

LAFAYETTE COUNTY

Darlington, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013

LAFAYETTE COUNTY

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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, 2013, 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. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Memorial Healthcare Foundation, Inc., is based solely on the report 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, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note I, Lafayette County adopted the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

As discussed in Note I, Lafayette County adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules 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.

To the Finance Committee and the Board of Supervisors
Lafayette County

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.

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 combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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 combining financial statements are fairly stated in all material respects, in relation to the basic financial statements 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
July 2, 2014

LAFAYETTE COUNTY

STATEMENT OF NET POSITION As of December 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Totals	
ASSETS				
Cash and investments	\$ 4,655,870	\$ 353,584	\$ 5,009,454	\$ 223,326
Receivables (net of allowance for uncollectibles)				
Taxes	4,626,398	2,220,624	6,847,022	-
Delinquent taxes	579,531	-	579,531	-
Accounts	150,584	2,384,568	2,535,152	-
Other	-	25,491	25,491	-
Loans	28,138	-	28,138	-
Internal balances	94,010	(94,010)	-	-
Estimated third party payors settlements		250,000	250,000	
Due from other governments	429,730	698,002	1,127,732	-
Due from Medicare	-	273,000	273,000	-
Due from Medicaid		48,861	48,861	
Inventories	-	988,365	988,365	-
Prepaid items	277,707	299,575	577,282	3,688
Restricted Assets				
Cash and investments	369,913	5,384	375,297	-
Capital Assets				
Land	16,000	93,476	109,476	-
Construction in progress	261,046	185,569	446,615	-
Other capital assets, net of accumulated depreciation	13,073,063	7,368,976	20,442,039	-
Total Assets	24,561,990	15,101,465	39,663,455	227,014
LIABILITIES				
Accounts payable	319,309	845,794	1,165,103	-
Accrued liabilities	312,255	306,492	618,747	-
Due to other governmental units	225,515	-	225,515	8,000
Unearned revenue	-	232,198	232,198	4,750
Deposits	37,041	-	37,041	-
Liabilities payable from restricted assets	-	5,384	5,384	-
Noncurrent Liabilities				
Due within one year	360,649	681,747	1,042,396	-
Due in more than one year	865,420	1,281,762	2,147,182	-
Total Liabilities	2,120,189	3,353,377	5,473,566	12,750
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	4,626,398	2,283,662	6,910,060	-
NET POSITION				
Net investment in capital assets	13,038,642	7,181,594	20,220,236	-
Restricted				
Grant purposes	446,251	-	446,251	-
Jail improvement	69,584	-	69,584	-
Land information	86,062	-	86,062	-
Donor-restricted	1,697	-	1,697	-
Revolving loans	361,010	-	361,010	-
Debt service	12,438	-	12,438	-
Unrestricted	3,799,719	2,282,832	6,082,551	214,264
TOTAL NET POSITION	\$ 17,815,403	\$ 9,464,426	\$ 27,279,829	\$ 214,264

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental activities			
General government	\$ 2,233,566	\$ 401,521	\$ 323,703
Public safety	3,069,162	223,475	88,720
Public works	475,194	-	-
Health and human services	5,054,604	1,150,734	1,999,905
Culture, recreation and education	544,217	147,744	35,692
Conservation and economic development	489,446	62,704	215,312
Interest and fiscal charges	<u>18,358</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>11,884,547</u>	<u>1,986,178</u>	<u>2,663,332</u>
Business-type Activities			
Lafayette Manor	4,736,853	3,386,064	576,800
Memorial Hospital	12,838,165	13,093,997	341,128
Highway	<u>4,405,217</u>	<u>3,124,936</u>	<u>764,730</u>
Total Business-type Activities	<u>21,980,235</u>	<u>19,604,997</u>	<u>1,682,658</u>
Total Primary Government	<u>\$ 33,864,782</u>	<u>\$ 21,591,175</u>	<u>\$ 4,345,990</u>
Component Unit			
Memorial Healthcare Foundation, Inc.	<u>30,944</u>	<u>29,891</u>	<u>-</u>
General Revenues			
Taxes			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
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 (as restated)			
NET POSITION - ENDING			

