	\$ 5,948,096

See accompanying notes to financial statements.

LAFAYETTE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2016

Net change in fund balances - total governmental funds	\$ 234,400
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital additions as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives with depreciation expense reported in the statement of activities.

Capital additions are reported as capital outlay in the fund financial statements but are capitalized in the government-wide financial statements	395,992
Capital additions are reported as expenditures in the fund financial statements but are capitalized in the government-wide financial statements	795,435
Land purchase and infrastructure financed by the highway fund	1,863
Depreciation is reported in the government-wide statements	(812,654)

Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.	(20,396)
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Receivables not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.	(3,215)
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Debt and lease proceeds provide current financial resources to governmental funds, but issuing these obligations increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued	(1,526,431)
Principal repaid	222,617

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.

Net pension asset (liability)	(1,631,857)
Deferred outflows of resources related to pensions	2,497,584
Deferred inflows of resources related to pensions	(1,311,788)
Compensated absences	<u>13,776</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,144,674)</u>
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LAFAYETTE COUNTY

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2016

	Business-type Activities - Enterprise Funds			
	Lafayette Manor	Memorial Hospital	Highway	Totals
ASSETS				
Current Assets				
Cash and investments	\$ 50,749	\$ 2,218,906	\$ 314,178	\$ 2,583,833
Taxes receivable	291,796	-	1,822,818	2,114,614
Patient receivables, net of estimated uncollectibles	-	1,758,594	-	1,758,594
Resident receivables, net of estimated uncollectibles	330,887	-	-	330,887
Other receivables	-	163,160	-	163,160
Due from other governments	-	-	1,180,548	1,180,548
Inventories	34,817	271,312	565,887	872,016
Prepaid items	69,051	234,844	37,573	341,468
Total Current Assets	<u>777,300</u>	<u>4,646,816</u>	<u>3,921,004</u>	<u>9,345,120</u>
Noncurrent Assets				
Restricted assets				
Resident trust funds	6,142	-	-	6,142
Capital assets				
Land	18,020	19,799	55,657	93,476
Construction in progress	-	-	60,772	60,772
Depreciable capital assets, net of accumulated depreciation	637,455	4,095,750	2,749,755	7,482,960
Total Noncurrent Assets	<u>661,617</u>	<u>4,115,549</u>	<u>2,866,184</u>	<u>7,643,350</u>
Total Assets	<u>1,438,917</u>	<u>8,762,365</u>	<u>6,787,188</u>	<u>16,988,470</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension-related amounts	<u>1,391,849</u>	<u>2,406,559</u>	<u>788,413</u>	<u>4,586,821</u>

Business-type Activities - Enterprise Funds

	Lafayette Manor	Memorial Hospital	Highway	Totals
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 60,070	\$ 626,751	\$ 135,374	\$ 822,195
Accrued payroll and fringe benefits	112,111	185,175	135,087	432,373
Accrued interest	-	650	-	650
Current portion of compensated absences	127,032	194,725	61,513	383,270
Current portion of capital leases payable	-	26,768	-	26,768
Current portion of long-term debt	-	61,309	-	61,309
Amounts payable to third-party reimbursement programs	-	376,000	-	376,000
Unearned revenue	-	-	110,148	110,148
Total Current Liabilities	<u>299,213</u>	<u>1,471,378</u>	<u>442,122</u>	<u>2,212,713</u>
Noncurrent Liabilities				
Resident trust funds	6,142	-	-	6,142
Compensated absences	271,866	471,088	307,573	1,050,527
Capital leases payable	-	72,211	-	72,211
Net pension liability	254,112	439,230	140,481	833,823
Long-term debt	-	474,575	-	474,575
Total Noncurrent Liabilities	<u>532,120</u>	<u>1,457,104</u>	<u>448,054</u>	<u>2,437,278</u>
Total Liabilities	<u>831,333</u>	<u>2,928,482</u>	<u>890,176</u>	<u>4,649,991</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	291,796	-	1,849,345	2,141,141
Pension-related amounts	537,117	928,205	297,084	1,762,406
Total Deferred Inflows of Resources	<u>828,913</u>	<u>928,205</u>	<u>2,146,429</u>	<u>3,903,547</u>
NET POSITION				
Net investment in capital assets	655,475	3,480,686	2,866,184	7,002,345
Unrestricted	515,045	3,831,551	1,672,812	6,019,408
TOTAL NET POSITION	<u>\$ 1,170,520</u>	<u>\$ 7,312,237</u>	<u>\$ 4,538,996</u>	<u>\$ 13,021,753</u>

See accompanying notes to financial statements.

LAFAYETTE COUNTY

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

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			
	Lafayette Manor	Memorial Hospital	Highway	Totals
OPERATING REVENUES				
Charges for services	\$ 3,826,854	\$ 14,023,425	\$ 3,292,743	\$ 21,143,022
Other operating revenue	94,778	42,871	-	137,649
Total Operating Revenues	<u>3,921,632</u>	<u>14,066,296</u>	<u>3,292,743</u>	<u>21,280,671</u>
OPERATING EXPENSES				
Lafayette Manor expenses	4,829,611	-	-	4,829,611
Memorial Hospital expenses	-	13,775,559	-	13,775,559
Highway expenses	-	-	6,212,139	6,212,139
Depreciation	81,993	559,389	258,420	899,802
Total Operating Expenses	<u>4,911,604</u>	<u>14,334,948</u>	<u>6,470,559</u>	<u>25,717,111</u>
Operating Loss	<u>(989,972)</u>	<u>(268,652)</u>	<u>(3,177,816)</u>	<u>(4,436,440)</u>
NONOPERATING REVENUES (EXPENSES)				
General property taxes	298,885	-	1,846,000	2,144,885
Investment income	14	3,035	-	3,049
Interest expense	-	(21,461)	-	(21,461)
Intergovernmental grants	491,714	9,409	1,318,812	1,819,935
Miscellaneous revenue	27	76,770	116,264	193,061
Donations and contributions	-	14,708	-	14,708
Total Nonoperating Revenues	<u>790,640</u>	<u>82,461</u>	<u>3,281,076</u>	<u>4,154,177</u>
Income (Loss) Before Transfers	<u>(199,332)</u>	<u>(186,191)</u>	<u>103,260</u>	<u>(282,263)</u>
TRANSFERS				
Transfers in	48,929	-	400,000	448,929
Transfers out	-	-	(47,615)	(47,615)
Total Transfers	<u>48,929</u>	<u>-</u>	<u>352,385</u>	<u>401,314</u>
Change in Net Position	<u>(150,403)</u>	<u>(186,191)</u>	<u>455,645</u>	<u>119,051</u>
NET POSITION - Beginning	<u>1,320,923</u>	<u>7,498,428</u>	<u>4,083,351</u>	<u>12,902,702</u>
NET POSITION - ENDING	<u>\$ 1,170,520</u>	<u>\$ 7,312,237</u>	<u>\$ 4,538,996</u>	<u>\$ 13,021,753</u>

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds			
	Lafayette Manor	Memorial Hospital	Highway	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from and on behalf of residents, patients and users	\$ 3,880,057	\$ 15,563,227	\$ 2,894,931	\$ 22,338,215
Cash paid to suppliers and contractors for goods and services	(1,180,614)	(7,453,107)	(4,961,098)	(13,594,819)
Cash payments to employees for operating payroll	(3,514,724)	(5,606,392)	(1,304,393)	(10,425,509)
Net Cash Flows From Operating Activities	<u>(815,281)</u>	<u>2,503,728</u>	<u>(3,370,560)</u>	<u>(1,682,113)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	14	3,035	-	3,049
Net Cash Flows From Investing Activities	<u>14</u>	<u>3,035</u>	<u>-</u>	<u>3,049</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
General property tax revenues	298,885	-	1,846,000	2,144,885
Transfers in	48,929	-	400,000	448,929
Transfers out	-	-	(47,615)	(47,615)
Intergovernmental grants and contributions	491,714	24,117	1,318,812	1,834,643
Nonoperating income	-	76,770	-	76,770
Net Cash Flows From Noncapital Financing Activities	<u>839,528</u>	<u>100,887</u>	<u>3,517,197</u>	<u>4,457,612</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments on capital leases	-	(68,401)	-	(68,401)
Payments on land contract	-	-	(4,988)	(4,988)
Payments on long-term debt	-	(59,764)	-	(59,764)
Interest paid	-	(21,461)	-	(21,461)
Acquisition of capital assets	(58,417)	(389,720)	(618,378)	(1,066,515)
Net Cash Flows From Capital and Related Financing Activities	<u>(58,417)</u>	<u>(539,346)</u>	<u>(623,366)</u>	<u>(1,221,129)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(34,156)	2,068,304	(476,729)	1,557,419
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>91,047</u>	<u>150,602</u>	<u>790,907</u>	<u>1,032,556</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 56,891</u>	<u>\$ 2,218,906</u>	<u>\$ 314,178</u>	<u>\$ 2,589,975</u>

	Business-type Activities - Enterprise Funds			
	Lafayette Manor	Memorial Hospital	Highway	Totals
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating loss	\$ (989,972)	\$ (268,652)	\$ (3,177,816)	\$ (4,436,440)
Non-operating income	27	-	116,264	116,291
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities				
Depreciation	81,993	559,389	258,420	899,802
Provision for bad debts	-	157,429	-	157,429
Change in Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources				
Patient receivables, net	-	(32,244)	-	(32,244)
Resident receivables, net	(36,901)	-	-	(36,901)
Other receivable	-	(92,040)	-	(92,040)
Estimated third party payor settlements	-	1,245,215	-	1,245,215
Inventories	7,477	68,741	(22,012)	54,206
Prepaid items	1,894	325	(3,632)	(1,413)
Accounts payable	(11,488)	254,453	(11,859)	231,106
Due to/from other funds	-	(13,689)	-	(13,689)
Accrued payroll and fringe benefits	(8,103)	31,368	36,749	60,014
Due to/from other governments	(12,606)	-	(493,962)	(506,568)
Resident trust funds	(4,701)	-	-	(4,701)
Compensated absences	6,696	(3,381)	(33,006)	(29,691)
Accounts payable to third-party reimbursement programs	-	376,000	-	376,000
Pension-related amounts	150,403	220,814	89,134	460,351
Unearned revenue	-	-	(128,840)	(128,840)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (815,281)	\$ 2,503,728	\$ (3,370,560)	\$ (1,682,113)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and investments	\$ 50,749	\$ 2,218,906	\$ 314,178	\$ 2,583,833
Restricted assets - resident trust funds	6,142	-	-	6,142
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 56,891	\$ 2,218,906	\$ 314,178	\$ 2,589,975
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
None				

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 214,137
Taxes receivable	190,628
Due from other governments	<u>32,339</u>
TOTAL ASSETS	<u>\$ 437,104</u>
LIABILITIES	
Due to other taxing units	\$ 190,628
Accounts payable	2,192
Funds held for others	<u>244,284</u>
TOTAL LIABILITIES	<u>\$ 437,104</u>

See accompanying notes to financial statements.

LAFAYETTE COUNTY

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE	<u>Page</u>
I. Summary of Significant Accounting Policies	15
A. Reporting Entity	15
B. Government-Wide and Fund Financial Statements	16
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	18
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	19
1. Deposits and Investments	19
2. Receivables	20
3. Net Patient Service Revenue	23
4. Inventories and Prepaid Items	23
5. Restricted Assets	23
6. Capital Assets	23
7. Deferred Outflows of Resources	24
8. Compensated Absences	24
9. Long-Term Obligations	25
10. Deferred Inflows of Resources	25
11. Equity Classifications	25
12. Charity Care	27
13. Electronic Health Record Incentive Funding	27
14. Pension	28
II. Stewardship, Compliance, and Accountability	28
A. Excess Expenditures and Other Financing Uses Over Appropriations	28
B. Limitations on the County's Tax Levy	28
III. Detailed Notes on All Funds	29
A. Deposits and Investments	29
B. Charity Care	30
C. Receivables	30
D. Net Patient Service Revenue	32
E. Restricted Assets	34
F. Capital Assets	34
G. Interfund Transfers	38
H. Long-Term Obligations	39
I. Lease Disclosures	41
J. Net Position/Fund Balances	42
K. Component Unit	43
IV. Other Information	45
A. Employees' Retirement System	45
B. Risk Management	51
C. Commitments and Contingencies	52
D. Joint Ventures	53
E. Related Organizations	53
F. Economic Dependency	53
G. Concentration of Credit Risks	54
H. Subsequent Events	54
I. Effect of New Accounting Standards on Current-Period Financial Statements	55

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lafayette County, Darlington, Wisconsin (the “county”) 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).

Reporting Entity

This report includes all of the funds of the 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 primary government is financially accountable if (1) it appoints a voting majority of the organization’s governing body and is able to impose its will on that organization; (2) it appoints a voting majority of the organization’s governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government; (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax-exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government, or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or had the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and its component unit have substantively the same governing body and a financial benefit or burden relationship exists; (2) the primary government and the component unit have substantially the same governing body and management of the primary government has operational responsibility for the component unit; (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens; or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

Discretely Presented Component Unit

Memorial Healthcare Foundation, Inc.

The government-wide financial statements include the Memorial Healthcare Foundation, Inc. (the “Foundation”) as a component unit. The Foundation is a legally separate organization. The board of the Foundation is made up of volunteers from the county at large. See Note III.K. As a component unit, the Foundation’s financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2016. Separately issued financial statements of the Foundation may be obtained from the Foundation’s office.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide 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.

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.

Funds are organized as major funds or onmajor 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% 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% test is at least 5% 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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Separate financial statements are provided for governmental funds 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.

The county reports the following major governmental funds:

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

Human Services Special Revenue Fund – used to account for and report grants and local revenues legally restricted or committed to supporting expenditures for human services related programs.

The county reports the following major enterprise funds:

Lafayette Manor Nursing Home (the “Nursing Home”) – accounts for operations of a long-term health care facility.

Memorial Hospital (the “Hospital”) – accounts for operations of an acute care critical access hospital.

Highway (the “Highway”) – accounts for funds used to maintain and improve roadways within the county’s jurisdiction.

The county reports the following onmajor governmental 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
Revolving loan

Debt Service Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs.

Debt Service

In addition, the county reports the following fund types:

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. Agency funds include the Sheriff Commissary, Clerk of Court, DMV Vehicle Service, Tri-County Trails Commission, and Tax Collection.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the county's highway department and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 except for federal and state grant type payments and human services reimbursable grants, for which available is defined as six months. 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.

Sales taxes are recognized as revenues in the year in which the underlying sales relating to it takes place.

Intergovernmental aids and grants are recognized as revenues in the period the county is entitled 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 reported as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public 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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Fund Financial Statements (cont.)

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 proprietary 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 Nursing Home, the Hospital and the Highway funds are charges to residents, patients, and 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.

All Financial Statements

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, 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

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.

Investment of county funds is restricted by state statutes. 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 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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

Deposits and Investments (cont.)

The county follows the state statute for allowable investments but has not formally adopted an investment policy.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. The county does not have any investments subject to fair value. 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 income. Investment income on commingled investments of various accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

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 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, 2016, 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 III.A. for further information.

2. Receivables

Property Taxes

Property taxes are levied in December on the assessed value as of the prior January 1. They are not legally available for appropriation until the ensuing year. In addition to property taxes for the county, taxes are collected for and remitted to the state government as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the Statement of Assets and Liabilities – Agency Funds.

Property tax calendar – 2016 tax roll:

Lien date and levy date	December 2016
Tax bills mailed	December 2016
Payment in full, or	January 31, 2017
First installment due	January 31, 2017
Second installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Tax sale – 2016 delinquent real estate taxes	October 2019

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

2. Receivables (cont.)

Property Taxes (cont.)

Property taxes are due, in the year subsequent to levy, on the last day of January, and collected by local treasurers through that date, at which time unpaid taxes are assigned to the county and appropriate receivables and payables are recorded. Tax collections become the responsibility of the county and taxes receivable include unpaid taxes levied for all taxing entities within the county. The county makes restitution to local districts in August for payables recorded at the settlement date without regard to collected funds. A lien is placed on all properties for which a portion of the current tax levy remains unpaid as of September 1. The interest and penalties on taxes not paid within 60 days of the end of the current fiscal period is shown as unavailable revenue until it is received in cash.

The portion of county property taxes receivable at December 31, 2016, which relates to taxes initially levied by other municipalities and uncollected within sixty days after year-end, has been reflected in the accompanying financial statements as nonspendable fund balance of the general fund in the amount of \$277,074.

Uncollectible Accounts

Accounts receivable in all funds have been adjusted for all known uncollectible accounts. No allowance for uncollectible delinquent taxes has been provided because of the county's demonstrated ability to recover any losses through the sale of the applicable property.

The Nursing Home uses the allowance method to provide for losses from uncollectible accounts. The allowance is maintained at a level which management feels is sufficient to cover potential uncollectible accounts. Refer to Note III.C.

The Hospital patient receivables are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for uncollectible accounts, which reflect management's best estimate of the accounts that will not be collected.

Interfund Transactions

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."

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

2. Receivables (cont.)

Sales Taxes

The county has a 0.5% sales tax which is collected by the State of Wisconsin and remitted to the county monthly. Sales tax is accrued as a receivable when the underlying sale relating to it takes place. At December 31, 2016, the county has accrued two months of subsequent year's collections as receivable.

Loans

The county has received federal grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The county records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts. Refer to Note III.C.

It is the county's policy to record revenue when the initial loan is made from the federal grant funds. When new loans are made from loan repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year-end are presented as restricted fund balance in the fund financial statements.

Lafayette Manor

Nursing Home revenues are recorded based on actual service rendered, with billings made to residents monthly. The Nursing Home does not accrue revenues beyond such billing dates. The Nursing Home does not charge interest on its receivables.

Resident accounts receivable includes amounts receivable for services rendered to residents under the Title XIX Wisconsin Medical Assistance Program (Medicaid). The Nursing Home reported revenues of approximately \$1,665,000 from the Title XIX residents in 2016. These revenues are subject to audit and retroactive adjustment by the Medical Assistance Programs. Resident accounts receivable also includes amounts receivable for services rendered to residents under the Medicare Program. The Nursing Home reported revenues of approximately \$573,000 from the Medicare Program in 2016. These revenues are subject to audit and retroactive adjustment by the Medicare Program. All receivables are considered to be collectable in the following year.

Memorial Hospital

Patient receivables are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. The Hospital does not have a policy to charge interest on its past due accounts. Payments of patient receivables are applied to the specific claims identified on the remittance advice or statement.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

3. Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retroactive adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

For uninsured patients who do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Facility records a provision for bad debts related to uninsured patients in the period the services are provided.

4. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work – not for resale. They are valued on the first-in, first-out basis of costing and are charged to operation and maintenance expense when used.

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.

5. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

6. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets, with the exception of those reported in the Nursing Home fund which reports general capital assets with an initial cost of \$500 or more, and an estimated useful life in excess of one year. Infrastructure assets include those with an initial cost of \$25,000 or more for bridges and \$100,000 for roads, 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 fair value at the date of donation.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

6. Capital Assets (cont.)

Government-Wide Statements (cont.)

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 was capitalized during the current year. 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.

Depreciation of all exhaustible capital assets are recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Land improvements	10-25
Buildings and improvements	3-60
Machinery and equipment	3-25
Infrastructure	25-50
Leased equipment	5-10

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.

7. 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/expenditure) until that future time.

8. Compensated Absences

Under terms of employment, employees are granted sick leave, vacation, floating, personal and compensation benefits in varying amounts.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

8. Compensated Absences (cont.)

The county's employees earn one day of sick leave per month. Administrative employees and union employees can accumulate a maximum of 960 hours. Under the county's personnel policy, employees who retire under the Wisconsin Retirement System or retire due to disability shall have their accumulated sick leave paid out to them at their current rate of pay. The payment may be in the form of a lump sum or in bi-weekly installments. At the end of each calendar year, the county shall pay each employee 50% of the excess over the 960 hours maximum accumulation. The accrued sick liability was \$1,575,342, and was estimated using probabilities based on the age of each employee. The accrued vacation liability was \$702,231 for a total compensated absences liability (sick and vacation) as of December 31, 2016 of \$2,277,573.

Payments for sick leave, vacation, personal days, floating holidays and other compensation benefits will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2016 are determined on the basis of current salary rates and include salary related payments. All vested vacation and sick leave pay is accrued when incurred in the county's financial statements.

9. 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 liabilities in the fund financial statements. The face value of debts (plus any premiums) 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.

10. 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.

11. Equity Classifications

Government-Wide Statements

Net position is classified and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation 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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

11. Equity Classifications (cont.)

Government-Wide Statements (cont.)

- 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 position that does 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, then unrestricted resources as they are needed.

Governmental fund balances are displayed as follows:

- a. Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted – Consists of fund balances 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. Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the county. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the county that originally created the commitment.
- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The board may take official action to assign amounts. Assignments may take place after the end of the reporting period.
- e. Unassigned – 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 specific 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 documents/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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

11. Equity Classifications (cont.)

Government-Wide Statements (cont.)

The stabilization fund is contained as a committed balance within the general fund and is included in each annual budget. The stabilization fund shall not be used except in the following circumstances:

1) externally imposed reductions in revenue due to: a) reductions in revenue support from other governments, b) user fees or c) dramatic and immediate changes in economic or financial condition of Lafayette County (i.e. reduction in sales tax, interest income or property taxes) or 2) unforeseen external factors such as a natural disaster which results in an unforeseen and dramatic increase in, and it must have a financial impact whereby due to the immediate (current budget year) and severe impact of these reductions, the actual expenditures exceed revenues in the general fund by at least 7.2%, or in aggregate for tax levy supported funds by 4.6%, or in any case where the county is unable to meet its current general obligation debt service commitments with currently available resources, or where the general fund's unassigned fund balance is a deficit at the end of a calendar year after all transactions have been recorded. The county's resolution does not address the requirements for additions to the stabilization fund. The balance in the account at year-end was \$750,000. See Note III.J.

12. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Hospital maintains records to identify the amount of charges foregone for services and supplies furnished under the charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient revenue in the accompanying statement of revenue, expenses, and changes in net position. See Note III.B.

13. Electronic Health Record Incentive Funding

The American Recovery and Reinvestment Act of 2009 ("ARRA") provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified electronic health record ("EHR") technology. These provisions of ARRA, collectively referred to as the Health Information Technology and Clinical Health Act (the "HITECH Act"), are intended to promote the adoption and meaningful use of health information technology and qualified EHR technology.

The Hospital recognizes revenue for I incentive payments when there is a reasonable assurance that the Hospital will meet the conditions of the program, primarily demonstrating meaningful use of certified I technology for the applicable period. The demonstration of meaningful use is based on meeting a series of objectives. Meeting the series of objectives in order to demonstrate meaningful use becomes progressively more stringent as its implementation is phased in through stages as outline by the Centers for Medicare and Medicaid Services (CMS).

Amounts recognized under the I incentive programs are based on qualifying costs expended for I technology and are subject to audit by fiscal intermediaries; accordingly, amounts recognized are subject to change. In addition, the Hospital's attestation of its compliance with the meaningful use criteria is subject to audit by the federal government or its designee.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

14. Pension

For purposes of measuring the net pension liability (asset), 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.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess Expenditures and Other Financing Uses Over Appropriations

<u>Funds</u>	<u>Budgeted Expenditures and Other Financing Uses</u>	<u>Actual Expenditures and Other Financing Uses</u>	<u>Excess Expenditures and Other Financing Uses Over Budget</u>
General	\$ 8,500,401	\$ 9,222,879	\$ 722,478
Revolving loan	-	691	691

The county controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those can be found in the county's year-end budget to actual report.

B. LIMITATIONS ON THE COUNTY'S TAX LEVY

Wisconsin law limits the county's future tax levies. Generally, the county is limited to its prior tax levy dollar amount (excluding TIF districts), 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 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The county maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

The county's cash and investments at year-end were comprised of the following:

	Carrying Value	Statement Balance	Associated Risks
Deposits	\$ 8,030,392	\$ 8,853,367	Custodial credit
LGIP	42,499	42,499	Credit
Petty cash	1,850	-	N/A
Cash on hand	66,806	-	N/A
Total Cash and Investments	\$ 8,141,547	\$ 8,895,866	

Reconciliation to financial statements

Per statement of net position

Unrestricted cash and investments	\$ 7,672,046
Restricted cash and investments	255,364

Per statement of assets and liabilities –

Agency Funds	214,137
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Total Cash and Investments	\$ 8,141,547
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Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

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. This coverage has not been considered in computing the custodial credit risk.

The county maintains collateral agreements with its banks. At December 31, 2016, the banks had pledged various government securities of \$5,505,429 to secure the county's deposits.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the county's deposits may not be returned to the county.

As of December 31, 2016, \$2,428,006 of the county's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,428,006
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LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

Deposits and Investments (cont.)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

At December 31, 2016, the county had investments in the following external pool which is not rated:

Local Government Investment Pool

See Note I.D.1. for further information on deposits and investments.

B. CHARITY CARE

The estimated cost of providing care to patients under the Hospital's charity care policy was approximately \$14,000 in 2016.

The cost was calculated by multiplying the ratio of cost to gross charges for the Hospital times the gross uncompensated charges associated with providing charity care.

C. RECEIVABLES

Receivables not expected to be collected within one year include \$386,637 of delinquent taxes in the general fund and \$131,704 of loans receivable in the revolving loan fund.

Total uncollectible amounts related to revenues of the current period are as follows:

Human services – accounts receivable	\$	537,146
Lafayette Manor Nursing Home – resident accounts receivable		27,756
Memorial Hospital of Lafayette County – allowance for uncollectible accounts		411,600
Memorial Hospital of Lafayette County – contractual adjustments		1,025,100
Revolving loan fund – loans receivable		<u>63,281</u>
Total Uncollectibles – December 31, 2016	\$	<u><u>2,064,883</u></u>

Governmental funds report *unavailable or deferred inflows* 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 *deferred inflows* reported in the governmental funds were as follows:

	Unearned	Unavailable
Property taxes receivable for subsequent year	\$ 5,385,930	\$ -
Delinquent property taxes receivable	-	78,186
Other unavailable receivables	-	<u>26,279</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 5,385,930</u>	<u>\$ 104,465</u>

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

C. RECEIVABLES (cont.)

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 reflected as unavailable revenue and are excluded from the fund balance until collected. At December 31, 2016, delinquent property taxes by year levied consists of the following:

Tax Certificates		
2015	\$	201,958
2014		104,736
2013		51,650
2012		5,956
2011		5,557
2010		3,641
2009		4,944
2008		4,625
2007		3,535
2006		<u>35</u>
Total Delinquent Property Taxes Receivable		<u>386,637</u>
Less: January and February 2017 collections		<u>(31,673)</u>
Subtotal		354,964
County levied portion		<u>(77,890)</u>
County Purchased Portion	\$	<u><u>277,074</u></u>

At the end of the current fiscal year, the various components of *unearned revenue* reported in the enterprise funds were as follows:

		<u>Unearned</u>
Property taxes receivable for subsequent year	\$	2,114,614
Grant drawdowns prior to meeting all eligibility requirements		110,148
Transportation cost pools		<u>26,527</u>
Total Unearned Revenue For Enterprise Funds	\$	<u><u>2,251,289</u></u>
Unearned revenue included in liabilities		110,148
Unearned revenue included in deferred inflows		<u>2,141,141</u>
Total	\$	<u><u>2,251,289</u></u>

For economic development loans, the county is limited by the Wisconsin Department of Administration to the amount of program income from economic development loans that it may retain to be loaned to other businesses and/or the amount of time for which funds may be held without use. Program income includes the principal and interest received from economic development loans repayments.

At December 31, 2016, the county has not exceeded the maximum amount of program income that it may retain or the amount of time for which funds may be held without use. When it does, a liability to the state will be recorded.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

D. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital Services

Medicare – The Hospital is designated as a Critical Access Hospital (CAH) with reimbursement based upon cost for inpatient, swing bed, and outpatient services with the exception of certain lab and radiology services, which are reimbursed based on fee schedules. Professional services provided by physicians and other clinicians are reimbursed based upon prospectively determined fee schedules.