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	Component Unit
\$ (1,508,342)	\$ -	\$ (1,508,342)	\$ -
(2,756,967)	-	(2,756,967)	-
(475,194)	-	(475,194)	-
(1,903,965)	-	(1,903,965)	-
(360,781)	-	(360,781)	-
(211,430)	-	(211,430)	-
(18,358)	-	(18,358)	-
<u>(7,235,037)</u>	<u>-</u>	<u>(7,235,037)</u>	<u>-</u>
-	(773,989)	(773,989)	-
-	596,960	596,960	-
-	(515,551)	(515,551)	-
-	(692,580)	(692,580)	-
(7,235,037)	(692,580)	(7,927,617)	-
-	-	-	(1,053)
4,481,658	-	4,481,658	-
125,802	-	125,802	-
-	2,116,000	2,116,000	-
759,586	-	759,586	-
43,233	-	43,233	-
1,678,613	-	1,678,613	-
206,706	376	207,082	1,220
53,676	44,905	98,581	-
<u>1,451,894</u>	<u>(1,451,894)</u>	<u>-</u>	<u>-</u>
<u>8,801,168</u>	<u>709,387</u>	<u>9,510,555</u>	<u>1,220</u>
1,566,131	16,807	1,582,938	167
<u>16,249,272</u>	<u>9,447,619</u>	<u>25,696,891</u>	<u>214,097</u>
<u>\$ 17,815,403</u>	<u>\$ 9,464,426</u>	<u>\$ 27,279,829</u>	<u>\$ 214,264</u>

See accompanying notes to financial statements.

LAFAYETTE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2013

	<u>General</u>	<u>Human Services</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 4,207,645	\$ 237,930	\$ 210,295	\$ 4,655,870
Receivables				
Taxes	2,551,102	1,804,424	270,872	4,626,398
Delinquent taxes	579,531	-	-	579,531
Accounts	88,735	61,286	563	150,584
Loans (net of allowances for uncollectibles)	-	-	28,138	28,138
Due from other funds	94,010	-	-	94,010
Due from other governments	305,445	94,212	30,073	429,730
Prepaid items	246,270	26,731	4,706	277,707
Restricted assets				
Cash and investments	-	37,041	332,872	369,913
TOTAL ASSETS	\$ 8,072,738	\$ 2,261,624	\$ 877,519	\$ 11,211,881
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 182,251	\$ 131,596	\$ 5,462	\$ 319,309
Accrued liabilities	272,938	35,292	4,025	312,255
Due to other governments	60,835	164,680	-	225,515
Deposits	-	37,041	-	37,041
Total Liabilities	<u>516,024</u>	<u>368,609</u>	<u>9,487</u>	<u>894,120</u>
Deferred Inflows of Resources				
Unearned revenue	2,551,102	1,804,424	270,872	4,626,398
Unavailable revenue	137,927	88,591	11,518	238,036
Total Deferred Inflows of Resources	<u>2,689,029</u>	<u>1,893,015</u>	<u>282,390</u>	<u>4,864,434</u>
Fund Balances				
Nonspendable	667,003	-	4,706	671,709
Restricted	398,804	-	580,936	979,740
Committed	750,000	-	-	750,000
Assigned	543,248	-	-	543,248
Unassigned	<u>2,508,630</u>	<u>-</u>	<u>-</u>	<u>2,508,630</u>
Total Fund Balances	<u>4,867,685</u>	<u>-</u>	<u>585,642</u>	<u>5,453,327</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,072,738	\$ 2,261,624	\$ 877,519	

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 (see Note II. A.).	13,350,109
Some receivables that are not currently available are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements (see Note IV. C.).	238,036
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds (see Note II. A.).	<u>(1,226,069)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 17,815,403

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, 2013

	General	Human Services	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 3,561,514	\$ 1,747,007	\$ 281,103	\$ 5,589,624
Intergovernmental	2,317,453	1,450,906	181,051	3,949,410
Licenses and permits	59,224	-	-	59,224
Fines, forfeitures and penalties	71,852	12,461	-	84,313
Public charges for services	1,183,043	815,971	32,919	2,031,933
Investment income	43,367	-	2,897	46,264
Miscellaneous	240,663	650	14,091	255,404
Total Revenues	<u>7,477,116</u>	<u>4,026,995</u>	<u>512,061</u>	<u>12,016,172</u>
EXPENDITURES				
Current				
General government	2,249,699	-	-	2,249,699
Public safety	3,098,754	-	-	3,098,754
Health and human services	1,145,568	3,561,345	346,443	5,053,356
Culture, recreation and education	545,245	-	-	545,245
Conservation and economic development	475,178	-	-	475,178
Debt Service				
Principal	-	-	470,878	470,878
Interest and fiscal charges	-	-	18,358	18,358
Total Expenditures	<u>7,514,444</u>	<u>3,561,345</u>	<u>835,679</u>	<u>11,911,468</u>
Excess (deficiency) of revenues over expenditures	<u>(37,328)</u>	<u>465,650</u>	<u>(323,618)</u>	<u>104,704</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	778,659	-	363,434	1,142,093
Transfers out	<u>(1,023,625)</u>	<u>(465,650)</u>	<u>-</u>	<u>(1,489,275)</u>
Total Other Financing Sources (Uses)	<u>(244,966)</u>	<u>(465,650)</u>	<u>363,434</u>	<u>(347,182)</u>
Net Change in Fund Balance	<u>(282,294)</u>	<u>-</u>	<u>39,816</u>	<u>(242,478)</u>
FUND BALANCES - Beginning	<u>5,149,979</u>	<u>-</u>	<u>545,826</u>	<u>5,695,805</u>
FUND BALANCES - ENDING	<u>\$ 4,867,685</u>	<u>\$ -</u>	<u>\$ 585,642</u>	<u>\$ 5,453,327</u>

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, 2013

Net change in fund balances - total governmental funds	\$ (242,478)
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 expenditures in the fund financial statements but are capitalized in the government-wide financial statements	2,081,693
Depreciation is reported in the government-wide statements	(692,339)
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.	(20,845)
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.	(17,388)
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.	470,878
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.	
Compensated absences	<u>(13,390)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,566,131</u>

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2013

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals Current Year</u>
	<u>Lafayette Manor</u>	<u>Memorial Hospital</u>	<u>Highway</u>	
ASSETS				
Current Assets				
Cash and investments	\$ -	\$ 26,126	\$ 327,458	\$ 353,584
Taxes receivable	263,464	-	1,957,160	2,220,624
Patient receivables, net of estimated uncollectibles	-	2,117,110	-	2,117,110
Resident receivables, net of estimated uncollectibles	267,458	-	-	267,458
Other receivables	-	25,491	-	25,491
Estimated third party payors settlements	-	250,000	-	250,000
Due from other governments	-	-	698,002	698,002
Due from Medicare	-	273,000	-	273,000
Due from Medicaid	-	48,861	-	48,861
Inventories	39,659	367,731	580,975	988,365
Prepaid items	65,378	196,349	37,848	299,575
Total Current Assets	<u>635,959</u>	<u>3,304,668</u>	<u>3,601,443</u>	<u>7,542,070</u>
Noncurrent Assets				
Restricted assets				
Resident trust funds	5,384	-	-	5,384
Capital assets				
Land	18,020	19,799	55,657	93,476
Construction in progress	-	74,500	111,069	185,569
Depreciable capital assets, net of accumulated depreciation	821,254	4,192,334	2,355,388	7,368,976
Total Noncurrent Assets	<u>844,658</u>	<u>4,286,633</u>	<u>2,522,114</u>	<u>7,653,405</u>
Total Assets	<u>1,480,617</u>	<u>7,591,301</u>	<u>6,123,557</u>	<u>15,195,475</u>