Medicaid – The Hospital's reimbursement is based on a form of cost, determined prospectively based on prior filed cost reports, for inpatient and outpatient services with the exception of certain lab and therapy services, which are reimbursed based on fee schedules. Professional services provided by physicians and other clinicians are reimbursed upon prospectively determined fee schedules.

Others – The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations, and the State of Wisconsin county agencies. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Accounting for Contractual Arrangements

The Hospital is reimbursed for certain cost-reimbursable items at interim rates with final settlements determined after audit of the related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2014.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

D. NET PATIENT SERVICE REVENUE (cont.)

Wisconsin Hospital Assessments

Under legislation enacted by the State of Wisconsin, eligible CAHs, including the Hospital, are required to pay the State an annual assessment. The assessment period is the State's fiscal year, which runs from July to June. The assessment is based on each hospital's gross inpatient revenue, as defined. The revenue generated from the assessment is to be used, in part, to increase overall reimbursement under the Wisconsin Medicaid program through the development of an access payment system. Under the CAH payment system, the Wisconsin Medicaid program pays a hospital specific amount per discharge for inpatient and outpatient services, determined based on prior hospital cost reports, plus an additional access payment. In exchange for receiving these access payments, the State of Wisconsin eliminated retrospective cost report settlements to CAHs effective July 1, 2010, other than for certain laboratory services.

Net patient service revenue consisted of the following:

	2016
Gross patient revenue	
Inpatient services	\$ 5,902,370
Outpatient services	16,295,439
Other services	434,553
Total Gross Patient Service Revenue	22,632,362
Contractual adjustments and provision for bad debt	
Contractual adjustments	8,451,508
Provision for bad debts	157,429
Net Patient Service Revenue	\$ 14,023,425

The following table reflects the approximate portion of gross patient service revenue provided to patients whose bills were paid in full or in part by the following programs or third-party payors, which are considered to be the significant sources of revenue for the Hospital for the year ended December 31, 2016:

Medicare and Medicare Advantage Plans	44%
Medicaid and Medicaid Health Maintenance Organization (HMO) Plans	10%
Other third-party payors	41%
Private pay	5%
Totals	100%

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

E. RESTRICTED ASSETS

Human Services has restricted assets in the amount of \$63,089. These restricted assets represent clients' funds held for safekeeping by Human Services. The funds are maintained in a checking account. All interest earned is added to the respective client's balance.

The Nursing Home has restricted assets in the amount of \$6,142. These restricted assets represent residents' funds held for safekeeping by the Nursing Home. The funds are maintained in individual savings accounts and the balance in a checking account. All interest earned is added to the respective resident's balance.

The Revolving Loan fund has restricted assets in the amount of \$186,133. These restricted assets represent funds held for future loans.

F. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

Governmental Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 16,000	\$ 172,615	\$ -	\$ 188,615
Construction in process	762,615	220,337	472,050	510,902
Total Capital Assets Not Being Depreciated	778,615	392,952	472,050	699,517
Capital assets being depreciated				
Buildings and improvements	2,635,562	1,154,584	34,692	3,755,454
Machinery and equipment	1,937,776	115,941	73,255	1,980,462
Infrastructure	22,183,898	1,863	-	22,185,761
Total Capital Assets Being Depreciated	26,757,236	1,272,388	107,947	27,921,677
Less: Accumulated depreciation for				
Buildings and improvements	(1,531,061)	(112,736)	34,692	(1,609,105)
Machinery and equipment	(1,282,500)	(227,708)	52,859	(1,457,349)
Infrastructure	(11,168,684)	(472,210)	-	(11,640,894)
Total Accumulated Depreciation	(13,982,245)	(812,654)	87,551	(14,707,348)
Net Capital Assets Being Depreciated	12,774,991	459,734	20,396	13,214,329
Total Governmental Activities Capital Assets, Net of Depreciation	\$ 13,553,606	\$ 852,686	\$ 492,446	\$ 13,913,846

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

F. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 85,152
Public safety	196,890
Public works	472,210
Health and human services	42,743
Culture, recreation and education	10,385
Conservation and development	5,274

Total Governmental Activities Depreciation Expense	\$ 812,654
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Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Highway				
Capital assets not being depreciated				
Land	\$ 55,657	\$ -	\$ -	\$ 55,657
Construction in progress	241,525	19,117	199,870	60,772
Total Capital Assets Not Being Depreciated	297,182	19,117	199,870	116,429
Capital assets being depreciated				
Land improvements	137,413	-	-	137,413
Buildings and improvements	1,410,941	-	-	1,410,941
Machinery and equipment	6,554,006	876,469	433,589	6,996,886
Total Capital Assets Being Depreciated	8,102,360	876,469	433,589	8,545,240
Less: Accumulated depreciation for				
Land improvements	(76,972)	(4,906)	-	(81,878)
Buildings and improvements	(932,900)	(35,152)	-	(968,052)
Machinery and equipment	(4,883,444)	(209,515)	347,404	(4,745,555)
Total Accumulated Depreciation	(5,893,316)	(249,573)	347,404	(5,795,485)
Net Capital Assets Being Depreciated	2,209,044	626,896	86,185	2,749,755
Total Highway Capital Assets, Net of Depreciation	\$ 2,506,226	\$ 646,013	\$ 286,055	\$ 2,866,184

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

F. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Lafayette Manor				
Capital assets not being depreciated				
Land	\$ 18,020	\$ -	\$ -	\$ 18,020
Capital assets being depreciated				
Land improvements	50,935	-	-	50,935
Buildings and improvements	1,240,760	34,816	-	1,275,576
Machinery and equipment	1,254,613	23,601	-	1,278,214
Total Capital Assets Being Depreciated	2,546,308	58,417	-	2,604,725
Less: Accumulated depreciation for				
Land improvements	(31,445)	(2,459)	-	(33,904)
Buildings and improvements	(913,426)	(31,448)	-	(944,874)
Machinery and equipment	(940,406)	(48,086)	-	(988,492)
Total Accumulated Depreciation	(1,885,277)	(81,993)	-	(1,967,270)
Net Capital Assets Being Depreciated	661,031	(23,576)	-	637,455
Total Manor Capital Assets, Net of Depreciation	\$ 679,051	\$ (23,576)	\$ -	\$ 655,475

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

F. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Memorial Hospital				
Capital assets not being depreciated				
Land	\$ 19,799	\$ -	\$ -	\$ 19,799
Construction in progress	74,836	-	74,836	-
Total Capital Assets				
Not Being Depreciated	<u>94,635</u>	<u>-</u>	<u>74,836</u>	<u>19,799</u>
Capital assets being depreciated				
Land improvements	156,891	-	-	156,891
Buildings and improvements	7,838,259	31,910	-	7,870,169
Machinery and equipment	4,151,151	432,645	-	4,583,796
Total Capital Assets				
Being Depreciated	<u>12,146,301</u>	<u>464,555</u>	<u>-</u>	<u>12,610,856</u>
Less: Accumulated depreciation for				
Land improvements	(66,285)	(9,949)	-	(76,234)
Buildings and improvements	(4,746,970)	(245,753)	-	(4,992,723)
Machinery and equipment	(3,142,462)	(303,687)	-	(3,446,149)
Total Accumulated Depreciation	<u>(7,955,717)</u>	<u>(559,389)</u>	<u>-</u>	<u>(8,515,106)</u>
Net Capital Assets				
Being Depreciated	<u>4,190,584</u>	<u>(94,834)</u>	<u>-</u>	<u>4,095,750</u>
Total Hospital Capital Assets, Net of Depreciation	<u>\$ 4,285,219</u>	<u>\$ (94,834)</u>	<u>\$ 74,836</u>	<u>\$ 4,115,549</u>
Total Business-type Capital Assets, Net of Depreciation	<u>\$ 7,470,496</u>	<u>\$ 527,603</u>	<u>\$ 360,891</u>	<u>\$ 7,637,208</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Memorial Hospital	\$ 559,389
Lafayette Manor	81,993
Highway	<u>258,420</u>
Total Business-type Activities Depreciation Expense	<u>\$ 899,802</u>

Depreciation expense may be different from business-type activity accumulated depreciation additions because of salvage, cost of removal, or depreciation for state-contributed assets.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

G. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General Fund	Human Services	\$ 188,480	Lapsing fund
General Fund	Aging	100,000	Donation for land purchase
General Fund	Highway	47,615	Donation for land purchase
Highway	General Fund	400,000	To support county roadwork
Lafayette Manor	General Fund	<u>48,929</u>	Lapsing fund
Sub-Total – Fund Financial Statements		785,024	
Governmental activities infrastructure paid by highway enterprise fund		(1,863)	
Less: Fund eliminations		(288,480)	
Less: Government-wide eliminations		<u>(95,230)</u>	
Total Transfers – Government-Wide Statement of Activities		<u>\$ 399,451</u>	
<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	
Governmental Activities	Business-type Activities	\$ (49,478)	
Business-type Activities	Governmental Activities	<u>448,929</u>	
Total		<u>\$ 399,451</u>	

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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

H. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 1,582,921	\$ 1,526,431	\$ 222,617	\$ 2,886,735	\$ 343,472
Other Liabilities					
Net pension (asset) liability	(1,007,675)	1,631,857	-	624,182	-
Vested compensated absences	857,552	267,977	281,753	843,776	318,961
Total Other Liabilities	(150,123)	1,899,834	281,753	1,467,958	318,961
Total Governmental Activities Long-Term Liabilities	\$ 1,432,798	\$ 3,426,265	\$ 504,370	\$ 4,354,693	\$ 662,433
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
General obligation debt	\$ 595,648	\$ -	\$ 59,764	\$ 535,884	\$ 61,309
Other Liabilities					
Net pension (asset) liability	(1,213,231)	2,047,054	-	833,823	-
Vested compensated absences	1,478,287	373,379	417,869	1,433,797	383,270
Land contract	4,988	-	4,988	-	-
Capital leases	167,380	-	68,401	98,979	26,768
Total Other Liabilities	437,424	2,420,433	491,258	2,366,599	410,038
Total Business-type Activities Long-Term Liabilities	\$ 1,033,072	\$ 2,420,433	\$ 551,022	\$ 2,902,483	\$ 471,347

General Obligation Debt

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 accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the county may not exceed 5% of the equalized value of taxable property within the county's jurisdiction. The debt limit as of December 31, 2016, was \$56,164,410. Total general obligation debt outstanding at year-end was \$3,422,619.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

H. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12/31/16
Governmental Activities					
General Obligation Debt					
Promissory notes	4/8/2009	3/10/2019	2.80%	\$ 500,000	\$ 141,886
Promissory notes	1/28/2015	1/15/2025	2.29%	550,000	458,353
Promissory notes	12/30/2015	12/30/2025	2.29%	2,400,000	<u>2,286,496</u>
Total Government Activities – General Obligation Debt					<u>\$ 2,886,735</u>
Business-type Activities					
General Obligation Debt					
Promissory note	9/15/2014	12/15/2024	2.49%	650,000	<u>\$ 535,884</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 343,472	\$ 63,077	\$ 61,309	\$ 12,647
2018	351,732	54,816	62,854	11,103
2019	317,470	46,708	64,437	9,520
2020	303,682	39,836	66,036	7,920
2021	310,828	32,691	67,723	6,234
2022 – 2025	<u>1,259,551</u>	<u>57,742</u>	<u>213,525</u>	<u>8,298</u>
Totals	<u>\$ 2,886,735</u>	<u>\$ 294,870</u>	<u>\$ 535,884</u>	<u>\$ 55,722</u>

Capital Leases

Refer to Note III.I.

Other Debt Information

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

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

I. LEASE DISCLOSURES

Lessee – Capital Leases

In previous years, the Memorial Hospital acquired capital assets through lease and purchase agreements. The gross amount of these assets under capital lease is \$544,036 and accumulated depreciation is \$385,131, which are included in capital assets. The future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2016, are as follows:

<u>Years</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 26,880	\$ 4,715
2018	25,579	3,364
2019	28,681	1,874
2020	17,839	338
Totals	<u>\$ 98,979</u>	<u>\$ 10,291</u>

Lessee – Operating Leases

The Hospital leases equipment under noncancellable operating leases. Amounts paid for operating leases for the year ended December 31, 2016 was approximately \$394,000. Future minimum payments are as follows:

<u>Years</u>	
2017	\$ 188,497
2018	67,943
2019	39,055
2020	37,241
2021	15,518
Totals	<u>\$ 348,254</u>

Lessor – Capital Leases

The county has no material outstanding sales-type or direct financing leases.

Lessor – Operating Leases

The county does not receive material lease payments from property rented to others.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

J. NET POSITION/FUND BALANCES

Governmental activities net position reported on the government-wide statement of net position at December 31, 2016 includes the following:

Governmental Activities

Net investment in capital assets		
Land	\$	188,615
Construction in process		510,902
Other capital assets, net of accumulated depreciation		13,214,329
Less: Long-term debt outstanding		(2,886,735)
Plus: Noncapital debt proceeds		<u>458,353</u>
Total Net Investment in Capital Assets	\$	<u>11,485,464</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

Fund Balances	General Fund	Human Services	Nonmajor Funds	Totals
Nonspendable:				
Delinquent taxes receivable	\$ 277,074	\$ -	\$ -	\$ 277,074
Prepaid items	346,415	35,581	3,868	385,864
Restricted:				
Grant purposes	124,436	-	148,158	272,594
Jail improvement	91,610	-	-	91,610
Donor	5,268	-	-	5,268
UW Extension	6,897	-	-	6,897
Land information	32,407	-	-	32,407
Revolving loans	-	-	381,388	381,388
Debt service	-	-	104,726	104,726
Committed:				
Stabilization fund	750,000	-	-	750,000
Assigned:				
Carryforward appropriations	717,238	-	-	717,238
Fund balance applied to the 2017 budget	80,941	-	-	80,941
Vested benefits	38,356	-	-	38,356
Unassigned (deficit)	<u>2,839,314</u>	<u>(35,581)</u>	<u>-</u>	<u>2,803,733</u>
Total Fund Balances	<u>\$ 5,309,956</u>	<u>\$ -</u>	<u>\$ 638,140</u>	<u>\$ 5,948,096</u>

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

J. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net investment in capital assets	
Land	\$ 93,476
Construction in process	60,772
Other capital assets, net of accumulated depreciation	7,482,960
Less: Related long-term debt outstanding	<u>(634,863)</u>
Total Net Investment in Capital Assets	7,002,345
Unrestricted	<u>6,019,408</u>
Total Business-type Activities Net Position	<u>\$ 13,021,753</u>

K. COMPONENT UNIT

MEMORIAL HEALTHCARE FOUNDATION, INC.

Memorial Healthcare Foundation, Inc. (the "Foundation") is a not-for-profit organization that was organized to promote and support the Memorial Hospital of Lafayette County through the endowment of new and existing services, scholarships, and capital improvements, located in Darlington, Wisconsin. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

a. Summary of Significant Accounting Policies

Contributions

The Foundation accounts for contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net position, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net position is reclassified to unrestricted net position and reported in the statement of activities as net position released from restrictions.

The Foundation records promises to give as revenue when an unconditional promise to give is received or the condition has been fulfilled for a conditional promise to give.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

K. COMPONENT UNIT (cont.)

MEMORIAL HEALTHCARE FOUNDATION, INC. (cont.)

a. Summary of Significant Accounting Policies (cont.)

Income Taxes

The Foundation is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Wisconsin franchise or income tax. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Foundation has adopted accounting guidance for recognizing and measuring uncertain tax positions. The Foundation follows statutory requirements for income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing income taxes from activities deemed to be unrelated to the Foundation's tax-exempt status would not be material to the financial statements. The Foundation's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Foundation is no longer subject to such examinations for tax years before 2014.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

Expenses are charged directly to program, management and general, or fundraising based on specific identification by management.

Investments

Investments held by the Foundation include certificates of deposit. Certificates of deposit are shown at the original amount deposited plus accrued interest, which approximates fair value because of the short-term nature of these deposits (one-year or less).

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include checking and money market accounts in financial institutions.

Advertising Costs

Advertising costs are expensed as they are incurred.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

K. COMPONENT UNIT (cont.)

MEMORIAL HEALTHCARE FOUNDATION, INC. (cont.)

a. Summary of Significant Accounting Policies (cont.)

Contributed Services

During the year ended December 31, 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services.

b. Concentration of Risk

The Foundation maintains its cash accounts with various local banks. The total cash balances are insured by the FDIC up to \$250,000. As of December 31, 2016, the Foundation's cash balances were fully insured.

94% of the organization's revenue in 2016 was received from one special event.

c. Related Party Transactions

The Foundation and the Memorial Hospital of Lafayette County share some of the same board members. The Hospital is not able to exercise any control over the Foundation.

During 2016, \$9,371 in contributions were made to the Hospital.

d. Functional Allocation of Expenses

The cost of providing the various programs and other activities are as follows:

Program services	\$	15,371
Management and general		4,120
Fundraising		<u>11,190</u>
Total	\$	<u><u>30,681</u></u>

NOTE IV – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 service 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) years of creditable service, and (3) a formula factor.

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
2006	0.8%	3%
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

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 actuarially determined contribution rate for General category employees and Executives and Elected Officials. 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 \$853,549 in contributions from the county.

Contribution rates as of December 31, 2016 are:

Employee Category	Employee	Employer
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the county reported a liability of \$1,458,005 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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 0.089724450%, which was a decrease of 0.000693250% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the county recognized pension expense of \$1,737,879.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2016, 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	\$ 246,653	\$ 3,068,346
Changes of actuarial assumptions	1,020,084	-
Net differences between projected and actual earnings on pension plan investments	5,969,490	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,464	14,185
Employer contributions subsequent to the measurement date	<u>837,752</u>	<u>-</u>
Totals	<u>\$ 8,084,443</u>	<u>\$ 3,082,531</u>

\$837,752 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 (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2017	\$ 1,881,339	\$ 746,734
2018	1,881,339	746,734
2019	1,881,339	746,734
2020	1,569,702	744,163
2021	32,972	98,166

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
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%
Seniority/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 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 %
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	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

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% 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.

Sensitivity of the county's proportionate share of the net pension (asset) liability to changes in the discount rate. The following presents the county's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the county's proportionate share of the net pension asset 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 (7.20%)	1% Increase to Discount Rate (8.20%)
County's proportionate share of the net pension (asset) liability	\$ 10,226,474	\$ 1,458,005	\$ (5,390,326)

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, 2016, the county reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The county is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to prior year.

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on an occurrence basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. Should the occurrence policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Wisconsin County Mutual Insurance Corporation

Fifty-five Wisconsin counties jointly participate in the Wisconsin County Mutual Insurance Corporation (WCMIC) for general, personal injury, automobile, law enforcement, and public officials' errors and omissions liability insurance. The creation of the County Mutual requires the establishment of capital reserves with each of the participating counties depositing amounts as specified in projected rates. This company began operation on January 1, 1988.