Business-type Activities - Enterprise Funds

	<u>Lafayette Manor</u>	<u>Memorial Hospital</u>	<u>Highway</u>	<u>Totals Current Year</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 66,952	\$ 546,369	\$ 232,473	\$ 845,794
Due to other funds	94,010	-	-	94,010
Accrued payroll and fringe benefits	80,113	121,446	104,933	306,492
Current portion of compensated absences	137,910	221,041	58,804	417,755
Current portion of capital leases payable	-	114,583	15,184	129,767
Current portion of land contract payable	-	-	11,758	11,758
Current portion of long-term debt	-	122,467	-	122,467
Unearned revenue	-	-	232,198	232,198
Total Current Liabilities	<u>378,985</u>	<u>1,125,906</u>	<u>655,350</u>	<u>2,160,241</u>
Noncurrent Liabilities				
Resident trust funds	5,384	-	-	5,384
Compensated absences	277,620	446,054	355,653	1,079,327
Capital leases payable	-	123,177	-	123,177
Land contract payable	-	-	16,883	16,883
Long-term debt	-	62,375	-	62,375
Total Noncurrent Liabilities	<u>283,004</u>	<u>631,606</u>	<u>372,536</u>	<u>1,287,146</u>
Total Liabilities	<u>661,989</u>	<u>1,757,512</u>	<u>1,027,886</u>	<u>3,447,387</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	263,464	-	2,020,198	2,283,662
NET POSITION				
Net investment in capital assets	839,274	3,864,031	2,478,289	7,181,594
Unrestricted (deficit)	<u>(284,110)</u>	<u>1,969,758</u>	<u>597,184</u>	<u>2,282,832</u>
TOTAL NET POSITION	<u>\$ 555,164</u>	<u>\$ 5,833,789</u>	<u>\$ 3,075,473</u>	<u>\$ 9,464,426</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, 2013

	Business-type Activities - Enterprise Funds			
	Lafayette Manor	Memorial Hospital	Highway	Totals Current Year
OPERATING REVENUES				
Charges for services	\$ 3,280,757	\$ 13,044,259	\$ 3,124,936	\$ 19,449,952
Other operating revenue	105,307	49,738	-	155,045
Total Operating Revenues	3,386,064	13,093,997	3,124,936	19,604,997
OPERATING EXPENSES				
Lafayette Manor expenses	4,655,062	-	-	4,655,062
Memorial Hospital expenses	-	12,221,586	-	12,221,586
Highway expenses	-	-	5,910,976	5,910,976
Depreciation and amortization	81,791	599,143	293,317	974,251
Total Operating Expenses	4,736,853	12,820,729	6,204,293	23,761,875
Operating Income (Loss)	(1,350,789)	273,268	(3,079,357)	(4,156,878)
NONOPERATING REVENUES (EXPENSES)				
General property taxes	-	-	2,116,000	2,116,000
Nonoperating income	-	71,834	-	71,834
Investment income	3	373	-	376
Interest expense	-	(17,436)	-	(17,436)
Loss on disposal of capital assets	-	(33,574)	-	(33,574)
Intergovernmental grants	576,800	341,128	764,730	1,682,658
Donations	2,395	4,250	-	6,645
Total Nonoperating Revenues	579,198	366,575	2,880,730	3,826,503
Income (Loss) Before Transfers	(771,591)	639,843	(198,627)	(330,375)
TRANSFERS				
Transfers in	771,591	-	-	771,591
Transfers out	-	(424,409)	-	(424,409)
Total Transfers	771,591	(424,409)	-	347,182
Change in Net Position	-	215,434	(198,627)	16,807
NET POSITION - Beginning	555,164	5,618,355	3,274,100	9,447,619
NET POSITION - ENDING	\$ 555,164	\$ 5,833,789	\$ 3,075,473	\$ 9,464,426