The governing body is made up of nineteen directors elected by the participating counties. The governing body has authority to adopt its own budget and control the financial affairs of the corporation.

Summary financial information of WCMIC as of December 31, 2016 can be obtained directly from WCMIC's offices.

C. 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 are only reported in governmental fund types 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.

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 the county attorney 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.

Nursing Home

The Nursing Home's existing buildings do contain asbestos; however, the Nursing Home has no intentions to disturb the asbestos in the building. This is a source of potential liability to the county; however, it is not possible to estimate the financial impact at this time.

The Nursing Home recorded revenues of approximately \$491,700 in 2016 through the Supplemental Payment Program to help offset the use of local tax dollars to subsidize governmental operated nursing homes. The Nursing Home may have to repay a portion of these funds at a later date pending the outcome of a federal audit of the state's Medicaid Program.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

Hospital

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayment for patient services previously billed. Management believes that the Hospital is in compliance with applicable government laws and regulations. While no significant regulatory inquiries have been made of the Hospital, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

D. JOINT VENTURES

Lafayette County, Green County, and Iowa County jointly operate the Tri-County Trails Commission (the “commission”) which maintains and manages the Monroe to Mineral Point railroad right-of-way for use as an all year, all purpose public recreational corridor.

The governing body is made up of commissioners from each county. Local representatives are appointed by the chair of their respective county boards. The governing body has authority to adopt its own budget and control the financial affairs of the commission.

Financial information of the commission as of December 31, 2016 is available directly from the commission’s office.

E. RELATED ORGANIZATIONS

The county’s officials are responsible for appointing the board members of the Housing Authority of the County of Lafayette, but the county’s accountability for this organization does not extend beyond making the appointments.

F. ECONOMIC DEPENDENCY

In 2016, approximately 69% of Nursing Home resident days were the responsibility of the Title XVIII (Medicare) or Title XIX (Medical Assistance) programs that are funded by the United States government and the State of Wisconsin.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

G. CONCENTRATION OF CREDIT RISKS

Financial instruments that potentially subject the Hospital to possible credit risk consist principally of patient receivables.

Patient receivables consist of amounts due from patients, their insurers, or government agencies (primarily Medicare and Medicaid) for health care provided to the patients. The majority of the Hospital's patients are from Darlington, Wisconsin, and the surrounding area. The risk of receivables from patients and third-party payors was as follows at December 31:

	<u>2016</u>
Medicare and Medicare Advantage Plans	22%
Medicaid and Medicaid HMO Plans	7
Other third party payors	50
Private pay	<u>21</u>
Total	<u><u>100%</u></u>

H. SUBSEQUENT EVENTS

Clinic Purchase

Effective January 2, 2017, the Hospital purchased the real estate of a local clinic practice at a purchase price of \$920,000. The purchase was funded through \$1,300,000 general obligation debt of Lafayette County through a ten year promissory note at a rate of 2.29%. Previously on December 31, 2016, the Hospital had purchased the operations of the local clinic practice at a purchase price of \$160,749.

Hospital Affiliation Agreement

Effective January 12, 2017, the Hospital entered into an affiliation agreement with Meriter Hospital, Inc., an unrelated health care organization. The purpose of the affiliation is to improve the quality and coordination of care in the region and to improve patient access to care. The agreement is for a two year term with an automatic renewal for periods of one year, unless notice is given 60 days prior to January 12 of each year.

The affiliation agreement includes a base affiliation fee of 0.6% of the Hospital's annual operating expenses, divided into 12, equal monthly payments, not to exceed \$85,000 for the initial term. Additional fees outside of the base shall be paid at actual cost plus an administrative fee.

Electronic Health Records System

Effective May 22, 2017, the Hospital entered into an agreement with Iowa Health System d/b/a Unity Point Health, an unrelated health care organization, to obtain access to an electronic health records system on a shared platform in which the Hospital can access and upgrade systems through a sublicensing and hosting arrangement. The one-time license and implementation fee for hospital-related services is estimated at \$680,000 with an annual maintenance fee of \$200,000. The one-time license and implementation fee for clinic-related services is estimated at \$203,000 with an annual maintenance fee of \$36,000. Additional third party software is available at various fees.

The agreement begins on the effective date and continues for a period of three years with automatic renewal for one year terms until termination per the agreement.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – OTHER INFORMATION (cont.)

H. SUBSEQUENT EVENTS (cont.)

Electronic Health Records System (cont.)

As of July 25, 2017, the Hospital has drawn approximately \$340,000 on a \$1,400,000 line of credit to fund the electronic health records system.

Provider-Based Rural Health Clinic

Effective July 21, 2017, Lafayette County was designated a Health Professional Shortage Area (HPSA). With this designation, the Hospital can apply for rural health clinic status. Under this designation, certain physician and professional services rendered to Medicare and Medicaid beneficiaries qualify for reimbursement as Medicare-approved rural health clinic services. Qualifying services are reimbursed based on a cost reimbursement methodology. All other physician and professional services rendered to Medicare and Medicaid beneficiaries are paid based on prospectively determined fee schedules.

County

In July 2017, the county awarded bids totaling \$693,000 for a new multi-purpose building. The county board approved borrowing the funds necessary to construct the facility. The total cost of the borrowing will depend on interest rates and the repayment schedule. In September 2017 the county approved borrowing up to \$485,000 to fund 2017 highway projects including capital purchases, software, and County K parking lot repair. The cost of the borrowing will depend on interest rates and repayment terms.

I. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

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

- > Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*
- > Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 80, *Blending Requirements for Certain Component Units*
- > Statement No. 81, *Irrevocable Split-Interest Agreements*
- > Statement No. 82, *Pension Issues an amendment of GASB Statements 67, 68, and 73*
- > 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*

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

REQUIRED SUPPLEMENTARY INFORMATION

LAFAYETTE COUNTY

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		
REVENUES				
TAXES				
General property taxes	\$ 2,997,265	\$ 2,997,265	\$ 3,008,380	\$ 11,115
Interest on taxes	131,500	131,500	114,304	(17,196)
Real estate transfer	-	-	41,855	41,855
Forest cropland	750	750	2,015	1,265
Payment in lieu of taxes	10,154	10,154	11,121	967
County sales tax	800,120	800,120	836,291	36,171
Land use penalty	-	-	5,154	5,154
Total Taxes	<u>3,939,789</u>	<u>3,939,789</u>	<u>4,019,120</u>	<u>79,331</u>
INTERGOVERNMENTAL				
Shared taxes from state	1,676,212	1,676,212	1,676,921	709
Exempt computer aid	5,000	5,000	3,593	(1,407)
Circuit court	68,195	68,195	68,173	(22)
DWD state grant	143,542	143,542	157,936	14,394
Land info board grant	124,936	124,936	99,936	(25,000)
State fair grants	5,300	5,300	2,335	(2,965)
Private sewer grant	12,900	12,900	2,026	(10,874)
DNR trails	50,700	50,700	29,053	(21,647)
Other DNR	2,700	2,700	79	(2,621)
Veterans service	10,750	10,750	8,500	(2,250)
DATCP - LWRM	163,388	163,388	192,913	29,525
DOJ training reimbursement	-	-	5,485	5,485
DOJ crime victim witness	14,775	14,775	15,244	469
Other DOJ grants	5,000	5,000	33,252	28,252
Department of military affairs	30,000	30,000	47,025	17,025
Interpreter reimbursement	3,600	3,600	1,940	(1,660)
Health grants	66,798	66,798	71,214	4,416
Other miscellaneous grants	36,142	36,142	2,785	(33,357)
Total Intergovernmental	<u>2,419,938</u>	<u>2,419,938</u>	<u>2,418,410</u>	<u>(1,528)</u>

See independent auditors' report and accompanying notes to required supplementary information.

LAFAYETTE COUNTY

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (cont.)
 BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		
LICENSES AND PERMITS				
Marriage licenses and divorce mediation	\$ 3,000	\$ 3,000	\$ 4,675	\$ 1,675
License plates	-	-	6,943	6,943
Sanitary permits	-	-	23,050	23,050
Conditional use/rezoning permits	18,000	18,000	13,261	(4,739)
Mine reclamation	5,200	5,200	5,410	210
Other licenses and permits	10,400	10,400	20,518	10,118
Total Licenses and Permits	<u>36,600</u>	<u>36,600</u>	<u>73,857</u>	<u>37,257</u>
FINES, FORFEITURES AND PENALTIES				
County ordinances, forfeitures and defaults	63,000	63,000	48,391	(14,609)
County share of state fines	-	-	25,760	25,760
Total Fines, Forfeitures and Penalties	<u>63,000</u>	<u>63,000</u>	<u>74,151</u>	<u>11,151</u>
PUBLIC CHARGES FOR SERVICES				
General government	4,183	4,183	4,822	639
Child support	1,650	1,650	2,420	770
Circuit court	31,200	31,200	45,068	13,868
Clerk of courts	34,100	34,100	36,603	2,503
Coroner	2,600	2,600	4,084	1,484
County clerk	13,000	13,000	13,189	189
Sheriff and jail fees	181,900	181,900	191,200	9,300
District attorney	500	500	700	200
Fair	124,570	124,570	127,804	3,234
Land conservation	13,500	13,500	15,485	1,985
Land information fees	28,600	28,600	33,629	5,029
Parks and trails	2,200	2,200	2,200	-
Planning and zoning	20,000	20,000	4,704	(15,296)
Public health	453,931	453,931	229,610	(224,321)
Register of deeds	110,000	110,000	86,424	(23,576)
Treasurer	1,200	1,200	1,080	(120)
UW extension	2,850	2,850	5,174	2,324
Veterans	400	400	499	99
Total Public Charges for Services	<u>1,026,384</u>	<u>1,026,384</u>	<u>804,695</u>	<u>(221,689)</u>

See independent auditors' report and accompanying notes to required supplementary information.

LAFAYETTE COUNTY

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (cont.)
BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		
INVESTMENT INCOME				
Investment income	\$ 36,632	\$ 36,632	\$ 43,546	\$ 6,914
MISCELLANEOUS				
Rent on buildings	107,761	107,761	74,709	(33,052)
Rent on other property	5,060	5,060	14,828	9,768
Insurance recoveries	4,000	4,000	25,594	21,594
Other donations	25,887	25,887	14,168	(11,719)
WCMIC dividend	27,000	27,000	35,047	8,047
Sale of property/assets	11,000	11,000	29,884	18,884
Workman's compensation discount	20,000	20,000	28,694	8,694
Miscellaneous	-	-	3,957	3,957
Total Miscellaneous	<u>200,708</u>	<u>200,708</u>	<u>226,881</u>	<u>26,173</u>
TOTAL REVENUES	<u>7,723,051</u>	<u>7,723,051</u>	<u>7,660,660</u>	<u>(62,391)</u>

See independent auditors' report and accompanying notes to required supplementary information.

LAFAYETTE COUNTY

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (cont.)
 BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
County board	\$ 82,755	\$ 82,755	\$ 97,752	\$ (14,997)
District attorney	65,497	65,497	65,229	268
Family court commissioner	13,291	13,291	13,005	286
Circuit court	201,782	201,782	183,488	18,294
Clerk of court	191,626	191,626	203,187	(11,561)
Other court	77,550	77,550	108,583	(31,033)
Corporate counsel	-	-	(15)	15
Copy machines	(250)	(250)	(14)	(236)
County buildings-operations and maintenance	277,898	277,898	316,370	(38,472)
Child support	174,814	174,814	173,002	1,812
County clerk	160,824	160,824	165,032	(4,208)
County treasurer	187,715	187,715	182,282	5,433
Coroner	33,389	33,389	37,499	(4,110)
County website	780	780	780	-
Elections	51,705	51,705	53,381	(1,676)
Finance	283,936	283,936	313,226	(29,290)
Indirect cost plan	3,990	3,990	3,990	-
Labor relations	550	550	682	(132)
Land information	175,456	175,456	146,207	29,249
Land use value penalty	250	250	4,069	(3,819)
Maps and plats	1,200	1,200	1,151	49
County fleet	(6,100)	(6,100)	4,701	(10,801)
County K building	501,841	501,841	556,946	(55,105)
Network administration	162,691	162,691	176,818	(14,127)
Personnel	96,405	96,405	86,573	9,832
Postage	4,800	4,800	5,234	(434)
Property and liability insurance	36,649	36,649	28,290	8,359
Register of deeds	148,013	148,013	150,729	(2,716)
Rent county facility	46,401	46,401	20,623	25,778
Special accounting and auditing	7,000	7,000	25,700	(18,700)
Telephone	300	300	(894)	1,194
Retiree insurance incentive	-	-	12,885	(12,885)
Other benefits	1,050	1,050	622	428
Total General Government	<u>2,983,808</u>	<u>2,983,808</u>	<u>3,137,113</u>	<u>(153,305)</u>

See independent auditors' report and accompanying notes to required supplementary information.

LAFAYETTE COUNTY

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (cont.)
 BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		
PUBLIC SAFETY				
Crime victim/witness	\$ 30,272	\$ 30,272	\$ 29,984	\$ 288
Sheriff administration	1,837,030	1,837,030	2,114,408	(277,378)
Jail	1,413,548	1,413,548	1,047,578	365,970
EMS	16,836	16,836	16,836	-
Emergency government	84,679	84,679	124,626	(39,947)
SARA	27,860	27,860	22,684	5,176
K-9 unit	-	-	1,271	(1,271)
DOT-BOT grant	-	-	680	(680)
Jail improvement	16,900	16,900	12,718	4,182
Total Public Safety	<u>3,427,125</u>	<u>3,427,125</u>	<u>3,370,785</u>	<u>56,340</u>
HEALTH AND HUMAN SERVICES				
County nurse	489,256	489,256	438,157	51,099
Home nursing	428,881	428,881	263,272	165,609
Medical/psychiatric	250	250	-	250
Public health	2,050	2,050	919	1,131
Veterans' service	73,940	73,940	73,414	526
Veterans' relief and care of veterans' graves	3,000	3,000	3,291	(291)
Veterans' service grant	10,750	10,750	11,898	(1,148)
Total Health and Social Services	<u>1,008,127</u>	<u>1,008,127</u>	<u>790,951</u>	<u>217,176</u>
CULTURE, RECREATION AND EDUCATION				
County extension programs	67,683	67,683	70,706	(3,023)
Workshops	2,250	2,250	1,789	461
Agriculture agent	31,566	31,566	36,905	(5,339)
Library	147,812	147,812	147,812	-
Family living agent	22,992	22,992	15,884	7,108
Fairs and exhibits	211,770	211,770	214,977	(3,207)
4-H agent	35,718	35,718	37,847	(2,129)
Snowmobile trails	22,200	22,200	8,671	13,529
ATV	10,700	10,700	576	10,124
Sunshine fund	300	300	30	270
Total Culture, Recreation and Education	<u>552,991</u>	<u>552,991</u>	<u>535,197</u>	<u>17,794</u>

See independent auditors' report and accompanying notes to required supplementary information.

LAFAYETTE COUNTY

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (cont.)
 BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		
CONSERVATION AND ECONOMIC DEVELOPMENT				
Land conservation	\$ 195,650	\$ 195,650	\$ 195,869	\$ (219)
Land conservation-cost share	15,000	15,000	21,153	(6,153)
Land conservation-LWRM cost share	97,500	97,500	87,330	10,170
Fish and game habitat	5,430	5,430	4,122	1,308
Wildlife damage program	-	-	3,928	(3,928)
Economic development	40,000	40,000	46,147	(6,147)
Lafayette development corp	-	-	11	(11)
Tourism	19,679	19,679	11,996	7,683
Regional planning	14,932	14,932	14,871	61
Planning and zoning	51,921	51,921	77,099	(25,178)
Sewer replacement	12,500	12,500	13,902	(1,402)
Water testing	9,850	9,850	-	9,850
FPP-technical assist	65,888	65,888	67,484	(1,596)
Total Conservation and Economic Development	<u>528,350</u>	<u>528,350</u>	<u>543,912</u>	<u>(15,562)</u>
CAPITAL OUTLAY				
Software systems	-	-	223,377	(223,377)
Land and improvements - Sheriff	-	-	25,000	(25,000)
Land and improvements - Highway/Aging	-	-	147,615	(147,615)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>395,992</u>	<u>(395,992)</u>
Total Expenditures	<u>8,500,401</u>	<u>8,500,401</u>	<u>8,773,950</u>	<u>(273,549)</u>
Deficiency of revenues under expenditures	<u>(777,350)</u>	<u>(777,350)</u>	<u>(1,113,290)</u>	<u>(335,940)</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	647,036	647,036	1,526,431	879,395
Sale of capital assets	-	-	39,317	39,317
Transfers in	-	-	336,095	336,095
Transfers out	-	-	(448,929)	(448,929)
Total Other Financing Sources (Uses)	<u>647,036</u>	<u>647,036</u>	<u>1,452,914</u>	<u>805,878</u>
Net change in fund balance	<u>(130,314)</u>	<u>(130,314)</u>	<u>339,624</u>	<u>469,938</u>
FUND BALANCE - Beginning of Year	<u>4,970,332</u>	<u>4,970,332</u>	<u>4,970,332</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,840,018</u>	<u>\$ 4,840,018</u>	<u>\$ 5,309,956</u>	<u>\$ 469,938</u>

See independent auditors' report and accompanying notes to required supplementary information.

LAFAYETTE COUNTY

HUMAN SERVICES SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		
REVENUES				
Taxes	\$ 1,747,914	\$ 1,747,914	\$ 1,747,914	\$ -
Intergovernmental	1,497,864	1,497,864	1,562,155	64,291
Fines, forfeitures and penalties	-	-	10,622	10,622
Public charges for services	778,500	778,500	822,767	44,267
Miscellaneous	400	400	1,087	687
Total Revenues	4,024,678	4,024,678	4,144,545	119,867
EXPENDITURES				
Health and human services	4,024,678	4,024,678	3,956,065	68,613
Excess of revenues over expenditures	-	-	188,480	188,480
OTHER FINANCING USES				
Transfer out	-	-	(188,480)	(188,480)
Total Other Financing Uses	-	-	(188,480)	(188,480)
Net change in fund balance	-	-	-	-
FUND BALANCE - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and accompanying notes to required supplementary information.

LAFAYETTE COUNTY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension (Asset) Liability</u>	<u>Proportionate Share of the Net Pension (Asset) Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
12/31/15	0.09041769%	\$ (2,220,906)	\$ 12,001,154	18.51%	102.74%
12/31/16	0.08972445%	1,458,005	11,935,302	12.22%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 854,910	\$ 854,910	\$ -	\$ 11,935,302	7.16%
12/31/16	837,752	837,752	-	12,023,064	6.97%

See independent auditors' report and accompanying notes to the required supplementary information.

LAFAYETTE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2016

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 I. C.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The county may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds board action. Appropriations lapse at year-end unless specifically carried over. Carryovers to the following year were \$717,238 in the general fund. Budgets are adopted at the detail level of expenditure.