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds			
	Lafayette Manor	Memorial Hospital	Highway	Totals Current Year
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES				
Cash received from and on behalf of residents, patients and users	\$ 3,428,390	\$ 11,989,372	\$ 2,976,374	\$ 18,394,136
Cash paid to suppliers and contractors for goods and services	(1,600,386)	(6,386,889)	(4,375,499)	(12,362,774)
Cash payments to employees for operating payroll	(3,130,569)	(5,694,343)	(1,393,397)	(10,218,309)
Net Cash Flows From (Used For) Operating Activities	(1,302,565)	(91,860)	(2,792,522)	(4,186,947)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	3	373	-	376
Net Cash Flows From Investing Activities	3	373	-	376
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
General property tax revenues	-	-	2,116,000	2,116,000
Transfers in	771,591	-	-	771,591
Transfers out	-	(424,409)	-	(424,409)
Intergovernmental grants	576,800	209,196	764,730	1,550,726
Nonoperating income	-	71,834	-	71,834
Net Cash Flows From Noncapital Financing Activities	1,348,391	(143,379)	2,880,730	4,085,742
CASH FLOWS USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments on capital leases	-	(118,678)	(38,766)	(157,444)
Donations	2,395	4,250	-	6,645
Payments on long-term debt	-	(119,452)	(12,616)	(132,068)
Interest paid	-	(18,698)	-	(18,698)
Acquisition of capital assets	(47,072)	(563,148)	(182,729)	(792,949)
Net Cash Flows Used for Capital and Related Financing Activities	(44,677)	(815,726)	(234,111)	(1,094,514)
Net Increase (Decrease) in Cash and Cash Equivalents	1,152	(1,050,592)	(145,903)	(1,195,343)
CASH AND CASH EQUIVALENTS - Beginning of Year	4,232	1,076,718	473,361	1,554,311
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,384	\$ 26,126	\$ 327,458	\$ 358,968

	Business-type Activities - Enterprise Funds			
	Lafayette Manor	Memorial Hospital	Highway	Totals Current Year
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ (1,350,789)	\$ 273,268	\$(3,079,357)	\$ (4,156,878)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From (Used For) Operating Activities				
Depreciation and amortization	81,791	599,143	293,317	974,251
Change in Assets and Liabilities				
Resident receivables, net	36,942	-	-	36,942
Patient receivables, net	-	(415,903)	-	(415,903)
Other receivable	-	26,703	(167,216)	(140,513)
Estimated third party payor settlements	-	(715,425)	-	(715,425)
Inventory	2,295	30,205	(94,015)	(61,515)
Prepaid items	1,687	1,335	(632)	2,390
Accounts payable	(38,024)	183,284	180,906	326,166
Due to other funds	2,537	-	-	2,537
Accrued payroll and fringe benefits	2,008	(4,727)	31,473	28,754
Resident trust funds	5,384	-	-	5,384
Compensated absences	(46,396)	(69,743)	24,348	(91,791)
Unearned revenue	-	-	18,654	18,654
NET CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES	<u>\$ (1,302,565)</u>	<u>\$ (91,860)</u>	<u>\$(2,792,522)</u>	<u>\$ (4,186,947)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and investments - statement of net position - proprietary funds	\$ 5,384	\$ 26,126	\$ 327,458	\$ 358,968
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,384</u>	<u>\$ 26,126</u>	<u>\$ 327,458</u>	<u>\$ 358,968</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital assets acquired through capital leases	\$ -	\$ 83,964	\$ -	\$ 83,964

See accompanying notes to financial statements.

LAFAYETTE COUNTY

STATEMENT OF ASSETS AND LIABILITIES

AGENCY FUNDS

As of December 31, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 203,658
Taxes receivable	171,885
Due from other governments	<u>54,879</u>
TOTAL ASSETS	<u>\$ 430,422</u>
LIABILITIES	
Due to other taxing units	\$ 171,885
Accounts payable	1,745
Funds held for others	<u>256,792</u>
TOTAL LIABILITIES	<u>\$ 430,422</u>

See accompanying notes to financial statements.

LAFAYETTE COUNTY

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LAFAYETTE COUNTY

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LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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).

A. 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 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 IV.L. 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, 2013. 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, 2013

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

In November 2010, the GASB issued Statement No. 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This standard was implemented effective January 1, 2013. See Note IV.L.

In March 2012, the GASB issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

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 reporting entity 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 equity, revenues, and expenditure/expenses.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

Fund Financial Statements (cont.)

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

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% 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.

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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

Fund Financial Statements (cont.)

The county reports the following non-major governmental funds:

Special Revenue Fund – 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, Nurse Scholarship, DMV Vehicle Service, Bond Trust, Tri-County Trails Commission, and Tax Collection.

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 unearned revenue. 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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

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 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 unearned revenues. 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 prior to the entitlement period (excluding time) are met as 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.

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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

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 and liabilities 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, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

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

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.

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. Fair values are based on quoted market prices. 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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

1. Deposits and Investments (cont.)

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, 2013, 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 IV.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 governmental units on the Statement of Assets and Liabilities – Agency Funds.

Property tax calendar – 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale – 2013 delinquent real estate taxes	October 2016

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, 2013, 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 \$420,733.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

2. Receivables (cont.)

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.

The carrying amount of patient receivables at the hospital is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision. Refer to Note IV.C.

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".

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, 2013, 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 IV.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 COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

2. Receivables (cont.)

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 \$1,775,000 from the Title XIX residents in 2013. 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 \$660,000 from the Medicare Program in 2013. 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 and third-party payor obligations. The Hospital does not charge interest on its patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

3. Due from Medicare

Due from Medicare represents the incentive payments to hospitals and physicians that implement and meaningfully use electronic health technology by 2014. See Note IV.E.

4. Net Patient Service Revenue

Net patient services revenue is recorded at the estimated net realizable amounts from patients, third-party payers, and other for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future period, as final settlements are determined.

5. 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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

6. 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.

7. 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.

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

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

7. Capital Assets (cont.)

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.

8. Compensated Absences

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

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 health insurance paid from their accumulated sick leave. 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 approximately \$1,662,030, and was estimated using probabilities based on the age of each employee.

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, 2013 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/Conduit Debt

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. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in the statement of net position.

The county does not engage in conduit debt transactions.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

10. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position 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.
- 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.

Fund Statements

Governmental fund equity is classified as fund balance and 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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

11. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) Board identification, 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. 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.

The stabilization fund is contained as a restricted 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 IV.K.

12. Charity Care

To fulfill its mission of community service, the Hospital provides charity care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. See Note IV.B.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position.

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.

Land	\$ 16,000
Construction in progress	261,046
Buildings and improvements	2,010,443
Machinery and equipment	1,550,413
Infrastructure	22,035,223
Less: Accumulated depreciation	<u>(12,523,016)</u>
Combined Adjustment for Capital Assets	<u>\$ 13,350,109</u>

Long-term liabilities applicable to the county's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net position.

Bonds and notes payable	\$ 311,467
Compensated absences	<u>914,602</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 1,226,069</u>

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

<u>Funds</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
Aging	\$ 332,161	\$ 346,443	\$ 14,282
Debt service	125,802	489,236	363,434

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.

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. 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.

LAFAYETTE COUNTY

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

A. DEPOSITS AND INVESTMENTS (cont.)

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

	Carrying Value	Statement Balance	Associated Risks
Deposits	\$ 5,501,633	\$ 6,095,003	Custodial credit
LGIP	42,231	42,231	Credit
Petty cash	1,850	-	N/A
Cash on hand	42,695	-	N/A
 Total Cash and Investments	 \$ 5,588,409	 \$ 6,137,234	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 5,009,454		
Restricted cash and investments	375,297		
Per statement of assets and liabilities –			
Agency Funds	203,658		
 Total Cash and Investments	 \$ 5,588,409		

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, 2013, the banks had pledged various government securities with a par amount of \$3,000,000 to secure the county's deposits.