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The county is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

LAFAYETTE COUNTY

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of December 31, 2016

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Aging Fund	Revolving Loan		
ASSETS				
Cash and investments	\$ 114,740	\$ -	\$ 104,726	\$ 219,466
Taxes receivable	38,159	-	406,548	444,707
Accounts receivable	25,301	-	-	25,301
Loans receivable (net of allowances for uncollectibles)	-	195,255	-	195,255
Due from other governments	16,264	-	-	16,264
Prepaid items	3,868	-	-	3,868
Restricted Assets				
Cash and investments	-	186,133	-	186,133
TOTAL ASSETS	<u>\$ 198,332</u>	<u>\$ 381,388</u>	<u>\$ 511,274</u>	<u>\$ 1,090,994</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,491	\$ -	\$ -	\$ 3,491
Accrued liabilities	4,656	-	-	4,656
Total Liabilities	<u>8,147</u>	<u>-</u>	<u>-</u>	<u>8,147</u>
Deferred Inflows of Resources				
Unearned revenue	38,159	-	406,548	444,707
Fund Balances				
Nonspendable	3,868	-	-	3,868
Restricted	148,158	381,388	104,726	634,272
Total Fund Balances	<u>152,026</u>	<u>381,388</u>	<u>104,726</u>	<u>638,140</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 198,332</u>	<u>\$ 381,388</u>	<u>\$ 511,274</u>	<u>\$ 1,090,994</u>

LAFAYETTE COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2016

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Aging Fund	Revolving Loan		
REVENUES				
Taxes	\$ 74,919	\$ -	\$ 309,927	\$ 384,846
Intergovernmental	124,840	-	-	124,840
Public charges for services	28,268	-	-	28,268
Investment income	-	9,147	-	9,147
Miscellaneous	6,680	-	-	6,680
Total Revenues	<u>234,707</u>	<u>9,147</u>	<u>309,927</u>	<u>553,781</u>
EXPENDITURES				
Current				
Health and human services	282,464	-	-	282,464
Conservation and economic development	-	691	-	691
Debt Service				
Principal	-	-	222,617	222,617
Interest and fiscal charges	-	-	53,233	53,233
Total Expenditures	<u>282,464</u>	<u>691</u>	<u>275,850</u>	<u>559,005</u>
Excess (deficiency) of revenues over expenditures	<u>(47,757)</u>	<u>8,456</u>	<u>34,077</u>	<u>(5,224)</u>
OTHER FINANCING USES				
Transfers out	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Total Other Financing Uses	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(147,757)</u>	<u>8,456</u>	<u>34,077</u>	<u>(105,224)</u>
FUND BALANCES - Beginning of Year	<u>299,783</u>	<u>372,932</u>	<u>70,649</u>	<u>743,364</u>
FUND BALANCES - END OF YEAR	<u>\$ 152,026</u>	<u>\$ 381,388</u>	<u>\$ 104,726</u>	<u>\$ 638,140</u>

LAFAYETTE COUNTY

COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 As of December 31, 2016

	<u>Sheriff Commissary</u>	<u>Clerk of Court</u>	<u>DMV Vehicle Service</u>	<u>Tri-County Trails Commission</u>	<u>Tax Collection</u>	<u>Totals</u>
ASSETS						
Cash and investments	\$ 8,855	\$ 151,172	\$ 3,562	\$ 50,548	\$ -	\$ 214,137
Taxes receivable	-	-	-	-	190,628	190,628
Due from other governments	-	-	-	32,339	-	32,339
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 8,855</u>	<u>\$ 151,172</u>	<u>\$ 3,562</u>	<u>\$ 82,887</u>	<u>\$ 190,628</u>	<u>\$ 437,104</u>
LIABILITIES						
Due to other taxing units	\$ -	\$ -	\$ -	\$ -	\$ 190,628	\$ 190,628
Accounts payable	-	-	-	2,192	-	2,192
Funds held for others	8,855	151,172	3,562	80,695	-	244,284
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 8,855</u>	<u>\$ 151,172</u>	<u>\$ 3,562</u>	<u>\$ 82,887</u>	<u>\$ 190,628</u>	<u>\$ 437,104</u>

LAFAYETTE MANOR NURSING HOME OF LAFAYETTE COUNTY

STATEMENTS OF NET POSITION
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and investments	\$ 50,749	\$ 80,204
Taxes receivable	291,796	298,885
Resident receivables, net of estimated uncollectibles	330,887	293,986
Inventories	34,817	42,294
Prepaid items	<u>69,051</u>	<u>70,945</u>
Total Current Assets	<u>777,300</u>	<u>786,314</u>
Noncurrent Assets		
Restricted Assets		
Resident trust funds	6,142	10,843
Net pension asset	-	371,403
Capital Assets		
Land	18,020	18,020
Depreciable capital assets, net of accumulated depreciation	<u>637,455</u>	<u>661,031</u>
Total Noncurrent Assets	<u>661,617</u>	<u>1,061,297</u>
Total Assets	<u>1,438,917</u>	<u>1,847,611</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related amounts	<u>1,391,849</u>	<u>382,693</u>
LIABILITIES		
Current Liabilities		
Accounts payable	60,070	71,558
Due to other governments	-	12,606
Accrued payroll and fringe benefits	112,111	105,415
Current portion compensated absences	<u>127,032</u>	<u>121,558</u>
Total Current Liabilities	<u>299,213</u>	<u>311,137</u>
Noncurrent Liabilities		
Resident trust funds	6,142	10,843
Compensated absences	271,866	285,443
Net pension liability	<u>254,112</u>	<u>-</u>
Total Noncurrent Liabilities	<u>532,120</u>	<u>296,286</u>
Total Liabilities	<u>831,333</u>	<u>607,423</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	291,796	298,885
Pension-related amounts	<u>537,117</u>	<u>3,073</u>
Total Deferred Inflows of Resources	<u>828,913</u>	<u>301,958</u>
NET POSITION		
Net investment in capital assets	655,475	679,051
Restricted for pension	-	371,403
Unrestricted (deficit)	<u>515,045</u>	<u>270,469</u>
TOTAL NET POSITION	<u>\$ 1,170,520</u>	<u>\$ 1,320,923</u>

LAFAYETTE MANOR NURSING HOME OF LAFAYETTE COUNTY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Daily resident service revenue, net	\$ 3,826,854	\$ 3,856,574
Other operating revenue	94,778	101,855
Total Operating Revenues	<u>3,921,632</u>	<u>3,958,429</u>
OPERATING EXPENSES		
Daily patient services	2,525,979	2,521,762
Support and special services	457,661	456,590
General services	1,196,384	1,225,900
Administrative services	649,587	471,994
Depreciation	81,993	87,744
Total Operating Expenses	<u>4,911,604</u>	<u>4,763,990</u>
Operating Loss	<u>(989,972)</u>	<u>(805,561)</u>
NONOPERATING REVENUES		
General property taxes	298,885	429,211
Intergovernmental grants	491,714	463,800
Donations	-	3,665
Investment income	14	73
Miscellaneous revenue	27	41
Total Nonoperating Revenues	<u>790,640</u>	<u>896,790</u>
Income (Loss) Before Contributions and Transfers	<u>(199,332)</u>	<u>91,229</u>
TRANSFERS		
Transfers in	48,929	4,026
Transfers out	-	(70,255)
Total Transfers	<u>48,929</u>	<u>(66,229)</u>
Change in Net Position	(150,403)	25,000
NET POSITION - Beginning of Year	<u>1,320,923</u>	<u>1,295,923</u>
NET POSITION - END OF YEAR	<u>\$ 1,170,520</u>	<u>\$ 1,320,923</u>

LAFAYETTE MANOR NURSING HOME OF LAFAYETTE COUNTY

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from and on behalf of residents	\$ 3,880,057	\$ 4,166,416
Cash paid to suppliers and contractors for goods and services	(1,180,614)	(1,848,729)
Cash payments to employees for operating payroll	(3,514,724)	(3,063,141)
Net Cash Flows From Operating Activities	(815,281)	(745,454)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	14	73
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
General property tax revenues	298,885	429,211
Intergovernmental grants	491,714	463,800
Transfers in	48,929	4,026
Transfers out	-	(70,255)
Net Cash Flows From Noncapital Financing Activities	839,528	826,782
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Donations	-	3,666
Acquisition of capital assets	(58,417)	-
Net Cash Flows From Capital and Related Financing Activities	(58,417)	3,666
Net Change in Cash and Cash Equivalents	(34,156)	85,067
CASH AND CASH EQUIVALENTS - Beginning of Year	91,047	5,980
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 56,891	\$ 91,047

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Loss	\$ (989,972)	\$ (805,561)
Nonoperating income	27	41
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities		
Depreciation	81,993	87,744
Change in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources		
Resident receivables, net	(36,901)	(22,518)
Inventories	7,477	(3,279)
Prepaid items	1,894	(5,023)
Accounts payable	(11,488)	(2,732)
Due to other funds	-	(202,597)
Accrued payroll and fringe benefits	(8,103)	(40,535)
Due to/from other governments	(12,606)	237,904
Resident trust funds	(4,701)	5,163
Pension-related amounts	150,403	(10,263)
Compensated absences	<u>6,696</u>	<u>16,202</u>
 NET CASH FLOWS FROM OPERATING ACTIVITIES	 <u>\$ (815,281)</u>	 <u>\$ (745,454)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
None		
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and investments	\$ 50,749	\$ 80,204
Restricted assets - resident trust funds	<u>6,142</u>	<u>10,843</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 56,891</u>	 <u>\$ 91,047</u>